



**OPCW**

**Advisory Body on Administrative and  
Financial Matters**

Forty-Third Session  
28 August – 1 September 2017

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**REPORT OF THE FORTY-THIRD SESSION  
OF THE ADVISORY BODY ON ADMINISTRATIVE AND FINANCIAL MATTERS**

**1. Opening of the session**

- 1.1 The Forty-Third Session of the Advisory Body on Administrative and Financial Matters (ABAF) was held from 28 August to 1 September 2017. The following members participated: Mr John Foggo, Mr John Fox, Mr Zhongkun Hu, Mr Aizaz Khan, Mr Peter Maddens, Mr Wolfgang Rechenhofer, Mr Khodayar Rouzbahani, and Mr Hiroshi Sanomura.
- 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, and notably Mr Aizaz Khan who had joined as a new member, and Mr Wolfgang Rechenhofer, who had replaced Ms Claudia Spahl. Referring to the agenda for the session, the Deputy Director-General noted that a number of important issues were to be addressed, in particular the Draft Programme and Budget of the OPCW for 2018 (EC-86/CRP.1, dated 7 July 2017) and changes proposed both to the OPCW Financial Regulations and Rules and the OPCW Staff Regulations and Interim Staff Rules, as well as the continuation of an important topic deliberated at the last ABAF session concerning the re-hiring of former inspectors. The Deputy Director-General also informed the ABAF that they would be briefed on the status of one of the Organisation’s most significant initiatives: the enterprise resource planning (ERP) project, which had entered a critical phase with the implementation partner on board and working with the Organisation in advance of the planned go-live date in 2018. The Deputy Director-General informed the ABAF that, in line with past recommendations of the ABAF and of the States Parties, the 2018 Draft Programme and Budget had again been prepared following the principles of results-based management (RBM) and featured zero nominal growth on 2017 levels. The Deputy Director-General explained that the overall 2018 Draft Programme and Budget was in the amount of EUR 67,639,000, which was down by EUR 158,000 from the previous year. From a staffing perspective, the number of fixed-term staff for the Organisation would be reduced from 459 to 456. The Draft 2018 Programme and Budget took into account a revision to the standard costing for staffing as well as the introduction of a revised compensation package incorporating aspects adopted by the United Nations common system. Costs to hold the Fourth Review Conference<sup>1</sup>) in

<sup>1</sup> The Fourth Special Session of the Conference of the States Parties to Review the Operation of the Chemical Weapons Convention.



2018, which was a mandatory requirement, were also reflected within this budget proposal.

- 1.4 The Deputy Director-General informed the ABAF that the facilitation process to consider the Draft 2018 Programme and Budget had begun in July 2017, when the Secretariat had introduced the draft in detail. The work would continue in earnest during the budget facilitation sessions in September. During these sessions, the Secretariat would be making thematic presentations on issues where the States Parties had requested more information or clarification during the intersessional period. The objective was to reach an agreement on the 2018 Draft Programme and Budget during this process, so that the Executive Council (hereinafter “the Council”), in its upcoming session in October 2017, could recommend to the Conference of the States Parties (hereinafter “the Conference”) that it adopt the 2018 Draft Programme and Budget at its Twenty-Second Session, which begins on 27 November 2017.
- 1.5 The Deputy Director-General commented that, at previous sessions, the ABAF had noted that the process of changing business workflows as a result of the introduction of the ERP system may require some amendments to the OPCW Financial Regulations and Rules. He noted that at ABAF-42 in June 2017, an update had been given with regards to processes for changes to the OPCW Financial Regulations and Rules, in order to modernise them to reflect current industry standards and best practices, with specific reference to those relevant to international organisations. He noted that these changes would enable the OPCW to align its business processes and internal controls with the standard functionality of the chosen ERP solution, while maintaining adequate financial rules and procedures to ensure effective financial administration and control. The proposed amendments would allow for improved and automated business processes, increasing efficiency, higher returns on investment and increased costs benefits, as well as risk mitigation through the use of embedded system controls.
- 1.6 Similar to the changes to the OPCW Financial Regulations and Rules, the Deputy Director-General informed the ABAF that changes to the OPCW Staff Regulations and Interim Staff Rules were required, mainly due to the introduction of the new compensation package. The ABAF’s review and recommendations of these changes would be greatly welcomed so that they could be put into effect as of 1 January 2018.
- 1.7 The Deputy Director-General noted that the Conference had adopted a decision (C-19/DEC.11, dated 4 December 2014) to allow the Director-General to rehire, as an exceptional measure, individuals who had previously been designated as OPCW inspectors. It had also decided to review the implementation of this decision at its Twenty-Second Session in 2017, taking into consideration the recommendations of the ABAF to the Council on the matter. In this regard, the Deputy Director-General stated that the ABAF’s continued deliberation on this matter would be welcome so this issue could be taken before the States Parties at the upcoming Eighty-Sixth Session of the Council and the Twenty-Second Session of the Conference.
- 1.8 Regarding the Organisation’s financial situation, the Deputy Director-General informed the ABAF that this information had been reported through the monthly financial situation reports and the quarterly income and expenditure reports. The cash position of the Organisation was trending towards a cash-neutral position at year-end.

