

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

- 1.1 The Fortieth Session of the Advisory Body on Administrative and Financial Matters (ABAF) was held from 6 to 9 June 2016. The following members participated: Mr John Fox, Mr Zhongkun Hu, Mr Milan Kerber, Ms Katrina Leonard-Johnston, Mr Peter Maddens, Mr Khodayar Rouzbahani, Mr Hiroshi Sanomura, Mr Shoab Sarwar, and Ms Claudia Spahl.
- 1.2 The list of documents presented to the ABAF for this session is included as Annex 1 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, notably new members Ms Claudia Spahl from Germany, Mr John Fox from the United States of America, and Mr Peter Maddens from Belgium. In regard to the agenda for this session, the Deputy Director-General noted that a number of important issues were to be addressed by the ABAF, in particular the 2015 Financial Statements of the OPCW, the report of the Office of Internal Oversight (OIO) for the period ending December 2015 (EC-82/DG.3 C-21/DG.4, dated 15 April 2016), and the report on “OPCW Income and Expenditure for the Period 1 January to 31 March 2016 (First Quarter of the Financial Year Ending 31 December 2016)” (S/1374/2016, dated 15 April 2016).
- 1.4 With regard to the Financial Statements, the Deputy Director-General informed the ABAF members that these had once again been prepared in full compliance with International Public Sector Accounting Standards (IPSAS). The Deputy Director-General stated that the External Auditor had issued an unqualified audit opinion, and added that the Secretariat had positively noted his view that the audits of the OPCW and the OPCW Provident Fund financial statements revealed no material weaknesses. Addressing the External Auditor’s report, the Deputy Director-General expressed the Secretariat’s appreciation to the National Audit Office of the United Kingdom of Great Britain and Northern Ireland for its recommendations, which were aimed at enhancing the effectiveness and efficiency of the OPCW.
- 1.5 The Deputy Director-General stated that the Secretariat shared the External Auditor’s view that the non-payment of assessed contributions and the non-reimbursement of verification costs had placed significant resource pressure on the regular budget, and agreed that the Working Capital Fund (WCF) needed to be set at an appropriate level to meet future liquidity needs. He added that a decision had been made to use



resources available in the WCF and Special Enterprise Resource Planning (ERP) Fund to address cash shortfalls, and added that if sufficient assessed contributions and Article IV and V reimbursements did not materialise in 2016, the Secretariat may need to borrow against the WCF at the end of this year.

- 1.6 The Deputy Director-General stated that the Organisation had continued to improve its budgetary and financial management to maintain the delivery of its mandate in the medium to long term. The Deputy Director-General also stated that the Secretariat had noted the External Auditor's recommendations on governance and internal control, adding that the suggestion to create an audit committee had first been put forward by the previous External Auditors and discussed by the ABAF at its Thirty-Eighth Session in June 2015. At that time, the Deputy Director-General stated that the ABAF had recommended that the Executive Council (hereinafter "the Council") consider creating an independent audit committee consistent with best practices. He added that the Secretariat felt that a discussion should be initiated with States Parties to decide whether such a committee would be required.
- 1.7 The Deputy Director-General addressed the External Auditor's recommendations on risk management and reported that the OPCW risk register had recently been updated. He reported that steps were also being taken to strengthen the Organisation's risk management policy. He further stated that the Secretariat noted the recommendations regarding the strengthening of the statement of internal control, and mentioned that these recommendations would be followed up in the coming months.
- 1.8 Turning to ERP, the Deputy Director-General stated that the ERP project was now moving forward, with a planned go-live set for 2018. He mentioned that the technical and commercial evaluation of vendor proposals had been completed, and added that a decision on a solution was expected to be made in the near future.
- 1.9 The Deputy Director-General informed the ABAF that the Medium-Term Plan (MTP) of the OPCW (EC-83/S/1 C-21/S/1, dated 8 April 2016) had recently been updated, and outlined that core activities such as verification, inspections, and international cooperation and assistance would continue to receive primary focus. He stated that, moving forward, the Secretariat would seek to enhance contingency operations capability, promote education and outreach initiatives, enhance capacity-building, promote national implementation of the Chemical Weapons Convention (hereinafter "the Convention"), and raise awareness on the potential threats posed by non-State actors.
- 1.10 The Deputy Director-General concluded his remarks by stating that the Secretariat was preparing the draft 2017 Programme and Budget, which the Director-General would present to States Parties in July 2016, on the Friday before the Eighty-Second Session of the Council. He outlined that the draft budget had been prepared following the principles of results-based management (RBM) and featured the increased use of standard costing. Furthermore, when estimating human and financial resource requirements, he stated that the Organisation had once more followed an "activity-based" and "zero-based" approach.

