



103rd Session
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NOTE BY THE DIRECTOR-GENERAL

COMMENTS ON THE REPORT OF THE ADVISORY BODY ON ADMINISTRATIVE AND FINANCIAL MATTERS AT ITS FIFTY-FOURTH SESSION

1. At its Thirty-Fourth Session, the Executive Council (hereinafter “the Council”) requested that the Director-General, when submitting reports of the Advisory Body on Administrative and Financial Matters (ABAF) to the Council for its consideration, indicate what actions the Technical Secretariat (hereinafter “the Secretariat”) had taken in response to the recommendations of the ABAF, and what decisions are required by the Council on the report being submitted (paragraph 21.4 of EC-34/5, dated 26 September 2003).
2. The Director-General welcomes the continuing advice and support provided by the ABAF, as reflected in the conclusions it reached during its Fifty-Fourth Session (ABAF-54/1, dated 8 June 2023).

Review of the status of previous ABAF recommendations (paragraphs 4.1 to 4.2 of ABAF-54/1)

3. The Secretariat acknowledges the ABAF’s advice that recommendations that had been implemented may be removed from the active list for annual consideration at the Fifty-Sixth Session.
4. The Secretariat acknowledged the ABAF’s request that the summary of recommendations be submitted to members in advance of a session at which those recommendations would next be discussed. The Secretariat also acknowledged the ABAF’s request to make available key documents, such as the Financial Regulations and Rules, for ease of reference and will do so again in advance of the Fifty-Sixth Session and before the Fifty-Fifth Session should there be any newly nominated members of the ABAF.

Financial updates: cash position, status of collection of assessed contributions and reimbursements, Working Capital Fund (paragraphs 5.3 to 5.6 of ABAF-54/1)

5. The Secretariat notes the ABAF’s reiteration of its concerns regarding delays in the payment of assessed contributions by States Parties and the operational risk that this situation poses to the Organisation. The Secretariat would emphasise in this regard that it continues to issue periodic formal reminders throughout the year to States Parties with outstanding balances owed to the Organisation and that, according to Financial Regulation 5.4, States Parties have the responsibility to pay their assessed contributions



in full within 30 days of being notified by the Secretariat, or on the first day of the financial period to which the assessment relates, whichever is later.

Status of the 2023 financial performance (to date) (paragraph 6.1-6.3 of ABAF-54/1)

6. Recalling the ABAF's query as to whether the 2023 budget would be adequate to cover rising in-year costs, the Secretariat continues to monitor the situation closely and continues to anticipate that some intra- and inter-programme funds transfers will be necessary and appropriate to ensure full coverage of core operating platform costs. The necessity and extent of any such transfers will become clearer in the third quarter as and when the magnitude of the impact of the extraordinary global inflationary environment becomes more evident in the programmatic implementation. Certain costs, such as the salary increases mandated by the International Civil Service Commission (ICSC), have been accommodated in the projections as far as possible, although given the exceptional nature of the inflationary environment further increases are possible.

2022 budget transfers (paragraphs 7.1 to 7.3 of ABAF-54/1)

7. The Secretariat notes that the ABAF received a presentation that emphasised the significant impact of unprecedented inflation in 2022 (and in 2023). In August 2022, the ICSC announced an increase to the post adjustment multiplier (PAM) for Professional staff in the Netherlands to adjust salaries for inflation, which had exceeded the ICSC's Five Percent Rule. This change caused an increase to OPCW of approximately 7.7% in Professional staff salary costs.
8. The Secretariat acknowledges that the ABAF was pleased to note that all transfers had been made without detriment to the activities approved under their respective programmes. In this regard, the Secretariat would also emphasise that all transfers were conducted in line with the Organisation's Financial Regulations and Rules.

2022 programme performance (paragraph 8 of ABAF-54/1)

9. The Secretariat notes the ABAF's review of a presentation provided on the substance of the programme performance report for the year 2022 (S/2176/2023, dated 31 May 2023).
10. The Secretariat notes that the ABAF urged the Secretariat to regularly review the pertinence of and explanations for certain key performance indicators (KPIs), as they are an important element for States Parties to assess the overall performance of the Organisation, and further notes that the ABAF will revisit this matter at its Fifty-Fifth Session in conjunction with the next biennial budget. The Secretariat recognises the importance of ensuring the clarity and relevance of KPIs to monitor programme performance and takes note of the related ABAF discussion on progress in results-based management (paragraph 12, ABAF-54/1).