However, the expected margin was forecasted to be tight and it was probable that the Working Capital Fund (WCF) may need to be utilised at year-end or the beginning of 2018 in order to meet operational cash requirements.

- 1.9 The Deputy Director-General observed that an introduction to a non-paper on strategic financing for the Organisation, aimed at supporting its long-term financial health, would be presented to the ABAF at this meeting. He stated that the ABAF's experience with best practices and the experience of other public sector organisations would be important to help guide the Secretariat as this strategy is formulated.
- 1.10 The Deputy Director-General commented that he hoped the visit on 28 August by many ABAF members to the OPCW Laboratory in Rijswijk had been useful to gain further insight into the work of the Organisation.
- 1.11 The Deputy Director-General concluded his remarks with an acknowledgement that this meeting of the ABAF would be the last for Mr Peter Maddens, the ABAF Chair. The Deputy Director-General thanked Mr Maddens on behalf of the Secretariat for his Chairmanship and wished him well in his onward assignment.

## **2. Adoption of the agenda**

The ABAF adopted the following agenda:

1. Opening of the session
2. Adoption of the agenda
3. Introductory matters:
  - (a) Introduction of new ABAF members as per EC-85 decisions
  - (b) Status of 2017 financial performance (first half of 2017)
  - (c) Financial updates: cash position, status of collection of assessed contributions and reimbursements, recommendations for write-offs (if any)
  - (d) Introductory presentation of Regulations and Rules changes and ABAF required review
  - (e) ERP project update and business realisation plan
4. Review of the report of the previous session
5. Draft Programme and Budget for 2018
6. Introduction to strategic financing strategy for the OPCW
7. Proposed changes to the Financial Regulations and Rules/Administrative Directives
8. Proposed changes to the Staff Regulations and Rules due to the compensation package
9. Re-hiring of former inspectors

10. Audit Committee follow-up
11. Risk management and internal controls with regards to External Auditor recommendations
12. Any other business
13. Next session and agenda
14. Adoption of the report

### **3. Introductory matters**

- 3.1 The ABAF **welcomed** its two new members, Mr Wolfgang Rechenhofer and Mr Aizaz Khan, who were appointed to the ABAF by the Council following nominations by the Secretariat (EC-85/S/5, dated 10 July 2017 and EC-85/S/6, dated 11 July 2017, respectively).
- 3.2 The ABAF received financial updates: cash position, status of collection of assessed contributions and reimbursements, and recommendations for write-offs.

#### Cash position

- 3.3 The ABAF **reviewed** the report by the Director-General entitled “OPCW Income and Expenditure for the Period 1 January to 30 June 2017 (Second Quarter of the Financial Year Ending December 31 2017)” (S/1518/2017, dated 21 July 2017) and the Note by the Director-General containing the monthly financial situation report as at 31 July 2017 (S/1523/2017, dated 8 August 2017). The ABAF **noted** that the cash balance of the OPCW General Fund was EUR 20.9 million as at 31 July 2017—an improvement over the same period last year. The ABAF was pleased that the Secretariat was forecasting a slightly positive General Fund cash position of approximately EUR 0.2 million at the end of the year, although it **noted** that the margin was expected to be tight and the Organisation may need to utilise the WCF in December 2017 or January 2018.
- 3.4 The ABAF **queried** whether the incentive payments received (EUR 0.9 million) and to be received (EUR 0.5 million between 2018 and 2019) as a result of the tenancy agreement would increase the forecasted positive cash position beyond the EUR 0.2 million level indicated above. The Secretariat indicated that the incentive payments are applied to the WCF.

#### Assessed contributions

- 3.5 The ABAF **noted** that as at 31 July 2017, the Secretariat had collected 83.8% of assessed contributions for the year, which was an improvement over the same period last year, when 77.9% of assessed contributions for 2016 had been received. The ABAF further **noted** that 95.2% of 2016 assessed contributions had been received by 31 July 2017. The ABAF however **expressed concern** that the payment of assessed contributions continued to lag and **encouraged** the Secretariat to continue to remind States Parties of the importance of timely payment of assessed contributions.

#### Article IV and V reimbursements

- 3.6 The ABAF **noted** with concern the status of Article IV and V reimbursements as at 31 July 2017 and the cumulative outstanding amount of EUR 5,336,140. The ABAF was informed that since the end of July, approximately EUR 0.439 million had now additionally been received of the total outstanding amount. The ABAF **reiterated its concern** regarding the impact of non-payment, and **recommended** that the Council address this issue.