2. Adoption of the agenda

The ABAF adopted the following agenda:

1. Opening of the session
2. Adoption of the agenda
3. Election of the Chairperson and Vice-Chairperson of the ABAF
4. Review of the report of the previous session(s)
5. Status of the 2016 financial performance (first quarter of 2016)
6. Financial Statements of the OPCW and the report of the External Auditor for the year ending 31 December 2015
7. Report of the Office of Internal Oversight for the year ending 31 December 2015
8. Any other business
9. Next session and agenda
10. Adoption of the report

3. Election of the Chairperson and Vice-Chairperson of the ABAF

Under Rule 4 of its Rules of Procedure (Annex 2 of ABAF-27/1, dated 3 September 2009 and Corr.1, dated 15 October 2009), the ABAF **elected** Mr Peter Maddens as its Chairperson and Mr Khodayar Rouzbahani as its Vice-Chairperson for a period of one year.

4. Review of the report of the previous session(s)

- 4.1 In paragraph 4.1 of ABAF-38/1 (dated 3 June 2015), the ABAF addressed the allocation of programme support costs (PSC) and requested the Secretariat to provide an update on this issue at its Fortieth Session. The ABAF was briefed that PSC had been introduced in 2013 following the External Auditor's recommendations, and was advised that the Organisation was now recovering 7% of voluntary contributions related to extrabudgetary activities, in line with the practices of the United Nations. The ABAF was advised that a PSC Trust Fund had been created in 2014 to pool all recovered PSC income, and that this fund was being used to cover indirect costs of administrative and operational support services incurred in the management of voluntary contributions. The ABAF was briefed that the PSC Trust Fund had recorded income in the amount of EUR 1.3 million in 2015, primarily due to the increased level of disbursements from the Syria trust funds throughout the year. The ABAF was also advised that expenditures totalling EUR 1.5 million had been made against the PSC Trust Fund in 2015, and that the balance of the Fund at the end of May 2016 was EUR 33,000. The ABAF **inquired** whether a 7% recovery was sufficient to cover indirect costs of administrative and operational support services incurred in the management of voluntary contributions. The Secretariat responded that indicators from 2015 suggested that the percentage was sufficient, but added that it would

monitor PSC income and expenditures in 2016 and evaluate whether the recovery rate needed to be adjusted for 2017.

