

**REPORT OF THE FIFTY-SECOND SESSION OF THE ADVISORY BODY
ON ADMINISTRATIVE AND FINANCIAL MATTERS****1. Opening of the session**

- 1.1 The Fifty-Second Session of the Advisory Body on Administrative and Financial Matters (ABAF) was held from 7 to 9 June 2022 in “hybrid” meeting mode, with both in-person and online attendance by members. The following members participated: Mr John Foggo (Chairperson), Ms Fatima Hamdia Tanweer, Mr Bahram Jamali, Ms Hollie Marie Mance, Mr Hans-Christian Mangelsdorf, Mr Anton Minaev, Ms Yoko Sakurai, and Ms Qian Wang. Mr Milan Kerber (Vice-Chairperson) and Mr Pankaj Agarwal did not participate. Mr Ashutosh Jindal, nominated to the ABAF for consideration at the 100th Session of the Executive Council (hereinafter “the Council”), participated as an observer.
- 1.2 The list of documents presented to the ABAF for this session is included as the Annex to this report.
- 1.3 The Deputy Director-General of the Technical Secretariat (hereinafter “the Secretariat”) of the Organisation for the Prohibition of Chemical Weapons (OPCW) welcomed the ABAF members with a brief statement at the opening of the session. She expressed appreciation for the ABAF’s very important service to the OPCW and acknowledged the nomination by India of Mr Ashutosh Jindal to replace Mr Pankaj Agarwal as an ABAF member. Pending consideration of that nomination by the Council, Mr Jindal was invited to attend this session of the ABAF as an observer, in line with past practice.
- 1.4 Referring to the agenda for the session, the Deputy Director-General noted that a number of important issues were to be addressed by the ABAF, including the status of the OPCW’s 2022 financial performance to date, 2021 programme performance, an introductory meeting with the new External Audit team, and a status report on the OPCW Centre for Chemistry and Technology project (the ChemTech Centre).
- 1.5 Turning to 2022 financial performance, the Deputy Director-General indicated that as at the end of May 2022, the overall rate of cash inflows was lagging behind the forecast for the year. Taking into account the trends from 2019, 2020, and 2021, it was anticipated that it may be necessary to use the Working Capital Fund (WCF) in order to maintain liquidity in 2022. However, in this case, the WCF at its fully funded level of EUR 8.1 million would only be able to sustain operational requirements for a short period of time.



- 1.6 Against this backdrop, the Deputy Director-General emphasised that the timely receipt of assessed contributions remains critical in order to ensure that the OPCW is able to sustain liquidity and deliver the Organisation's programmes.
- 1.7 The Deputy Director-General reported that the COVID-19 pandemic continued to impact the Organisation's operations in 2021, particularly with regard to activities that rely heavily on official travel and in-person meetings. This had resulted in an overall lower budget implementation rate for the year than the traditional OPCW norm. Nevertheless, the Secretariat had managed to maintain all business-critical functions, including meetings of the policy-making organs, while further adapting and expanding its tools for business continuity with the strong support of States Parties.
- 1.8 With regard to the 2021 Financial Statements, the Deputy Director-General noted that pursuant to a recommendation of the former External Auditor, and with the understanding of the ABAF, the Secretariat had requested and obtained from the Conference of the States Parties (hereinafter "the Conference") at its Twenty-Sixth Session authorisation to delay the submission of the certified 2021 OPCW Financial Statements to the External Auditor beyond the standard 31 March deadline. This was done in anticipation of new challenges posed by closing the Organisation's books for the first time in the new enterprise resource planning (ERP) system. She further reported that the Secretariat had submitted the 2021 Financial Statements to the External Auditor on 31 May, as anticipated, and that it was expected that the External Auditor would present their audit report to the Fifty-Third Session of the ABAF in July 2022. Within this context, the Deputy-Director General noted that the ABAF would have an introductory meeting with representatives of the new External Auditor, the Comptroller and Auditor General of India, at the current ABAF session.
- 1.9 Regarding the ChemTech Centre, the Deputy Director-General was pleased to report that the construction of the new facility was continuing on schedule and on budget, in spite of global inflationary and supply pressures.
- 1.10 The Deputy Director-General concluded her remarks by emphasising that the Secretariat once again looked forward to supporting the deliberations of the ABAF, and thanked the ABAF members for their important contributions to the work of the OPCW.