#### Recommendations for write-offs

- 3.7 The ABAF **noted** that recommendations concerning EUR 14,828.28, including irrecoverable accounts receivable, irrecoverable foreign value-added tax (VAT) and losses of assets were to be presented for the Council's consideration at its regular session in October 2017 (EC-86/DG.4 C-22/DG.7, dated 24 July 2017). The ABAF **noted** that EUR 13,240.19 consisted of irrecoverable accounts receivable totalling EUR 4,551.02 and irrecoverable foreign VAT (for purchases from vendors from European Union countries other than the Netherlands) for a total amount of EUR 8,689.17. The remaining amount of EUR 1,588.09 represented write-offs for the loss of five assets. The ABAF **noted** the recommendation for the write-off of irrecoverable accounts receivable, irrecoverable foreign VAT and losses of assets.

#### Status of 2017 financial performance (first half of 2017)

- 3.8 The ABAF was briefed on the 2017 budget status and was informed that the 2017 Programme and Budget was 57% utilised at the end of June. As in past years, this was higher than a linear rate of implementation, but not unusual in international organisations at the mid-year point of the financial year, given the advance obligation of contracts. The ABAF was informed that staff costs were marginally above budget (1.14%) but may realign later. The ABAF was advised that foreign exchange rates were having a positive impact so far. The Budget and Finance Branch will continue to monitor the trend in exchange rates and apply mitigating measures if needed.
- 3.9 The ABAF **commended** the initiative taken to remove contingency margins on allotments only for certain programmes such as the ICA, PMO, OIO, OSP and LAO, as it serves as a mechanism for staff cost expenditures to remain within the overall budget while at the same time utilising available allotments to the maximum extent possible in line with organisational priorities.

#### Introductory presentations of regulations and rules changes and ABAF required review

- 3.10 The topic has been incorporated into Sections 7 and 8 of this report.

### ERP project update and benefits realisation plan

- 3.11 The ABAF was briefed by the ERP Project Manager on the ERP benefits realisation plan (in preparation), the financial status of the project, and the project plan and time lines going forward. The ABAF was informed that the go-live for the ERP was still planned for January 2018.
- 3.12 The ABAF was informed that the ERP benefits realisation plan would need to be monitored and measured over the lifetime of the ERP solution and at this time no quantification of monetary benefit could be made, as there was usually a stabilisation period of one to two years in such projects of this nature. It was noted that for example some reduction in staff cost in the Administration Division had already been taken into account in the 2018 Draft Programme and Budget in anticipation of the implementation of the new ERP solution.
- 3.13 The anticipated strategic and operational benefits were discussed along with identified dependencies.

#### **4. Review of the report of the previous session**

The ABAF **reviewed** the report of its previous session (ABAF 42/1, dated 9 June 2017) and did not have any specific comments of note. The ABAF **agreed** that all follow-on actions from its previous meeting were reflected in the current meeting agenda.

#### **5. Draft Programme and Budget for 2018**

- 5.1 The ABAF was briefed on the 2018 Draft Programme and Budget (EC-86/CRP.1), which was presented for its consideration. It was recalled that the Programme and Budget was developed over a period of several months, starting with the issuance of budget instructions, meetings and discussions with Programme managers, and taking into account priority areas. The Draft Programme and Budget was announced by the Director-General in July with an introduction to the budget meeting with States Parties in the same month. The ABAF was informed there would be a series of consultations with States Parties in September.
- 5.2 The ABAF was informed that the Draft Programme and Budget is based on the operational core activities, including destruction of chemical weapons (with 63.4 planned Article IV and V inspections), industry inspections (with 241 planned Article VI Inspections) and international cooperation and assistance activities. Priorities of the 2018 Draft Programme and Budget were either continuing, or new and emerging, and included: the OPCW Laboratory expansion, investment in technology (strengthening of the Secure Information Exchange system and the Electronic Declarations Management System), the Situation Centre enhancement, national capacity development, education and outreach, comprehensive knowledge management capacity and the Fourth Review Conference.
- 5.3 The ABAF was presented with an overview of the Draft Programme and Budget, which totalled EUR 67.6 million—a 0.2% decrease as compared to 2017. The ABAF **noted** the budget had been prepared taking zero nominal growth into account.