- 4.2 Paragraph 4.1 of ABAF-39/1 (dated 3 September 2015) dealt with the ERP project, and the ABAF requested that the Secretariat provide an update on the status of the project at its Fortieth Session. The Secretariat delivered a presentation on the status of the project, informing the ABAF that the aim was to implement a hybrid ERP solution with a 10-year lifespan, which would feature a single hosting solution that conformed to the OPCW's confidentiality requirements. The ABAF was advised that the ERP system was essential to maintain and integrate all OPCW business records and replace the existing legacy systems, several of which were no longer supported. The ABAF was informed that the balance of the special fund established to meet the financial requirements of the ERP project remained at EUR 7,909,100. As at 31 May 2016, costs totalling EUR 724,900 had been obligated against the fund. The ABAF was advised that a request for proposal for an ERP solution had been issued to vendors in December 2015. The submissions had been received and had undergone a thorough technical and commercial evaluation to find the best functional fit and the lowest total cost of ownership. The ABAF was informed that following the selection of an ERP "system of records" vendor, a process would be initiated to select a partner for the implementation of the solution. The ABAF was advised that the Secretariat continued to provide the Council with updates on the project's implementation, as required by the decision of the Conference of the States Parties (hereinafter "the Conference") at its Nineteenth Session (C-19/DEC.7, dated 3 December 2014). The ABAF **recommended** that the Secretariat include a timeline for budgeted ERP expenditures in its reports to the Council, given the need to monitor cash outflows, especially in light of the Organisation's overall current cash flow situation.¹ The ABAF also **stressed** the importance of addressing training needs when implementing the ERP project.
- 4.3 In paragraph 6.13 of ABAF 39/1, the ABAF requested the Secretariat to provide a briefing on current recruitment processes, with a view to identifying possible efficiency savings. The Head of the Human Resources Branch delivered a presentation on recruitment, which outlined the principles, guidelines, and processes for recruiting fixed-term staff members. The ABAF was informed that all vacancies were advertised on the OPCW website and various social media sites, including Facebook, LinkedIn, and Twitter. Furthermore, vacancies were shared with international organisations and all permanent OPCW missions. The Secretariat outlined how recruitment selection panels were appointed and operated, and stated that all professional level appointments were made by the Director-General, based on performance in written tests and interviews, taking into consideration geographical and gender balance. The ABAF was informed of a number of initiatives that the Secretariat had been undertaking to improve its recruitment processes, which included better succession planning, improved branding of the OPCW, shorter vacancy notices, and application assistance for candidates via the official OPCW website. An ABAF member raised a concern about the possible leaking of written tests to candidates, to which the Secretariat responded that no such cases had been reported. An ABAF member also asked whether consultants working under special service agreement

¹ Subsequently, the Secretariat provided the ABAF with an ERP expenditure timeline (Annex 2), which would be included in its next ERP status report to the Council.

(SSA) contracts, including former OPCW staff members, were recruited in accordance with an administrative directive, which the Secretariat confirmed. An ABAF member inquired whether National Authorities played a role in recruitments that involved candidates from their countries. The Secretariat advised that the National Authorities were not involved in recruitments. The ABAF **noted** the presentation and **commended** the steps that were being taken by the Secretariat to strengthen its recruitment processes. The ABAF also **requested** that the Secretariat provide it with a briefing on its policies regarding the selection of consultants (i.e. those working on SSA) at its Forty-Second Session.

- 4.4 Paragraph 7.1 of ABAF 39/1 addressed the External Auditor's recommendations from both 2013 and 2014, and included a request that the Secretariat provide the ABAF with a status report on the implementation of these recommendations at its Fortieth Session. The Secretariat briefed the ABAF on this matter (as reported in EC-81/S/4, dated 22 January 2016), and stated that it was currently reviewing the OIO Charter and considering the establishment of an audit committee to strengthen the OIO's independence. Furthermore, the ABAF was advised that the Secretariat continued to review the roles of the OIO and quality assurance officers, taking the view that quality assurance should be centralised rather than dispersed. The ABAF **encouraged** the Secretariat to take steps towards obtaining Conference approval of the OIO Charter. The ABAF also **supported** the establishment of an audit committee and **suggested** that consideration could be given to enhancing the role of the ABAF so that it would take on the responsibilities of such a committee, acknowledging that this would require a change to the ABAF's terms of reference. The ABAF **recommended** that the Secretariat formulate a paper to evaluate this option and **requested** that the paper be presented at its Forty-First Session, so that a recommendation on the issue could be submitted to the Council for consideration at its Eighty-Third Session.
- 4.5 The Secretariat stated that it had accepted the External Auditor's recommendations on the hiring of former staff members as consultants and on audit work programmes, and that both recommendations had been implemented. With regard to the recommendation regarding the obligations of the States Parties to fully pay their assessed contributions in a timely manner, the Secretariat advised the ABAF that it continued to remind States Parties of their unpaid contributions and that it sent out letters to this effect on a regular basis. The Secretariat informed the ABAF that it continued to monitor the net assets and financial situation of the Organisation, and stated that it was engaged in discussions with the States Parties regarding the structural and staffing changes included in the Mid- to Long-term Staffing Plan (S/1292/2015, dated 30 June 2015) through the annual programme and budget cycle. With regard to the External Auditor's recommendations on risk management and the statement of internal control, the Secretariat stated that it was in the process of reviewing its risk management policies and procedures and would work with the current External Auditor to strengthen the statement of internal control. With regard to the final recommendation concerning the non-payment of Article IV and V verification costs, the Secretariat advised the ABAF that it had written down these receivables in the 2015 Financial Statements, but added that this did not discharge the States Parties from their legal obligations. The ABAF would continue to monitor the status of the External Auditor's recommendations and **requested** that an update on their implementation be provided at its next spring session.

