



NOTE BY THE DIRECTOR-GENERAL

**COMMENTS ON THE REPORT OF THE ADVISORY BODY ON ADMINISTRATIVE
AND FINANCIAL MATTERS AT ITS FORTY-SECOND 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, indicated the 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 Forty-Second Session (ABAF-42/1, dated 9 June 2017), which was held from 6 to 9 June 2017.

Review of the report of the previous session of the ABAF (section 4 of ABAF-42/1)

Status of assessed contributions and Article IV and V reimbursements (paragraph 5.2 of ABAF-42/1)

3. The Secretariat notes the ABAF’s concern at the number of States Parties that were in arrears with regard to annual contributions assessed for previous years and the cumulative outstanding balance for the reimbursement of inspections invoiced under Articles IV and V. The Secretariat will continue to remind States Parties to fulfil their obligations in this regard.

Status of implementation of the 2017 Programme and Budget (paragraph 5.3 of ABAF-42/1)

4. The Secretariat welcomes the positive comments by the ABAF regarding the initiatives taken by the Organisation to avoid a budget deficit and a transfer of funds between Chapters. The Secretariat will conduct a detailed review of actual and projected expenditures, along with a review of assessed contributions and Article IV and V collections as part of a mid-year review. This may result in an adjustment to the contingency margin in effect.



Improvements to the programme performance report for 2016 (section 6 of ABAF-42/1)

5. The Secretariat notes the ABAF's comments specifying the importance of the programme performance report and the positive response from the ABAF with regard to improvements that made the report more concise and easier to assess. The Secretariat will, based on the ABAF's recommendation, look to include information on financial performance in the report after the implementation of the new ERP system, in addition to further developing a narrative for the report that could highlight achievements made during the year, providing a meaningful assessment of the outcomes and impact activities, and cataloguing lessons learned during programme implementation.

Note by the Director-General on the transfer of funds in 2016 (section 7 of ABAF-42/1)

6. The Secretariat notes that the ABAF noted that all transfers took place without detriment to the approved activities of the respective programmes. It further notes the ABAF's recommendation that the Note by the Director General on the transfer of funds (EC-84/DG.17 C-22/DG.3, dated 16 February 2017) should refer to the overall impact of the transfers on activities.

ERP project update and requirement for Financial Regulation and Rules amendments (section 8 of ABAF-42/1)

7. The Secretariat notes the ABAF's expression of the importance of stakeholder buy-in for the success of the ERP project and that much of the detailed implementation work will commence now, with the implementing partner on-site.
8. The Secretariat notes the ABAF's suggestion that the identification of a Chief Information Officer within the Secretariat is crucial to the success of the ERP project.
9. The Secretariat will provide to the ABAF at its next session a comprehensive package of proposed changes to the OPCW Financial Regulations and Rules, due in large part to the introduction of the new ERP system.

Cash position of the OPCW (cash situation update) (section 10 of ABAF-42-1)

10. The Secretariat notes that the ABAF was pleased to see an improvement in the OPCW's cash situation and forecast, and noted that the Secretariat is forecasting a cash neutral position for 2017. The Secretariat notes the ABAF's reiterated call for a strategic financing paper given the budgetary and liquidity constraints facing the Organisation. The Secretariat will present to the ABAF a strategic financing paper at its next session.

The Financial Statements of the OPCW and the report of the External Auditor for the year ending 31 December 2016 (section 11 of ABAF-42/1)

11. The Secretariat welcomes the ABAF's satisfaction with the fact that both the Financial Statements of the OPCW and the Financial Statements of the OPCW Provident Fund received unqualified audit opinions from the External Auditor.

12. The Secretariat notes the ABAF's support of the External Auditor's recommendation on a business realisation plan for the ERP project, and that the Secretariat will report it to States Parties to enable them to assess the value derived from their investment.

Report of the Office of Internal Oversight for the year ending 31 December 2016 (section 12 of ABAF-42/1)

13. The Secretariat notes that the ABAF encourages Management to implement the recommendations of the Office of Internal Oversight (OIO) in a timely manner.

Office of Internal Oversight presentation on an audit committee (section 13 of ABAF-42/1)

14. The Secretariat notes that the ABAF noted the work done to date on the issue of establishing an audit committee and recommended that further work was required on the topic given the complexity of the issue. The Secretariat notes that the ABAF requested the OIO to assess the experiences of other United Nations organisations with or without an audit committee, in particular the IAEA¹ and the CTBTO.² The Secretariat will provide an assessment of what the impact would be on the Secretariat in terms of cost benefits of the various options to the ABAF for its further consideration.

Revised United Nations compensation package (section 14 of ABAF-42/1)

15. The Secretariat notes that the ABAF requested that any associated Financial Regulations and Rules that might be impacted by changes to the compensation package be discussed for endorsement at the next session of the ABAF.

Inspectorate methodology for number of inspectors (paragraph 16.1 of ABAF-42/1)

16. The Secretariat acknowledges that the ABAF noted the methodology and the rationale used to determine the number of inspectors necessary to conduct missions and to support capacity-building activities within the Secretariat and States Parties.

Inspectorate presentation on the rehiring of former inspectors (paragraphs 16.2 through 16.6 of ABAF-42/1)

17. The Secretariat notes that the ABAF considered the presentation to be a useful introduction to the topic and deferred any recommendation on this issue to the next session of the ABAF so that further consideration could be given to this topic.

Any other business (paragraphs 16.7 and 16.8 of ABAF 42/1)

18. The Secretariat will send all documentation pertaining to the ABAF by the Wednesday preceding the meeting.

19. The Secretariat will organise the visit of the ABAF to the OPCW Rijswijk Laboratory at its next meeting.

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¹ The International Atomic Energy Agency

² The Comprehensive Nuclear-Test-Ban Treaty Organization