- 5.4 The ABAF was presented with details of the 2018 Draft Budget and Programme for operational programmes, support programmes and Executive Management. The ABAF **noted** that the Draft Programme and Budget resulted in an increase in operational programmes of 0.2% with a corresponding decrease in the support programmes. The increase in the operational programmes was due mainly to the OPCW Laboratory expansion and the Situation Centre enhancement. The ABAF was informed that the reduction in the Inspectorate budget was mainly due to the reduction in destruction facility inspections compared to 2017.
- 5.5 The Fourth Review Conference budget of EUR 623,900 was discussed. The ABAF **noted** that there was a need to provide further clarity on the budget to States Parties. The ABAF **recommended** that consideration be given to sustainable funding for future review conferences.
- 5.6 The ABAF **discussed** the issue of efficiency realised due to combining the Twenty-Third Session of the Conference with the Fourth Review Conference in 2018. The ABAF **noted** that some synergies would be observed, with the combined duration of the two events being shorter than was the case in 2013 when the last review conference was held. The ABAF **commented** that the overall cost should be lower than if the two events were held separately. The ABAF **requested** that further detail should be provided at its next meeting on the efficiency and savings gained by combining the two conferences.
- 5.7 The ABAF **reiterated** the need for a clearer linkage in the budget formulation between resources required and the results to be achieved as part of implementing RBM. The ABAF **noted** the Secretariat's assurances that, with improvements brought about by the new ERP system planned for use in 2018, there would be the opportunity to make a clearer linkage.
- 5.8 On the topic of fixed-term staffing, the ABAF **noted** that the 2018 Draft Programme and Budget (EC-86/CRP.1) showed a net reduction of three staff from 2017 levels with 456 positions in 2018 compared to 459 positions in 2017. The ABAF **noted** that the net reductions were all in non-operational positions. The ABAF **referred** to the decision on the 2017 Programme and Budget (C-21/DEC.6, dated 1 December 2016) requiring the Secretariat to focus its resources on operational programmes and to reduce by the end of 2019 the number of fixed-term positions for non-operational programmes by 10 from the existing 228 authorised fixed-term staff positions. The ABAF **noted** a reduction of eight such positions in the 2018 Draft Programme and Budget, bringing the number to 220. The ABAF **reviewed** the movements in staff positions presented in the 2018 Draft Programme and Budget and **noted** the significant reduction in Administration Division posts in particular and **further noted** that these reductions were consistent with the requirement to reduce non-operational positions.
- 5.9 With regards to the non-operational position changes, the ABAF **commented** specifically on the transfer of the P-5 Head of Budget post to the Verification Division. The ABAF understood that the former Budget, Planning and Control Branch and the former Finance and Accounts Branch had merged earlier in the year into one Budget and Finance Branch (BFB) with the rationale for the change being increased comptrollership. The ABAF **agreed** with that rationale but **expressed concern** on

whether the current structure of the BFB was adequate and sustainable. The ABAF **questioned** if the requirement to reduce non-operational positions envisaged that posts in this specific area should be targeted. The ABAF **urged** that this be revisited.

- 5.10 The ABAF **recommended** that comparative figures for the current and previous budget years should be added to the list of fixed-term staffing of the Secretariat presented in Appendix 4 for future budget documents.
- 5.11 The ABAF **noted** that the proposed budget of the International Cooperation and Assistance Programme was budget-neutral from the previous year at the level of EUR 7,609,700. The Programme would see a reduction in staff travel and attendance at workshops and conferences, creating a reduction of 1.2% in staff costs, and a reduction in external contracting services. The ABAF **noted** the level of overlap between the Verification Division (VER) and the International Cooperation and Assistance Division (ICA) regarding technology and knowledge management activities and that the two areas were cooperating and delivering complementary activities in that sector. The ABAF also **noted** the further efforts of the Secretariat, reflected in the proposed budget, regarding the establishment of mechanisms to protect and assist victims of chemical weapons and **noted** the role of the Secretariat in facilitating the transfer of knowledge amongst States Parties. The ABAF **suggested** that in future programme and budgets, the Africa Programme should be reflected in more detail.
- 5.12 For the Verification Programme, the ABAF **noted** the shift in the proposed budget to non-re-emergence of chemical weapons as well as the increased need for data analysis and processing and the development of knowledge management capacity. The ABAF **noted** an increase of EUR 222,072 (+12.1%) in non-staff costs, linked in part to mission- and support-related increases and to the development of new software (a database of verification-related data purchased in 2017, which would need to be implemented and tailored to the specific needs of the VER in 2018). The ABAF **referred** to an increase of EUR 406,000 (+6.5%) in staff costs linked to the redeployment of three positions to the OPCW Laboratory (due to the expansion of its activities). Regarding the planned decrease in the number of routine verification missions in 2018, the ABAF **noted** that the budget reflected an increased cost because of the increased need for other types of missions, such as technical assistance visits. This also explained the increased costs of travel and consultancy and contractual services. The ABAF **noted** that the budget document contained an inconsistency between the decrease in the number of missions mentioned on page 24 of the 2018 Budget and Programme and the key performance indicator (KPI) referring to an increase and **recommended** that a footnote explain this discrepancy.
- 5.13 The ABAF **noted** that the Inspectorate Division (INS) had included in its priorities the need to increase its capacity to deal with non-State actors and the threats they represent, as well as the expansion of the Situation Centre, in order to enhance communication and the information management capacity of the Division. The ABAF **noted** that there was a policy decision of the Secretariat to enhance the Situation Centre within a zero nominal growth budget, therefore cutting costs in other budget lines. The budget requested for this activity corresponded to the need to finish the work already started in previous budget years. The ABAF **noted** that the 2018 Draft Programme and Budget reflected the consolidation of internal re-structuring of the