4.6 The ABAF was also provided with a short briefing on the transfers of funds between chapters and between programmes in 2015. The Secretariat informed the ABAF that the Programme and Budget for 2015 had been negatively affected by the unbudgeted costs of the OPCW Fact-Finding Mission (FFM) in Syria and by a significant increase in common staff costs, which largely resulted from the appreciation of the United States dollar against the euro. The ABAF was informed that these factors had led to a notable increase in inspection costs and a shortfall in the Inspections Programme budget. The ABAF was advised that, in response, the Secretariat had implemented a number of mitigating measures to protect against a budget deficit, which included the use of trust funds to finance ongoing activities, the use of the PSC Trust Fund to offset salary costs and, in December 2015, following Conference approval, the use of a Special Fund for Special Missions to partly finance FFM expenditures. Despite these measures, the ABAF was advised that, at year end, transfers had been needed from a number of programmes, including Chapter Two programmes, to meet the Inspections Programme's final funding shortfall. The ABAF **noted** that the External Auditor had reviewed the transfers and stated that they were in compliance with the OPCW's Financial Regulations and Rules. The ABAF was also briefed on how the budget tracking mechanism, which was introduced in 2014, had contributed to averting a potential budget deficit. The ABAF was also briefed on the steps the Secretariat was taking to strengthen its programme planning and budgeting, which included initiatives to enhance project planning, monitoring and evaluation, and performance reporting. The ABAF **commended** the Secretariat on the actions it had taken and **encouraged** it to continue to seek ways to enhance the monitoring and reporting of programmatic and financial performance.

5. Status of the 2016 financial performance (first quarter of 2016)

5.1 The ABAF reviewed the Director-General's first quarterly report of 2016 on the status of the OPCW's financial performance (S/1374/2016). The ABAF noted that, as at 31 March 2016, 59.3% of the annual 2016 assessed contributions had been collected, a significant improvement over 2015. Furthermore, the ABAF was informed that as at 31 May 2016, 70.4% of the annual 2016 assessed contributions had been collected. The ABAF **reiterated its concern** that, as at 31 March 2016, 33 Member States continued to be in arrears in respect of annual contributions assessed for previous years, in an amount equal to or exceeding the amount of contributions due from them for 2014 and 2015.² The ABAF **noted** the report.

5.2 The ABAF was briefed by the Secretariat on the implementation of the 2016 Programme and Budget, and was informed that, as at 31 March 2016, the budget in the amount of EUR 67,075,500 had been 34% obligated. The Secretariat stated that this figure was reasonable, given the front-loading of contractual obligations for the year, notably with regard to the headquarters building. The ABAF was informed that

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Paragraph 8 of Article VIII of the Convention states the following: "A member of the Organization which is in arrears in the payment of its financial contribution to the Organization shall have no vote in the Organization if the amount of its arrears equals or exceeds the amount of the contribution due from it for the preceding two full years." In assessing Member States' voting rights in any given year, the Secretariat, following past practice, does not factor into its calculation of arrears any amounts still outstanding for the current year, and takes into account only amounts outstanding from annual assessments for previous years. Member States that joined the Convention during the preceding two years are not included in this assessment.

