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**STATEMENT BY THE EXTERNAL AUDITOR OF THE OPCW AT THE
SEVENTY-SEVENTH SESSION OF THE EXECUTIVE COUNCIL**

Ms/Mr Chairperson, ladies and gentlemen,

I have the honour to present the essence of my report on the financial statements of the Organisation for the Prohibition of Chemical Weapons (OPCW) for the year ending 31 December 2013.

The audit was carried out in accordance with OPCW's Financial Regulations and the International Auditing Standards as adopted by the Panel of External Auditors.

I am again able to present a result that does not show differing positions because my recommendations were accepted by the Secretariat.

I would like to stress the most important result for the Secretariat. Our audit examination revealed no weaknesses or errors, which I considered material to the accuracy, completeness, and validity of the financial statements as a whole.

Consequently, I placed an unqualified audit opinion on the Financial Statements for 2013.

Let me now highlight the key results of my team's work.

- point one (1): OPCW's Working Capital Fund, ERP-system, Outstanding assessed contributions, Funding of liabilities;
- point two (2): Human Resources, Procurement;
- point three (3): Analysis of samples collected in the Syrian Arab Republic, Establishment of trust funds for the Syrian Arab Republic.

- To point one (1):

I would like to inform States Parties about OPCW's Working Capital Fund, the ERP system, outstanding assessed contributions and funding of liabilities.

Working Capital Fund:

The WCF was established to meet short-term liquidity problems. But since its establishment, the WCF has never been used to offset a temporary cash shortfall. The WCF's resources currently amount to EUR 9.9 million, the OPCW's overall budget was EUR 69.8 million in



2013. That means that the size of the WCF is almost 15 per cent of the OPCW's budget. That is significantly higher than the WCF levels of comparable United Nations organisations. I recommend considering to reduce the level of the WCF to 6 per cent of the total budget. That would release an amount of EUR 5.7 million.

ERP-system:

This surplus could be used to contribute to funding a new ERP system. Allow me to explain this recommendation a bit more in detail. In the recent years, I repeatedly pointed out the problem of converting a large number of financial transactions by using manual entries in Excel worksheets. The reason why this highly error-prone procedure is used is the following: The current IT system does not support recording all of those transactions that are required by IPSAS. With a new ERP-system in place major progress could be made.

Outstanding assessed contributions:

I particularly wish to appeal to the relatively small number of States Parties in arrears of their duty to fully pay assessed contributions. Even though the number of States Parties that fully paid their contributions in 2013 increased by 7.7 per cent as compared to 2012, it remains that 47 States Parties failed to pay their contributions. I encourage the States Parties concerned to pay their contributions in full when due or at least to make use of the payment plans offered by the Secretariat.

Funding of liabilities:

As at 31 December 2013, total liabilities exceeded total assets by EUR 1 million. In the Secretariat's view there is no need for additional funding as long as States Parties continue to support the OPCW. However, I recommend that States Parties start reflecting on how to fund future liabilities. A negative balance should not be maintained over a longer period.

- To point two (2):

The performance part of the audit is where we address OPCW's administrative and operational issues.

Last year, we examined the areas Human Resources and Procurement and identified fields for improvement. Let me highlight our key findings and recommendations:

Human Resources:

Recruitment is a critical HR function regarding the long-term success of organisations. My team audited OPCW's recruitment and selection procedures and found the following:

- OPCW's latest HR strategy dates back to 2008 and covered the period 2008 – 2010. I recommended updating the HR strategy and regular reporting on target achievement.
- Furthermore, my team analysed the duration of 40 recruitments for fixed-term professional posts concluded in the last two years. We found that the period of post vacancies was too long. I recommended implementing a 30 days application deadline. In

case of known vacancies, the post should be advertised at least four months before the position becomes vacant.

Procurement:

OPCW makes lump-sum payments for travel for home leave, education grant travel and travel on separation from service. My team audited the travel activities of OPCW staff. In several cases, the amount payable under the lump-sum option seemed relatively high. We compared this to tickets bookable via the Internet where approximately one third of the actual costs for lump-sums would have been incurred. In some cases, the difference between the lump-sum and the minimum price for one ticket was more than EUR 4,000. I recommend analysing the use of the lump-sum option. I also recommend comparing costs for a lump-sum payment of 75 per cent of the least restrictive economy-class fare with the cost incurred by the Secretariat for providing staff members with a ticket and related entitlements for official travel.

- To point three (3):

Analysis of samples collected in the Syrian Arab Republic:

In August 2013, the use of chemical weapons against civilians was assumed in the Syrian Arab Republic. The OPCW assisted the United Nations in detecting whether chemical weapons were used or not. To answer this question, some material was collected, partly as environmental samples and partly as bio-medical samples, from the victims of the suspected assault. As the OPCW did not have operational arrangements with specific institutes able to do both types of sample analysis, the Secretariat faced the challenge to find suitable laboratories and conclude arrangements at short notice. As a lesson learnt from the Syrian Arab Republic challenge, I would like to recommend that the Secretariat continue to work with the laboratories and the States Parties concerned for future cases. The Secretariat should identify suitable laboratories and conclude appropriate arrangements beforehand for analysing all potential samples including bio-medical material.

Establishment of trust funds for the Syrian Arab Republic:

On 14 October 2013, the Chemical Weapons Convention entered into force for the Syrian Arab Republic, making it the 190th State Party to join the treaty. As verification and destruction activities in the Syrian Arab Republic were not included in the regular budget, two special trust funds were established. I am aware of the ever changing political developments which led to the establishment of trust funds for the Syrian Arab Republic. As it was unprecedented, the Secretariat had no experience in this field. Nevertheless my team noted that the agreements on the Trust Fund for the Destruction of Syrian Chemical Weapons contain different amounts of the projected budget. In some cases EUR 35 to 45 million was stated, in other cases EUR 50 million. Such differences in agreements on comparable trust funds need to be avoided. I will continue auditing the management of the Syrian trust funds.

Ms/Mr Chairperson, ladies and gentlemen,

This was a brief overview of my key findings regarding the Secretariat's management and performance.

I am convinced that the implementation of my recommendations on performance issues would improve OPCW's efficiency and effectiveness.

If you have any questions, we will be happy to answer them.

I wish to express my sincere thanks to the Director-General and all the staff of the OPCW Secretariat for their cooperative and responsive attitude, their kind and expert assistance and for the facilities made available to my audit team.

Thank you for your kind attention.

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