INS, with the proposed budget being split between the Office of the Director, the Operations and Administration Branch, the Capacity Building and Contingency Planning Cell, the Demilitarisation Inspections Cell and the Industry Inspections Cell, thus making it easier for States Parties to see INS costs by priority. The ABAF **noted** that non-staff costs were reduced by 8.6% in the Draft Budget, as a result of the reduction in chemical weapons destruction facilities (CWDF) missions; that travel costs had decreased by 5%; and that consultancy and contractual services had decreased by 44.9% for the same reason (as 10 contractual positions for CWDF missions were no longer required). The proposed staff costs would remain the same as in 2017, despite the gain of two additional positions that were being transferred from the Administration Division to respond to the business needs of the Situation Centre.

- 5.14 Regarding the budget requested for the Office of Confidentiality and Security (OCS), the ABAF **noted** that there would be an increase of EUR 12,429 (+2.6%) in non-staff costs, explained by an ongoing upgrade of the security management system, and a reduction in security equipment linked to the upgrade of previously obsolete equipment.
- 5.15 For the Support to the Policy-Making Organs Programme (PMO), the ABAF **noted** that the KPI relating to the percentage of documents circulated also depended on the efforts by States Parties and thus could not be an efficient way to measure the Secretariat's performance.
- 5.16 Regarding the budget proposed for the External Relations Programme (ERD), the ABAF **noted** a decrease in non-staff costs (-8.8%) and an increase in staff costs (+7.3%), linked to the change in standard staff costs and the addition of one GS position.
- 5.17 Regarding the budget requested for the Office of Strategy and Policy (OSP), the ABAF **noted** that the Office had added a fairly new issue to its priorities, namely the provision of policy advice on the Organisation's contribution to global counter-terrorism efforts.
- 5.18 Regarding the budget requested for the Office of Internal Oversight (OIO), the ABAF **requested** that UNEG (United Nations Evaluation Group) and DRA (Documents Registration and Archiving) be added to the list of acronyms at the end of the 2018 Programme and Budget, and that wording referring to the "implementation of non-conformity" be re-drafted for clarity purposes. The ABAF also **noted** that there was no tangible increase to the resources available to the OIO, with the proposed budget remaining stable.
- 5.19 The ABAF **noted** that the Administration Programme's draft budget showed a decrease of EUR 439,727 (-3%) from the previous year. The ABAF commented that this was due primarily to a -4.5% reduction in staffing costs amounting to EUR 368,758 as a result of significant reduction of posts in this Programme. The ABAF in its analysis **also took note** of reductions of -6.3% from the previous year in the consultancy and contractual services expenditure category.
- 5.20 In general, the ABAF **noted** with satisfaction that the 2018 Draft Budget and Programme was based on zero nominal growth, including the costs incurred for the Fourth Review Conference.

- 5.21 The ABAF **recommended** for future Programme and Budget documents that target KPIs for the current budget year be included, understanding that full year results will not yet have been obtained.
- 5.22 The ABAF also **recommended** that future Programme and Budget documents include a comprehensive list of changes, similar to what was presented by programmes during the briefing to the ABAF. The ABAF felt that, in this manner, the Budget and Programme document would read better, with key changes clearly presented to allow comparison.
- 5.23 Finally, the ABAF **recommended** that the Secretariat should continue to look for future reductions in costs related to travel and consultancy and contractual services, as these expenditure categories were typically prone to cost increases in international organisations.

## 6. Introduction to strategic financing strategy for the OPCW

- 6.1 The ABAF **noted** an earlier request to the Secretariat, reiterated at its Forty-Second session, that the Secretariat consider and develop a strategic financing paper. In this regard, the ABAF was informed that a comprehensive non-paper on strategic financing was in an advanced state of preparation, covering a number of areas. The ABAF was presented with an outline of this non-paper. While expressing its regret that it was unable to consider the detailed draft itself, the ABAF provided suggestions that could be incorporated into the non-paper.
- 6.2 The possibility of moving to biennial budgeting was discussed. The distinction between operational and support budgets was also considered in the discussion.
- 6.3 The ABAF **recommended** that the structure of the non-paper include the following adjustments:
- (a) The section on zero-based budgeting and unfunded requirements should be split into two separate sections.
  - (b) Trust Funds should have a dedicated section in the non-paper, distinct from Special Accounts.
  - (c) Programme support costs would best be addressed in a section following the section on Trust Funds.
  - (d) A section on contingency for extraordinary events should be included in the paper.
- 6.4 The growth of extra-budgetary resources was discussed. The issue of the number of existing Trust Funds, and their complexity in terms of implementation and administration was also referenced in the discussion.
- 6.5 The issue of financing the Fourth Review Conference was raised, and the ABAF **expressed** a view that this mandatory reoccurring activity should be considered from a budgetary perspective in a sustainable manner.