2. Adoption of the agenda

The ABAF adopted the following agenda for its Fifty-Second Session:

1. Opening of the session
2. Adoption of the agenda
3. Review of the report of the previous session and the Director-General's response
4. Review of the status of previous ABAF recommendations
5. Introductory matters
 - (a) ABAF members as per the decisions of the Ninety-Eighth and Ninety-Ninth Sessions of the Executive Council

- (b) Election of the Vice-Chairperson of the ABAF
 - (c) Financial updates: cash position, status of collection of assessed contributions and reimbursements, Working Capital Fund
6. Status of 2022 financial performance (to date)
 7. 2021 programme performance
 8. 2021 budget transfers
 9. Report of the Office of Internal Oversight for the year ending 31 December 2021
 10. Introductory meeting with the new External Auditor
 11. Update on long-standing trust fund and reserve balances
 12. Progress in results-based management
 13. Update on the OPCW Centre for Chemistry and Technology project
 14. Update on the Working Group on the Manner of Appointment of the External Auditor
 15. The Office of Internal Oversight's proposed changes to the Financial Regulations and Rules
 16. Any other business
 17. Next session and agenda
 18. Adoption of the report

3. Review of the report of the previous session and the Director-General's response

The ABAF had no comments on its previous report. Regarding the Director-General's response to the report, specifically concerning the question of whether the Secretariat would be seeking to introduce a concept of zero real growth at the OPCW, the ABAF encouraged the Secretariat to use all appropriate opportunities and fora to explain the matter, as well as the Secretariat's recommended approach at the policy level, to States Parties. The Fifth Review Conference¹ was noted as an important near-term opportunity for such consultations.

4. Review of the status of previous ABAF recommendations

- 4.1 The Secretariat provided a summary presentation on the status of implementation of previous recommendations and reported that over the intersessional period, six recommendations had been implemented, 12 recommendations were being implemented on a recurring or ongoing basis, and five recommendations had been deferred or considered.

¹ The Fifth Special Session of the Conference of the States Parties to Review the Operation of the Chemical Weapons Convention.

- 4.2 The ABAF encouraged the Secretariat to further pursue the ABAF's previous suggestion that summary reports of State Party voting rights status be provided as conference room papers during formal meetings of the policy-making organs. The ABAF also reiterated its advice to examine whether a key performance indicator (KPI) could be developed and effectively applied to linguistic services provided by the Secretariat.
- 4.3 Acknowledging the usefulness of a periodic review of the status of implementation of its recommendations by the Secretariat, the ABAF assessed that conducting such a review once per year at one of the regular ABAF sessions, as originally envisioned, would be the preferred approach. The ABAF therefore decided to include the next review on the agenda of its Fifty-Fourth Session.

5. Introductory matters

Subitem 5(a): ABAF members as per the decision of the Ninety-Eighth and Ninety-Ninth Sessions of the Executive Council

- 5.1 The Chairperson welcomed ABAF members to the Board's Fifty-Second Session and noted his own reappointment by the Council at its Ninety-Ninth Session. He also acknowledged the nomination by India of Mr Ashutosh Jindal to serve on the ABAF, noting that in line with routine practice, Mr Jindal was welcome to attend this session as an observer pending consideration of his nomination by the Council at its 100th Session.

Subitem 5(b): Election of the Vice-Chairperson of the ABAF

- 5.2 At this session, the ABAF membership re-elected Mr Milan Kerber as Vice-Chairperson.