in order to mitigate the risk of non-payment of assessed contributions, a contingency margin had been applied to the 2016 budget, in accordance with the OPCW Financial Regulations and Rules. This margin provided a EUR 1.8 million “buffer” aimed at ensuring that 2016 income exceeded expenditure, taking into consideration assessed contribution collection patterns over the past four years. While staff costs had been allotted 100% of appropriations, only 90% of operational cost budgets had been allocated.³ The ABAF was advised that a detailed review of actual and projected expenditures would be conducted at mid-year, along with a review of assessed contributions and Article IV and V collections, which could result in an adjustment to the contingency margin.

- 5.3 The ABAF received a presentation on the OPCW’s current cash situation, which outlined, inter alia, three possible liquidity scenarios for the end of 2016. The ABAF was briefed that the Secretariat estimated that at the end of the year it would have a cash balance in the General Fund of EUR 3.1 million, if the Special Fund for ERP was not repaid⁴ and if the WCF was once again used in full. This balance was expected to be zero if the Special Fund was repaid and if the WCF was utilised in full, and to be EUR 4.2 million in deficit if the Special Fund was repaid and if the WCF was not used. The ABAF was advised that the Secretariat was looking into options to address its liquidity issues, which included increasing the WCF and creating a strategic capability investment trust fund (SCIF) to finance large, one-off capital expenditures.
- 5.4 The ABAF **noted** the presentation and **expressed concern** regarding the OPCW’s cash situation. It also **noted** the budgetary constraints the Organisation was facing. Addressing the option for a SCIF, the ABAF **suggested** that the fund could potentially be used to finance capital investments, which could be repaid from the regular budget over the course of their lifespan. The ABAF **recommended** that the Secretariat develop its SCIF concept and **requested** that a briefing on progress made be provided at its next session.

6. **Financial Statements of the OPCW and the report of the External Auditor for the year ending 31 December 2015**

- 6.1 The ABAF was briefed by the Secretariat on the 2015 Financial Statements, which were formulated for the fifth time in accordance with IPSAS. The ABAF was advised that the net assets of the OPCW were now positive, primarily due to the reclassification of ERP funds, and that revenues and expenditures had increased significantly in 2015, notably due to activities in the Syrian Arab Republic that had been financed by trust funds. The ABAF was informed that the final cash deficit for 2014 amounted to EUR 680,232 and was primarily caused by the non-payment of assessed contributions and the non-payment of Article IV and V invoices. The ABAF was briefed that the OPCW had written down in the IPSAS financial statements a number of verification-related invoices that could be irrecoverable. The Secretariat

³ The one exception was the Administration Division/Procurement and Support Services Branch budget, which had a full allotment, given the fixed nature of headquarters building management expenditure.

⁴ Current cash flow forecasts projected that the balance of the Special Fund for ERP would total EUR 5.9 million at the end of 2016, should the EUR 3.1 million be repaid from the General Fund. Given planned ERP expenditures/outflows, the EUR 3.1 million repayment would not need to be actioned before the fourth quarter of 2017 (see Annex 2).

advised the ABAF that these invoices had not been written off, given that there remained a legal obligation to repay all amounts due. The ABAF **expressed its concern** about the impact of non-payment and urged the Council to continue to address this issue.

6.2 The External Auditor then presented his findings regarding the 2015 Financial Statements and detailed that the audit examination had revealed no weaknesses or errors material to their accuracy, completeness, and validity. The External Auditor stated that an unqualified audit opinion had therefore been issued with respect to the Financial Statements of the OPCW and the Financial Statements of the OPCW Provident Fund.