Update on long-standing trust fund and reserve balances (paragraphs 9.1 to 9.3 of ABAF-54/1)

11. The Secretariat welcome the ABAF's acknowledgement of the Secretariat's efforts to reduce the number of dormant trust funds and to consolidate them where possible.

Financial Statements of the OPCW and the report of the External Auditor for the year ending 31 December 2022 (paragraphs 10.1 to 10.8 of ABAF-54/1)

12. The Secretariat welcomes the ABAF's comments on the level of detailed information included in the Financial Statements.
13. The Secretariat notes the ABAF's observation on the growing amount of accumulated depreciation, including EUR 4.1 million of fully depreciated assets. The Organisation had been held to zero nominal growth budgets for many years before the Programme and Budget for the Biennium 2022 – 2023 and had reduced capital expenditure requirements to a minimum. Given the impact of inflation, the Secretariat does not anticipate a change to the practice of continuing to use serviceable assets beyond their initially estimated lifespan.
14. The Secretariat takes note of the ABAF's enquiries concerning the adequacy of the OPCW Provident Fund's investment policy, especially given the current inflationary environment, and welcomes the ABAF's support for the Secretariat's engagement with the United Nations Joint Staff Pension Fund (UNJSPF). The Secretariat firmly considers that, at no additional cost to the Organisation, membership of the UNJSPF would significantly improve the superannuation benefits of staff members and reduce the risks associated with maintaining an organisation-specific Provident Fund.
15. The Secretariat welcomes the ABAF's acknowledgement that the auditor's opinion on the Financial Statements was received before the date specified within the Financial Regulations and Rules. The Secretariat takes note of ABAF's requirement to ensure that the External Auditor's report is made available in advance of the June Session each year and will endeavour to ensure that this is the case.

Report of the Office of Internal Oversight for the year ending 31 December 2022 (paragraphs 11.1 to 11.7 of ABAF-54/1)

16. The Secretariat notes the ABAF's positive feedback on the report of the Office of Internal Oversight (OIO).
17. The Secretariat takes note of the ABAF's enquiries regarding the OIO's investigative role, including in relation to fraud, asset misappropriation, and other related matters. The Secretariat will continue to maintain the highest standards of internal controls. The Secretariat's existing anti-fraud policy framework, in all its components, will be reviewed and, where necessary, updated before the end of 2023.
18. The Secretariat welcomes the ABAF's satisfaction that the oldest outstanding OIO recommendations were no longer outstanding and reaffirms its commitment to reviewing and addressing recommendations in a timely manner. In this regard, the Secretariat notes that the change to Financial Regulations and Rules (C-27/DEC.10, dated 28 November 2022) will significantly improve the Secretariat's capacity to respond to OIO recommendations in a manner that ensures their timely resolution.

Progress in results-based management (paragraphs 12.1 to 12.4 of ABAF-54/1)

19. The Secretariat acknowledges that the ABAF noted its presentation on results-based management (RBM) and its plan to provide new dashboard management tools

incorporating real-time resource data following the implementation of the ERP system and welcomes the ABAF's encouragement to continue efforts to further develop and enhance RBM tools and processes as appropriate for the OPCW's circumstances.

20. The Secretariat welcomes the ABAF's assessment that it was satisfied with the current approach of developing succinct (SMART) KPIs that would be regularly reviewed in conjunction with strong internal controls being in place, as well as an annual performance audit.

Update on the OPCW Centre for Chemistry and Technology (ChemTech Centre) project (paragraphs 13.1 to 13.2 of ABAF-54/1)

21. The Secretariat thanks the ABAF for its warm welcome of the project's completion within budget and on schedule and its appreciation for the work of the project management team. The Secretariat acknowledges the ABAF's request to provide information on the financial impact of the ChemTech Centre in comparison to the old facilities and shall provide this information when preparing and presenting the 2024-2025 budget.

Any other business (paragraphs 14.1 to 14.2 of ABAF-54/1)

22. The Secretariat appreciated the ABAF's query regarding details relevant to the ABAF's work on matters reviewed at the Fifth Review Conference held in May 2023 and the opportunity to discuss the Secretariat's need for some additional tenure flexibility.
23. The Secretariat was pleased to support the work of the ABAF at its Fifty-Fourth Session and looks forward to supporting the ABAF's upcoming Fifty-Fifth Session.

Next session and agenda (paragraph 15 of ABAF-54/1)

24. The Secretariat notes the ABAF's agreement of the dates of 25 to 28 July 2023 for its Fifty-Fifth Session, as well as the provisional agenda for said session.