Subitem 5(c): Financial updates: cash position, status of collection of assessed contributions and reimbursements, Working Capital Fund

- 5.3 The Secretariat informed the ABAF that the General Fund cash balance of the Organisation as at 31 May 2022 was EUR 8.8 million, which was higher than at the same time last year (EUR 5.4 million).
- 5.4 With regard to the status of assessed contributions from States Parties as at 31 May 2022, the ABAF noted that the collection rate was lower (43.26%) compared to the previous year (46.32%). The ABAF reiterated once again its serious concerns regarding the delays in the collection of assessed contributions and encouraged the Secretariat to continue to remind States Parties of their obligations to pay under Regulation 5.4 of the OPCW Financial Regulations and Rules.
- 5.5 On the issue of the status of the Organisation's reimbursements under Articles IV and V of the Chemical Weapons Convention, the ABAF was informed that approximately EUR 5.6 million was outstanding for Article IV and V reimbursements as at 31 May 2022. The ABAF restated its serious concern about the strategic impact that the cumulative outstanding balance of late assessed contributions and reimbursements of inspections invoiced under Articles IV and V was having on the OPCW.
- 5.6 Concerning the WCF, the Secretariat indicated that the current level of the WCF as at 31 May 2022 was approximately EUR 8.1 million. The Secretariat indicated that should the WCF need to be drawn upon in 2022, in the absence of significant movements in the receipt of assessed contributions, the WCF would sustain operational liquidity for only a short period. The ABAF noted the operational risk that this situation poses to the Organisation and reiterated its serious concerns regarding the delays in the collection of assessed contributions.

6. Status of 2022 financial performance (to date)

The ABAF reviewed the Secretariat's implementation of the 2022 Programme and Budget and was informed that as at 30 April 2022, the budget of EUR 70.4 million (before extraordinary provisions) had been 38.08% obligated, which was somewhat lower compared to the same point in the previous year (35.46%). The Secretariat noted that operational restrictions imposed by the continuing COVID-19 pandemic, particularly with regard to travel, had eased somewhat in the first part of 2022, but had not yet returned to pre-pandemic levels. At the same time, rising inflation, particularly on utilities (gas and electricity) and travel costs, was creating budgetary pressures. In response to an ABAF query as to whether the 2022 budget would be adequate to cover rising in-year costs, the Secretariat responded that the situation was being monitored closely and that it anticipated that some intra- and inter-programme transfers would be necessary and appropriate to ensure full coverage of core operating platform costs.

7. 2021 programme performance

The Secretariat provided a presentation on programme performance for 2021, based on the results reported for the programmatic KPIs. In presenting the topic, the Secretariat noted that the format for the annual performance report had been enhanced in line with a recommendation of the former External Auditor, and now includes KPI results for the two prior years for comparison and trend-spotting purposes.

8. 2021 budget transfers

8.1 The ABAF received a presentation on intra- and inter-programme budget transfers in 2021. The transfers totalled EUR 1.6 million and were required mainly to cover staff costs, including obligatory in-year unbudgeted changes to the salary scales as decided by the International Civil Service Commission. The Secretariat emphasised that all transfers had been conducted in line with the Organisation's Financial Regulations and Rules.

8.2 The ABAF was pleased to note the Secretariat's assurance that all transfers had been made without detriment to the activities approved under their respective programmes.

9. Report of the Office of Internal Oversight for the year ending 31 December 2021

9.1 The ABAF received a presentation from the Office of Internal Oversight (OIO) on its annual report for the period from 1 January to 31 December 2021 (EC-100/DG.3 C-27/DG.2, dated 11 April 2022) and the Note by the Director-General on the recommendations contained in the OIO's annual report for the period 1 January to 31 December 2020 (EC-100/DG.5, dated 16 May 2022).

9.2 The ABAF congratulated the OIO on its comprehensive report and had a number of queries, including: whether the shift from in-person to online working during the COVID-19 pandemic had impacted the OIO's evaluations; the status of the OIO's investigative role, including recent developments in the anti-fraud and whistle-blower policy frameworks; and whether the OIO was satisfied with the level of implementation of its recommendations within the Secretariat.