6.3 The External Auditor outlined the key observations of the audit. Addressing financial management, the External Auditor stated that in 2015 the OPCW had faced significant General Fund cash pressures arising primarily from delayed payments of assessed contributions and Article IV and V inspection reimbursements. The External Auditor stated that while management had taken steps to tighten the allotment of the budget, financial pressures would remain unless States Parties met their Convention obligations in a timely manner. The External Auditor added that the Organisation needed to rebuild the WCF on a sustainable basis and take a more structured approach to building up reserves, as part of a longer-term approach to financial planning. The ABAF **supported** the concept of longer-term financial planning and **recommended** that the Secretariat develop a paper on strategic financing for consideration by the States Parties.

6.4 The External Auditor stated that financial pressures had led to the development of effective budget monitoring and forecasting tools that had been used throughout 2015 and which provided a mechanism to facilitate improved financial management. The External Auditor noted that while in-year budgeting was sound, the OPCW needed to consider the development of longer-term resource planning linked to the evolving strategy of the Organisation. The ABAF **encouraged** the Secretariat to consider all potential options suggested by the External Auditor to improve the OPCW's financial position, which included curtailing programme implementation by saving on operational (non-staff) spending; increasing the allocation of costs to trust funds to supplement costs currently charged to the regular budget; and seeking opportunities to look at measures to improve efficiency and cost effectiveness. The ABAF **requested** the Secretariat to present a paper at its next session on options to consolidate trust funds to enable greater flexibility in their use.

6.5 Addressing governance and internal control, the External Auditor noted that most key aspects of good governance were present but that there were some areas for improvement. The External Auditor stated that the OPCW could benefit from the establishment of an audit committee, which would provide greater oversight of risk, internal audit, and internal controls. The ABAF **advised** the External Auditor that the concept of an audit committee had already been discussed as a follow-up to the previous audit recommendations (see paragraph 4.4 above).

6.6 The External Auditor stated that although the OPCW had a risk register, this document had not been updated since 2014, adding that while the Organisation had been paying greater attention to risk management in 2016, more focus was needed in

this area to ensure that risks and their mitigating controls were regularly reviewed. The ABAF **expressed its support** for the External Auditor's recommendation to maintain and regularly update the risk register and **encouraged** the Secretariat to consider risk in its planning and decision-making processes.

- 6.7 The External Auditor stated that the Secretariat's processes for determining fraud risk had been reviewed, noting that there was no fraud risk assessment or fraud response plan. The External Auditor also noted that the Organisation had no guidance for staff on how to report valid fraud allegations, and added that there was a need for an effective whistle-blower policy. The ABAF **recommended** that the Secretariat develop a fraud response plan and a whistle-blower policy.
- 6.8 The External Auditor stated that the audit found that the OIO faced skills and resource challenges and added that the Organisation needed to consider the OIO's reporting lines to the governing body. The External Auditor also addressed the OPCW's Statement of Internal Control and stated that the document needed to be improved to provide the appropriate degree of assurance for States Parties. The ABAF **recommended** that the OIO play a greater role in validating the Statement of Internal Control and in ensuring that OPCW internal controls remain robust and fit for purpose.
- 6.9 Addressing the ERP project, the External Auditor stated that his review found that the business case for the investment lacked a clear quantification of business benefits, including an assessment of potential cost savings. The External Auditor also stated the view that the business case lacked a clear articulation of business outcomes, and that these should be fully documented. The External Auditor added that the ERP needed to be seen in the context of a change programme and integrated with the future vision of the OPCW. The ABAF **shared the view** that the ERP business case needed to be strengthened, not least to provide a means to measure its benefits, and **encouraged** the Secretariat to update the document in the near term.