- 6.6 The ABAF **discussed** the issue of non-governmental donors. The ABAF was informed that the OPCW would need to think of itself as in competition for funding with other international organisations, as each try to deliver their mandates. In addition, in-kind partnerships for items such as equipment should increasingly be considered.
- 6.7 The ABAF **recommended** that once finalised and reviewed internally, an electronic version of the non-paper should be received prior to its next session for further comment. The ABAF **noted** that as this paper moved forward, it would be reviewed formally on four different occasions: twice by the ABAF at its upcoming Forty-Fourth and Forty-Fifth Sessions, then by the Council at its Eighty-Ninth Session in the autumn of 2018, and then for presentation at the Fourth Review Conference in 2018.
- 6.8 The ABAF **commented** that a separate ABAF report would be necessary for the strategic financing non-paper, which could accompany the draft non-paper when it is circulated to the Council at its Eighty-Ninth Session.
- 6.9 The ABAF **recommended** that the strategic financing non-paper be incorporated into the work of the Open-Ended Working Group on the Future Priorities of the OPCW (OEWG-FP).
- 6.10 The ABAF also **recommended** that the Director-General consider making strategic financing a specific item on the agenda of the Fourth Review Conference.
- 7. Proposed changes to the Financial Regulations and Rules/Administrative Directives**
- 7.1 The ABAF was provided with an introductory presentation concerning the OPCW Financial Regulations and Rules that would need to be adapted to the new ERP system, as communicated at previous meetings of the ABAF. A list of changes had been provided to the ABAF for their endorsement, and these would be discussed in detail as per the agreed meeting agenda (see paragraph 2). The ABAF was informed that the comprehensive package of information they had received included specific reference to similar changes in line with those of other international organisations.
- 7.2 Regarding the OPCW Financial Regulations and Rules, the ABAF **noted** that, in the same way as with the changes proposed to the OPCW Staff Regulations and Interim Staff Rules, the Secretariat had taken the opportunity of these amendments to include unrelated additional changes (for example: Rules 9.1.02, 10.1.07, 10.4.01, 10.5, and 10.6.03). Therefore, the ABAF **drew to the attention** of the Council and the Conference all the proposed changes, particularly where those changes would impact on the control that States Parties exercise over expenditure, particularly as a result of a shift to the use of administrative directives. To this end, the ABAF **invited** the Secretariat to present a separate list of those unrelated amendments to States Parties.
- 8. Proposed changes to the Staff Regulations and Rules due to the compensation package**
- 8.1 The ABAF was given an introductory presentation on the required changes to the OPCW Staff Regulations and Interim Staff Rules as a result of the introduction of a new compensation package. This was a follow-up to a detailed presentation of the

various elements of the compensation package which was provided to the ABAF at its Forty-Second Session.

- 8.2 A revised compensation package for the professional and higher categories had been implemented within the United Nations Common System. The OPCW therefore needed to amend the OPCW Staff Regulations and Interim Staff Rules in order to re-align with the provisions of the Common System. The Secretariat had carried out a comprehensive review to identify the amendments required. These changes included salary structure and recognition of dependents; step increment periodicity; the education grants and special education grants; relocation-related entitlements, including non-removal allowances and repatriation grants; and transitional measures for a number of elements for currently serving staff members to mitigate potential impact. These transitional measures would disappear over time.
- 8.3 A summary non-paper indicating the process of amendment and further action had been shared with the ABAF (ABAF-Summary of Changes to Staff Regulations and Interim Staff Rules), along with a comprehensive table of changes concerning the amendments to the OPCW Staff Regulations and Interim Staff Rules to be submitted to the Council for its approval and recommendation to the Conference in accordance with Article XII of the OPCW Staff Regulations and Interim Staff Rules. Implementation would commence on 1 January 2018 for the majority of elements, with the exception of the education grant, which would come into effect on the educational year in progress on 1 January 2019.
- 8.4 The ABAF **noted** that the vast majority of the proposed changes to the OPCW Staff Regulations and Interim Staff Rules were linked to an external trigger, such as reforms to the compensation package within the United Nations system, and were thus unavoidable for the OPCW. The ABAF **considered** that these changes were consistent with changes made by other organisations.
- 8.5 The ABAF **noted** that the Secretariat had taken the opportunity to include a few unrelated additional changes to specific regulations and rules. These were referenced in paragraph 10 of the non-paper “Amendments to the Staff Regulations and Interim Staff Rules of the Organisation for the Prohibition of Chemical Weapons – dated 22 August 2017” that was provided to the ABAF. The ABAF noted that some of these changes would be reflected in administrative directives, with a possible impact on the role of States Parties as a result. The ABAF **recommended** that the Council and the Conference review the non-compensation-related changes proposed in paragraph 10 of the aforementioned document and consciously form a view on their acceptability. These include changes that related to more fundamental matters such as, for example, the tenure policy.
- 8.6 The ABAF **welcomed** the fact that staff of the OPCW, including the Staff Council, and States Parties would be consulted as the process moved forward.
- 9. Re-hiring of former inspectors**
- 9.1 Subsequent to its consideration at its previous meeting in June, the ABAF **continued its discussion** on the issue of re-hiring of former inspectors. The ABAF **noted** that the Conference decision C-19/DEC.11 was required to be reviewed by the Council at its

Eighty-Sixth Session and the Conference at its Twenty-Second Session in 2017, taking into consideration the recommendations of the ABAF on the matter.