- 9.3 The OIO responded that the shift to largely remote working during the COVID-19 pandemic had initially impacted its work, due to the lack of necessary collaborative tools. The OIO's KPIs for the period in question reflected that fact. However, in the meantime, the Secretariat has adopted tools and working methods that have allowed the OIO to effectively perform its work, including in remote working formats as and when required.
- 9.4 Regarding the status of the OIO's investigative role, the OIO explained that investigations, primarily into fraud, had always been part of the OIO's mandate, but that in recent years it had been largely outsourced to consultants because the OIO did not have the appropriate in-house resources. With the redesign of one of the OIO professional staff roles to include an investigation responsibility, and subsequent corresponding recruitment, this has now been rectified. At the same time, the OIO is leading efforts to further develop the Secretariat's anti-fraud policy framework. This new framework includes an updated whistle-blowing policy, starting with the promulgation in May 2022 of the revised staff Code of Conduct, which had not been updated in over 20 years.
- 9.5 Addressing the implementation rate for OIO recommendations, the OIO Director stated that she was quite satisfied at present, noting that there had been a positive trend in this regard over the past three years, the extra challenges of the COVID-19 pandemic notwithstanding. She added that the OIO's assessment of the quality of the implementation rate was now buttressed by data that the OIO had collected regarding the primary reasons that recommendations are not implemented, namely: resource constraints, including staffing, and the complex processes that are often required in order to adjust relevant policy frameworks. The OIO observed that most international organisations have an implementation rate in the 60–75% range, and the OPCW Secretariat was in that range with an implementation rate of 68% as at 31 December 2021.

10. Introductory meeting with the new External Auditor

- 10.1 Representatives of the new External Auditor—the Comptroller and Auditor General of India—held an introductory meeting with the ABAF. The Comptroller and Auditor General team members used this opportunity to provide a presentation on the External Auditor's workplan for its current three-year mandate.
- 10.2 The ABAF commended the workplan as ambitious and comprehensive, and commented that the new External Audit team was off to a very good start. The ABAF Chairperson observed that normally, the June ABAF meeting would receive the External Auditor's annual report. However, in light of the exceptional circumstances of the past year, including the transition to the new ERP system, authorisation had been provided to the Secretariat to submit its certified Financial Statements later than the standard 31 March deadline. Therefore, the audited OPCW 2021 Financial Statements would be on the agenda of the ABAF's Fifty-Third Session in July, and it was hoped that Comptroller and Auditor General representatives would be able to attend that meeting to present their report, whether in-person or online.

11. Update on long-standing trust fund and reserve balances

- 11.1 The Secretariat provided an update on its efforts to review and reallocate long-standing trust fund and reserve balances, commencing with identifying a selection of funds that have been "dormant" for some time now. In pursuit of this effort, the Secretariat explained that it would be reaching out to States Parties that had made contributions to the selected funds with requests to reallocate the funding to higher-priority areas.

- 11.2 The ABAF observed that this was a matter that has been pending for a long time, and encouraged the Secretariat to move ahead as quickly as possible with its efforts in order to mitigate the ongoing opportunity costs. The ABAF also recommended that the Secretariat use its review as an opportunity to reduce the number of trust funds as much as possible, surmising that there were likely areas of overlap among existing funds.

12. Progress in results-based management

- 12.1 The Secretariat provided the ABAF with a presentation on progress in implementing results-based management (RBM) within the Secretariat. In the presentation, the Secretariat explained that the RBM principle and tools had been embedded in several key management processes, namely: the programme and budget process, via costing sheets and programme narratives linking resource requests to results areas, core objectives, and medium-term goals; the programme performance framework, employing KPIs to assess implementation outcomes; and human resources performance management, which links programme objectives to staff work plans.
- 12.2 The ABAF took note of the Secretariat's presentation and emphasised the importance of RBM, including strong KPIs, in an environment with limited resources. Noting that RBM would also be an area of focus in the new External Auditor's workplan, the ABAF encouraged the Secretariat to continue its efforts to further develop and enhance RBM tools and processes as appropriate for the OPCW Secretariat's circumstances.