7. Report of the Office of Internal Oversight for the year ending 31 December 2015

- 7.1 The ABAF received a presentation from the OIO on its annual report for the period from 1 January to 31 December 2015 (EC-82/DG.3 C-21/DG.4). The ABAF was informed that the implementation of the OIO's programme of work for 2015 resulted in six audit/evaluation assignments, with a total of 27 recommendations covering risk management, the OPCW budgeting process, OPCW governance, IT continuity, conference services, and outreach activities conducted within the International Cooperation and Assistance Programme. The ABAF was also advised that the OIO had conducted five internal audits of activities of the OPCW Laboratory and the OIO in relation to the Quality Management System, which resulted in no non-conformities, six observations, and seven suggestions for improvement.
- 7.2 The ABAF **noted** that a number of OIO recommendations had focused on evaluations within programmes, such as International Cooperation and Assistance, and **asked** if an organisational approach to evaluation was being taken. The OIO advised that an audit was currently under way to assess evaluation methods across the OPCW with a view to developing a consolidated approach.

- 7.3 The ABAF **noted** that, as at 31 December 2015, the cumulative rate of implementation of the OIO recommendations issued in previous years stood at 85.6%, compared to 87.3% as at 31 December 2014. The ABAF was also advised that 46 recommendations were pending, and **encouraged** the Director-General to implement the recommendations in a timely fashion.
- 7.4 The ABAF was also briefed on the OIO's overall work plan and risk assessment process, which saw the annual audit plan be developed based on an assessment and prioritisation of organisational risks.
- 7.5 The ABAF **noted** the main recommendations from the audits and the fact that the Secretariat was once again able to obtain its certification from the Dutch Accreditation Council (RvA). The ABAF **also noted** that the Netherlands Institute of Internal Auditors had conducted a quality assessment of the OIO and concluded that the Office conformed to the Institute's generally accepted professional practices and regulations.
- 7.6 With regard to the dissemination of OIO reports, the ABAF **requested** that copies of the OIO annual report be sent to its members in March each year. The ABAF also **requested** the OIO to inform its members when audit/evaluation reports were completed, so that they could receive copies once they became official. The Director of the OIO confirmed that this would be possible, given that such requests would be in compliance with the OPCW's Financial Regulations and Rules.

8. Any other business

Update on the Medium-Term Plan

- 8.1 In accordance with paragraph 6.17 of ABAF-37/1 (dated 4 September 2014), the ABAF requested that at a future session it be provided with updates on the implementation of the MTP and on the progress made in defining a clear vision for the future of the Organisation. The ABAF was provided with a presentation by the Office of Strategy and Policy that detailed the steps taken to update the MTP, which had been issued to States Parties on 8 April 2016 (EC-83/S/1 C-21/S/1). The ABAF was informed that these steps included holding a retreat for OPCW Permanent Representatives to discuss the future of the Organisation, and the convening of a strategy and policy think tank session to receive Secretariat inputs regarding the planning process. The ABAF was briefed on each of the 13 medium-term goals included in the MTP, which were linked to the seven core objectives of the Organisation, as well as its four key results areas.
- 8.2 The ABAF **noted** the MTP and **commended** the Secretariat for producing the document in a clear, logical, and structured format. The ABAF **noted** the importance of the MTP in setting the strategic framework for the formulation of the annual Programme and Budget. It also **noted** the fact that the MTP was a Secretariat document, which had not been approved by the Conference.

9. Next session and agenda

The ABAF adopted the following provisional agenda for its Forty-First Session, which will be held from 30 August to 2 September 2016:

1. Opening of the session
2. Adoption of the agenda
3. Review of the report of the previous session
4. Status of 2016 financial performance (first half of 2016)
5. Draft Programme and Budget for 2017
6. Any other business
7. Next session and agenda
8. Adoption of the report

10. Adoption of the report

The ABAF **adopted** the report of its Fortieth Session on 9 June 2015.