- 9.2 The ABAF was briefed on the reasons for extending the C-19/DEC.11, and **noted** that that financial savings to the Inspectorate Programme were realised as a result.
- 9.3 The ABAF **noted** that the Secretariat indicated it required additional time to further develop training of new inspectors and thus not depend on the experience of former inspectors.
- 9.4 The ABAF **recommended** that the States Parties consider the following elements when re-visiting their decision:
- (a) the non-career status of the Organisation and the interim nature of the re-hiring regime;
  - (b) the specific circumstances during the last three years in which the Organisation has had to operate and other non-routine requirements;
  - (c) the need to ensure quality and reliability of inspections;
  - (d) knowledge management within the OPCW; and
  - (e) whether, within the three years that the current exceptional regime has been in place, the Secretariat has done enough to address the inspector re-hiring issue and thus avoid an extension request. The ABAF **made clear** that they would have preferred a more focussed and detailed response from the Secretariat on the need to retain the ability to re-hire suitably experienced inspectors. In this context, the ABAF **also recommended** that the criteria for recruitment of inspectors should be analysed in an integrated manner.

## 10. **Audit committee follow-up**

The ABAF was briefed at the request of the OPCW Office of Internal Oversight (OIO) to the Internal Atomic Energy Agency (IAEA) Director of Internal Oversight Services on the rationale for the absence of an audit committee at that organisation. The ABAF **considered** that such a briefing would be useful in its deliberations on the issue, given the comparable nature of the IAEA. The IAEA Director of Internal Oversight Services made the point that security obligations of persons involved were paramount in seeking arrangements that ensured uniformity of audit policies and audit activity coordination which would not be ideal working with a necessarily temporary body such as an audit committee. He emphasised that his office reports directly to States Parties and that by creating an audit committee, direct access to all States Parties would be limited to only those who are members of an audit committee, and as a consequence the rest of the States Parties would not have access to information relating to activities and reports of the Internal Oversight Services. Accordingly, he indicated that an audit committee would not serve the intended purpose, thus he did not see any added value to an audit committee. The IAEA had therefore taken a conscious decision not to have an audit committee. As for the Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO), the treaty has not yet entered into force, hence the issue of establishing an audit committee had not yet been decided.

The ABAF **agreed** that they would further consider the issue of an audit committee for the OPCW at its next meeting.

## **11. Risk management and internal controls with regards to External Auditor recommendations**

11.1 The ABAF **reviewed** the “Report on the Status of Implementation of the Recommendations of the External Auditor” (EC-86/S/2, dated 21 August 2017). The ABAF was informed that 26 recommendations were carried forward from previous years, of which five were closed and 21 were ongoing. Ten new recommendations were raised in 2016 in the areas of financial management, governance and internal control, the ERP system and human resource management.

11.2 The ABAF was informed that an informal consultation with States Parties was to be held in September to provide an update on the status of implementation of the recommendations, and the consultation would be attended by the representatives from the External Auditor (the National Audit Office in the United Kingdom of Great Britain and Northern Ireland).

11.3 The ABAF **noted** with satisfaction that, despite the number of recommendations, no issues of high risk to the Organisation were identified.

## **12. Any other business**

### Visit to the OPCW Laboratory in Rijswijk

12.1 The ABAF **commented** that the optional visit to the OPCW Laboratory by some members of the ABAF had been both informative and useful to better understand the work of the VER. They thanked the Secretariat for this opportunity.

### External Auditor

12.2 The ABAF was informed that the term for the National Audit Office, the External Auditor of the OPCW, ends with the audit of the 2017 Financial Statements of the OPCW and the OPCW Provident Fund, and thus a call for nominations for the External Auditor had been issued in June of this year (S/1507/2017, dated 22 June 2017), with a submission deadline date of 31 July.

12.3 The ABAF was informed that the National Audit Office had been the only nomination received by the Secretariat. In this regard, a Note by the Director-General (EC-86/DG.5, dated 23 August 2017) had been issued summarising the nomination process and submitting the matter to the Conference for approval for a further three-year term for the National Audit Office. The ABAF requested confirmation on the maximum term for an external auditor, which the Secretariat indicated was six years. The ABAF **noted this nomination** of the National Audit Office and indicated that, assuming they were appointed for a second three-year term, it would be sensible to approach them well before the end of their second term to assist the Secretariat with identifying possible successors.