13. Update on the OPCW Centre for Chemistry and Technology project

- 13.1 The ABAF was provided with a presentation on the project to upgrade the OPCW Laboratory and Equipment Store to the ChemTech Centre. In its presentation, the Secretariat reported that in spite of the impact of the COVID-19 pandemic and supply chain issues, the project remained on budget and on schedule. Construction is still expected to be completed by the end of 2022, with the move to the new facility expected to take place in spring of 2023.
- 13.2 The ABAF welcomed the Secretariat's presentation and, upon the Chairperson's proposal, agreed to conduct an ABAF visit to the ChemTech Centre during the ABAF's Fifty-Fifth Session in July 2023.

14. Update on the Working Group on the Manner of Appointment of the External Auditor

- 14.1 The Secretariat provided the ABAF with an update on the efforts of the Working Group on the Manner of Appointment of the External Auditor, noting that substantial progress had been made and that the Working Group currently aims to provide a proposal for consideration by the 101st Session of the Council, with prospective subsequent approval at the Twenty-Seventh Session of the Conference. The Working Group has benefited from the ABAF's advice on the potential scoring criteria to be used in evaluating candidates for the External Auditor role. Efforts are now focused primarily on Working Group deliberations on the composition of the panel that will conduct the scoring and present its recommendation to the OPCW policy-making organs. In this context, it was observed that various possible roles for ABAF members are being considered by the Working Group.

14.2 The ABAF noted the information and observed that ABAF members serve in their individual capacity and do not represent any State Party or regional group. It is crucial that any role contemplated for ABAF members in the External Auditor candidate vetting process meticulously respect this fact. For example, the prospect of inviting a subset of ABAF members to “represent” the ABAF in the vetting process would be cause for concern. The ABAF also emphasised that it would not be appropriate to task the Secretariat with applying scores to candidate proposals, and that the Secretariat’s role in the selection process should be to provide support to the selection panel whenever necessary. Acknowledging that the Working Group was still formulating its proposal, the ABAF anticipates that it will be consulted on any possible role envisioned for the ABAF as the Working Group further develops its ideas. Against that backdrop, the ABAF concluded that it would await the Working Group’s proposal if a role is ultimately envisioned for the ABAF.

15. The Office of Internal Oversight’s proposed changes to the Financial Regulations and Rules

The OIO presented its proposal for some revisions to the OPCW Financial Regulations and Rules with a view to aligning their provisions concerning the finalisation and issuance of audit, inspection, and evaluation reports with the best practices at United Nations organisations. The ABAF reviewed and endorsed the proposed revisions, as contained in the document entitled “Presentation: OIO Proposed Changes to Financial Regulations and Rules” (line 22 of the Annex). At the same time, the ABAF commented that in future, it would be appreciated if such requests and supporting documentation could be provided more in advance of an ABAF session in order to facilitate appropriate review.

16. Any other business

At the ABAF’s request, the Secretariat provided an update on and overview of the process for preparing the draft revised budget for 2023. The Secretariat reported that the process was ongoing with programme managers within the Secretariat, and is currently limited only to addressing unforeseen or changed circumstances and resource requirements since the development of the 2022–2023 biennium Programme and Budget last year. The rise in energy and utility costs, along with generally higher global inflation, may lead to the need to make discrete revisions in certain areas. In this regard, the Secretariat would formulate a succinct draft proposal and decision to be circulated in mid-July for informal facilitations, in addition to a recommendation to be issued at the 101st Session of the Council for subsequent consideration at the Twenty-Seventh Session of the Conference. The ABAF took note of the Secretariat’s overview of the mid-biennium budget review and update process.