Annexes:

- Annex 1: List of Information Papers and Other Documents Presented to the Advisory Body on Administrative and Financial Matters at its Fortieth Session
- Annex 2: Enterprise Resource Planning Project – Cash Flow Forecast 2015 – 2018

Annex 1**LIST OF INFORMATION PAPERS AND OTHER DOCUMENTS PRESENTED TO THE ADVISORY BODY ON ADMINISTRATIVE AND FINANCIAL MATTERS AT ITS FORTIETH SESSION**

Title	
1.	Agenda for the Fortieth Session of the Advisory Body on Administrative and Financial Matters
2.	Report of the Thirty-Ninth Session of the Advisory Body on Administrative and Financial Matters (ABAF-39/1)
3.	Note by the Director-General: Comments on the Report of the Advisory Body on Administrative and Financial Matters at its Thirty-Ninth Session (EC-80/DG.19, dated 18 September 2015)
4.	Note by the Director-General: Request for Transfers of Funds Between Chapters and Transfers of Funds During 2015 (EC-81/DG.8 C-21/DG.1, dated 16 February 2016)
5.	Note by the Technical Secretariat: Programme Performance Report for the Year 2014 (S/1267/2015, dated 20 April 2015) and Corr.1 (dated 18 May 2015)
6.	Report by the Director-General: OPCW Income and Expenditure for the Period 1 January to 31 March 2016 (First Quarter of the Financial Year Ending 31 December 2016) (S/1374/2016)
7.	External Auditor's Report on the 2015 OPCW and OPCW Provident Fund Financial Statements
8.	Financial Statements of the Organisation for the Prohibition of Chemical Weapons for the Year Ending 31 December 2015
9.	Audit Completion Report (including Management Letter) on the 2015 Financial Statement Audit and the Provident Fund Audit
10.	Report of the Independent External Auditor on the Audit of the Financial Statements of the OPCW Provident Fund for the Year ending 31 December 2015
11.	Financial Statements of Provident Fund of the Organisation for the Prohibition of Chemical Weapons for the Year Ending 31 December 2015
12.	Note by the Director-General: Annual Report of the Office of Internal Oversight for the Period from 1 January to 31 December 2015 (EC-82/DG.3 C-21/DG.4)
13.	Note by the Technical Secretariat: Report on the Status of Implementation of the Recommendations of the External Auditor (EC-81/S/4)
14.	Note by the Director-General: Monthly Financial Situation Report as at 31 May 2016 (S/1391/2016, dated 6 June 2016)
15.	Note by the Technical Secretariat: Medium-Term Plan of the Organisation for the Prohibition of Chemical Weapons, 2017–2021 (EC-83/S/1 C-21/S/1)
16.	OPCW, Charter of the Office of Internal Oversight
17.	Presentation: Budget Overview – First Quarter of 2016
18.	Presentation: Current Cash Flow and Financial Situation
19.	Presentation: OPCW Programme Planning and Budgeting
20.	Presentation: Status of Implementation of the Enterprise Resource Planning System
21.	Presentation: OPCW Recruitment Processes
22.	Presentation: The Annual Report of the Office of Internal Oversight
23.	Presentation: Medium-Term Plan

Annex 2

ENTERPRISE RESOURCE PLANNING PROJECT
CASH FLOW FORECAST 2015 – 2018

<i>(in EUR thousands)</i>	2015	2016				2017				2018			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Opening balance	7,909.1	7,530.9	7,402.0	7,273.1	6,587.0	5,928.4	5,310.1	4,441.7	3,405.5	2,207.0	1,634.5	1,062.0	874.5
Outflows													
Project Phase 1	378.2	128.9	128.9	128.9	42.0	-	-	-	-	-	-	-	-
Project Phase 2	-	-	-	557.3	616.6	618.4	868.4	1,036.2	1,198.5	572.5	572.5	187.5	166.0
	378.2	128.9	128.9	686.1	658.5	618.4	868.4	1,036.2	1,198.5	572.5	572.5	187.5	166.0
Balance carried forward	7,530.9	7,402.0	7,273.1	6,587.0	5,928.4	5,310.1	4,441.7	3,405.5	2,207.0	1,634.5	1,062.0	874.5	708.5

Phase 1 = Planning, preparation, and ERP system selection

Phase 2 = Conceptual/detailed design and implementation

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