



Eighty-Second Session
12 – 15 July 2016

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NOTE BY THE DIRECTOR-GENERAL

COMMENTS ON THE REPORT OF THE ADVISORY BODY ON ADMINISTRATIVE AND FINANCIAL MATTERS AT ITS FORTIETH SESSION

1. At its Thirty-Fourth Session, the Executive Council (hereinafter “the Council”) requested that the Director-General, when submitting reports of the Advisory Body on Administrative and Financial Matters (ABAF) to the Council for its consideration, indicate what actions the Technical Secretariat (hereinafter “the Secretariat”) has taken in response to the recommendations of the ABAF, and what decisions are required by the Council on the report being submitted (paragraph 21.4 of EC-34/5, dated 26 September 2003).
2. The Director-General welcomes the continuing advice and support provided by the ABAF, as reflected in the conclusions it reached during its Fortieth Session (ABAF-40/1, dated 9 June 2016), which was held from 6 to 9 June 2016.

Review of the report of the previous session of the ABAF (paragraph 4 of ABAF-40/1)

3. The Secretariat notes the ABAF’s enquiry as to whether the 7% recovery of programme support costs (PSC) is sufficient to cover indirect costs of administrative and operational support services incurred in the management of voluntary contributions. The Secretariat will continue to monitor PSC income and expenditure in 2016 and will evaluate whether the recovery rate needs to be adjusted for 2017 (paragraph 4.1).
4. The Secretariat notes the support of the ABAF for the establishment of an audit committee. It also notes its suggestion that this role could potentially be undertaken by the ABAF. The Secretariat will prepare a paper to evaluate this option prior to the ABAF’s Forty-First Session (paragraph 4.4).

Status of the 2016 financial performance (first quarter of 2016) (paragraph 5 of ABAF-40/1)

5. The Secretariat notes the comments of the ABAF concerning the number of States Parties that are in arrears in respect of annual assessed contributions. It will continue to remind States Parties to fulfil their obligations in this regard (paragraph 5.1).



6. The Secretariat notes the recommendation of the ABAF that the concept of a strategic capability investment trust fund be developed and will provide the ABAF with an update on progress made in this regard at its next session (paragraphs 5.3 and 5.4).

Financial Statements of the OPCW and the report of the External Auditor for the year ending 31 December 2015 (paragraph 6 of ABAF-40/1)

7. The Secretariat notes the ABAF's support of the External Auditor's recommendation on longer-term financial planning and will develop a paper on strategic financing in the course of 2016 for consideration by the States Parties (paragraph 6.3).
8. The Secretariat notes the point raised by the ABAF that the Secretariat should consider all potential options suggested by the External Auditor to improve the Organisation's financial position. In this regard, the Secretariat would like to highlight that a number of suggestions have already been pursued, independent of the auditor's recommendations. For example, the Director-General has placed a restriction on the allotment of the 2016 operational (non-staff) budget in order to curtail spending and potentially generate savings. The Secretariat also routinely seeks to obligate funds using trust funds to supplement costs currently charged to the regular budget and periodically reviews policies and procedures in its efforts to improve efficiency and cost effectiveness. The Secretariat notes the ABAF's request for a paper to be drafted outlining options for consolidating trust funds so as to enable greater flexibility in their use (paragraph 6.4).
9. The Secretariat notes the ABAF's support of the External Auditor's recommendation to maintain and regularly update the OPCW risk register and can report that the register underwent a detailed review by Programme Managers in April and May this year. This resulted in an updated document, which now includes a rating of both the probability of each risk occurring and the impact on the Organisation's strategic objectives. A risk map was also formulated for the first time, to highlight key risks. The Secretariat will review the register regularly during the course of 2016 and will seek to strengthen its risk management policies in order to aid decision making and planning (paragraph 6.6).
10. The Secretariat notes the ABAF's recommendation regarding the development of a whistle-blower policy and a fraud response plan. The latter issue has already been addressed and a plan is in place. This will be reviewed periodically. The Secretariat will also develop a whistle-blower policy in 2016 (paragraph 6.7).
11. The Secretariat notes the recommendation by the ABAF that the Office of Internal Oversight (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. The Secretariat will investigate ways to strengthen the role of the OIO in this regard (paragraph 6.8).
12. The Secretariat notes the ABAF's comment regarding development of the enterprise resource planning (ERP) business case in order to better highlight the benefits of the solution and will work on updating the document in the coming months (paragraph 6.9).

**Report of the Office of Internal Oversight for the year ending 31 December 2015
(paragraph 7 of ABAF-40/1)**

13. The Secretariat notes the ABAF's request that copies of the annual report of the OIO for the year ending December 2015 (EC-82/DG.3 C-21/DG.4, dated 15 April 2016) be shared with the body ahead of its annual June session. It also notes the request that ABAF members be informed by the OIO when audit/evaluation reports are completed, so that they may receive copies once they become official. The Secretariat will establish a procedure to ensure that the ABAF members receive copies of the OIO annual report and copies of audit/evaluation reports (paragraph 7.6).

Any other business (paragraph 8 of ABAF-40/1)

Update on the Medium-Term Plan

14. The Secretariat welcomes the positive comments by the ABAF regarding the updated Medium-Term Plan (MTP) (EC-83/S/1 C-21/S/1, dated 8 April 2016) and notes the comment that, while the MTP is a Secretariat document, it plays a key role in setting the strategic framework in which to develop the annual Programme and Budget (paragraph 8.2).

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