Members of the ABAF and election of the Chair and Vice-Chair of the ABAF

- 12.4 Noting that this meeting would be the last official function of the Chairperson with regards to 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 John Foggo as Chairperson for a period of one year and took the opportunity to re-elect Mr Khodayar Rouzbahani as Vice-Chairperson, both with effect immediately following the close of the Forty-Third Session of the ABAF.

Dates of 2018 ABAF sessions

- 12.5 The ABAF **decided** on the dates for its 2018 sessions as follows: The Forty-Fourth Session will be held from 5 to 8 June, and the Forty-Fifth Session will be held from 28 to 31 August 2018.

**13. Next session and agenda**

The ABAF **adopted** the following provisional agenda for its Forty-Fourth Session:

1. Opening of the session
2. Adoption of the agenda
3. Review of the report of the previous session
4. Introductory matters
  - (a) ABAF members as per EC-86 decision
  - (b) Financial updates: cash position, status of collection of assessed contributions and reimbursements, Working Capital Fund
  - (c) ERP project update
5. Status of the 2018 financial performance (to date)
6. Financial Statements of the Organisation for the Prohibition of Chemical Weapons and the report of the External Auditor for the year ending 31 December 2017
7. Report of the Office of Internal Oversight for the year ending 31 December 2017
8. Strategic financing strategy for the OPCW
9. Audit Committee follow-up
10. Fourth Review Conference
11. Any other business
12. Next session and agenda

13. Adoption of the report

**14. Adoption of the report**

The ABAF **adopted** the report of its Forty-Third Session on 1 September 2017.

Annex:

List of Information Papers and Other Documents Presented to the Advisory Body on Administrative and Financial Matters at its Forty-Third Session

**Annex**

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

|     | <b>Title</b>  |
|-----|---|
| 1.  | Agenda for the Forty-Third Session of the Advisory Body on Administrative and Financial Matters   |
| 2.  | Note by the Technical Secretariat: Nomination for Membership of the Advisory Body on Administrative and Financial Matters (EC-85/S/5 and EC-85/S/6)                               |
| 3.  | Report of the Forty-Second Session of the Advisory Body on Administrative and Financial Matters (ABAF-42/1)   |
| 4.  | Note by the Director-General: Monthly Financial Situation Report as at 31 July 2017 (S/1523/2017)   |
| 5.  | Report by the Director-General: OPCW Income and Expenditure for the Period 1 January to 30 June 2017 (Second Quarter of the Financial Year Ending 31 December 2017) (S/1518/2017) |
| 6.  | Note by the Director-General: Recommendation for Write-Offs of Irrecoverable Accounts Receivable and of Losses of Assets (EC-86/DG.4 C-22/DG.7)                                   |
| 7.  | Presentation: OPCW 2017 Financial performance (first half of 2017)  |
| 8.  | Presentation: Introductory presentation of Staff Regulations and Rules changes  |
| 9.  | Presentation: Introductory presentation of Financial Regulations and Rules changes  |
| 10. | Presentation: ERP Project update & Benefits Realisation Plan  |
| 11. | Outline for Strategic Financing of the OPCW non-paper   |
| 12. | Note by the Director-General: Draft Programme and Budget of the OPCW for 2018 (EC-86/CRP.1)   |
| 13. | Staff Rules and Regulations 1: Explanatory notes to ABAF  |
| 14. | Staff Rules and Regulations 2: ICSC Report Executive Summary  |
| 15. | Staff Rules and Regulations 3: Resolution Adopted by the General Assembly (23 December 2015)  |
| 16. | Staff Rules and Regulations 4: ABAF Summary of Changes to Staff Regulations Rules   |
| 17. | Financial Regulations and Rules 1: Proposed Amendments to FRR Highlighting Changes  |
| 18. | Financial Regulations and Rules 2: Table of Equivalence   |
| 19. | Financial Regulations and Rules 3: ABAF-36/1  |
| 20. | Financial Regulations and Rules 4: RRWG Meeting Minutes 001   |
| 21. | Financial Regulations and Rules 5: ABAF-37/1  |
| 22. | Financial Regulations and Rules 6: IPSAS Definition   |
| 23. | Financial Regulations and Rules 7: UNOPS RFF Definition   |
| 24. | Financial Regulations and Rules 8: Copies of FRRs (IAEA, ICAO, UNOPS, WIPO)   |
| 25. | Financial Regulations and Rules 9: Other supporting documents   |
| 26. | Presentation: Re-hiring of former inspectors  |
| 27. | Note by the Technical Secretariat: Report on the Status of Implementation of the Recommendations of the External Auditor (EC-86/S/2)  |
| 28. | Note by the Director-General on the Fourth Phase of the Programme to Strengthen Cooperation with Africa on the Chemical Weapons Convention (EC-84/DG.18, dated 17 February 2017)  |
| 29. | Note by the Director-General: Summary of Nominations for External Auditor of the OPCW (EC-86/DG.5)  |