17. Next session and agenda

The ABAF adopted the following provisional agenda for its Fifty-Third Session, which will be held from 26 to 29 July 2022:

1. Opening of the session
2. Adoption of the agenda
3. Review of the report of the previous session

4. Introductory matters
 - (a) ABAF membership nominations and changes
 - (b) Financial updates: cash position, status of collection of assessed contributions and reimbursements, Working Capital Fund recommendations for write-offs (if any)
5. Status of 2022 financial performance (first half of 2022)
6. OPCW Financial Statements for 2021, and briefing by the External Auditor on the 2021 External Audit Report
7. Mid-biennium Draft 2023 Budget
8. Update on the Working Group on the Manner of Appointment of the External Auditor
9. Election of the Chairperson of the ABAF
10. Any other business
11. Next session and agenda
12. Adoption of the report

18. Adoption of the report

The ABAF adopted the report of its Fifty-Second Session by correspondence on 9 June 2022.

Annex: List of Information Papers and Other Documents Presented to the Advisory Body on Administrative and Financial Matters at its Fifty-Second Session

Annex**LIST OF INFORMATION PAPERS AND OTHER DOCUMENTS PRESENTED
TO THE ADVISORY BODY ON ADMINISTRATIVE AND FINANCIAL MATTERS
AT ITS FIFTY-SECOND SESSION**

Title	
1.	Agenda of the Fifty-Second Session of the Advisory Body on Administrative and Financial Matters
2.	Introductory Remarks from the Deputy Director-General of the OPCW
3.	Report of the Fifty-First Session of the Advisory Body on Administrative and Financial Matters (ABAF-51/1, dated 30 July 2021)
4.	Note by the Director-General: Comments on the Report of the Advisory Body on Administrative and Financial Matters at its Fifty-First Session (EC-98/DG.18, dated 21 September 2021)
5.	Presentation: Review of the status of previous ABAF recommendations
6.	Note by the Technical Secretariat: Nomination for Membership of the Advisory Body on Administrative and Financial Matters (EC-99/S/1, dated 14 February 2022)
7.	Note by the Technical Secretariat: Nomination for Membership of the Advisory Body on Administrative and Financial Matters (EC-100/S/1, dated 23 May 2022)
8.	Report of the Ninety-Ninth Session of the Executive Council (EC-99/2, dated 10 March 2022)
9.	Report by the Director-General: OPCW Income and Expenditure for the Period 1 January to 31 December 2021 (S/2041/2022, dated 21 March 2022)
10.	Report by the Director-General: OPCW Income and Expenditure for the Period 1 January to 31 March 2022 (S/2055/2022, dated 9 May 2022)
11.	Presentation: OPCW cash position and forecast as at 31 May 2022
12.	Presentation: Transfers of funds during 2021
13.	Note by the Director-General: Implementation in 2021 of the Recommendations Contained in the 2020 Annual Report of the Office of Internal Oversight (EC-100/DG.5, dated 16 May 2022)
14.	Note by the Director General: Annual Report of the Office of Internal Oversight for the Period from 1 January to 31 December 2021 (EC-100/DG.3 C-27/DG.2, dated 11 April 2022)
15.	Presentation: Office of Internal Oversight – OIO annual report for 2021
16.	Presentation: Comptroller and Auditor General of India – Introductory meeting
17.	Presentation: Update on long-standing trust fund and reserve balances
18.	Presentation: Progress in result-based management
19.	Note by the Technical Secretariat: Progress in the Project to Upgrade the OPCW Laboratory and Equipment Store to a Centre for Chemistry and Technology (S/2026/2022, dated 17 February 2022)
20.	Presentation: Upgrade the OPCW Centre for Chemistry and Technology
21.	Update on the Working Group on the Manner of Appointment of the External Auditor (WG-MAEA)
22.	Presentation: OIO proposed changes to the Financial Regulations and Rules