



**OPCW**

**Executive Council**

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**REPORT BY THE DIRECTOR-GENERAL**

**FINANCIAL STATEMENTS OF THE ORGANISATION FOR THE PROHIBITION OF  
CHEMICAL WEAPONS AND REPORT OF THE EXTERNAL AUDITOR FOR THE  
YEAR ENDING 31 DECEMBER 2017**



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<sup>1</sup> The Financial Statements and Report of the External Auditor are copies of the original audited sets.

**Annex 1**



**ORGANISATION FOR THE PROHIBITION  
OF CHEMICAL WEAPONS**

**FINANCIAL STATEMENTS  
OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**FINANCIAL STATEMENTS  
OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**Statement by the Director-General**

1. Financial Regulation 11.1 of the OPCW stipulates that the Director-General is responsible for submitting annually financial statements prepared in accordance with the International Public Sector Accounting Standards (IPSAS) for the financial period to which they relate. The regulation further states that the financial statements and the notes to the financial statements, including significant accounting policies, shall include all funds, where such funds include, amongst other things, the Regular Budget Fund, the Working Capital Fund and the Voluntary Fund for Assistance. The account(s) shall provide comparative figures for the financial period prior to that being reported on.
2. We believe that the financial statements for the year ended 31 December 2017 are presented fairly according to the requirements of IPSAS and the OPCW's Financial Regulations and Rules (reference OPCW-S/DGB/22, dated 14 December 2012).
3. Any other specific directions of the OPCW's policy-making organs as well as additional information prescribed in Financial Regulations 11.1(a) to (e) are presented within the Appendix to the financial statements. The additional information in the Appendix is not part of the IPSAS-compliant financial statements.
4. It is also our opinion that the financial statements present a view which is consistent with our understanding of the OPCW's financial position as at 31 December 2017, results of its operations, changes in net assets, and cash flows for the year then ended.
5. This statement of the Director-General is made pursuant to Financial Regulation 11.1(a).

[Signed]

Ahmet Üzümcü  
Director-General

[Signed]

Christopher Buck  
Director, Administration  
Principal Financial Officer

22 May 2018

## STATEMENT OF INTERNAL CONTROL FOR 2017

### Scope of responsibility

As Director-General of the Organisation for the Prohibition of Chemical Weapons (OPCW), in accordance with the responsibility assigned to me and, in particular, Article 10 of the Financial Regulations, I am accountable for maintaining a sound system of internal control to “establish detailed financial rules and procedures to ensure: effective financial administration; the exercise of economy; the efficient use of resources; and the proper custody of the OPCW’s physical assets”.

### Purpose of the system of internal control

Internal control is designed to reduce and manage rather than eliminate the risk of failure to achieve the Organisation’s aims, objectives and related policies. Therefore, it can only provide a reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify the principal risks, evaluate the nature and extent of those risks, and manage them efficiently, effectively and economically.

Internal control is a process effected by the policy-making organs, the Director-General, senior management and other personnel, and designed to provide reasonable assurance on the achievement of the following internal control objectives:

- (a) effectiveness and efficiency of operations and the safeguarding of assets;
- (b) reliability of financial reporting; and
- (c) compliance with applicable rules and regulations.

Thus, on an operational level, the OPCW’s internal control system is not solely a policy or procedure that is performed at certain points in time but, rather, operated continually at all levels within the Organisation through internal control processes to ensure the above objectives.

My current statement on the OPCW’s internal control processes, as described above, applies for the year ended 31 December 2017, and up to the date of the approval of the Organisation’s 2017 financial statements.

### Risk management and control framework

The Organisation’s risk management programme includes:

- (a) the identification of risks classified according to relevance, impact and probability of occurrence and are recorded in the risk register accordingly; and
- (b) a Risk Management Committee whose mandate is to develop action plans to address major risks, build up an integrated risk-management framework, strengthen risk management capacities and a risk management culture, and regularly re-evaluate risks and the Organisation’s tolerance levels in light of the evolving environment.

In addition, the internal control system framework is designed to ensure that the Organisation's objectives are achieved efficiently and will continue to evolve and be strengthened over time. The establishment of a policy framework for internal control comprising policies, procedures and processes underpinned by appropriate ethical values includes, but is not limited to, current and comprehensive regulations, rules and directives for the management and control of administrative processes such as financial management, contracting, travel and human resources.

Furthermore, my senior team and I are committed to a continuous improvement programme to strengthen the system of internal control across the Organisation.

### **Review of effectiveness**

My review of the effectiveness of the system of internal controls is mainly informed by:

- (a) my senior managers, in particular the Division Directors and Office Directors who play important roles and are accountable for expected results, performance, controlling their respective Division and Office activities and the resources entrusted to them. The information channels rely mainly on periodic meetings held by the Management Board. For the year ended 31 December 2017, control issues, together with a remedial action plan, have been identified through a self-assessment process, as confirmed by my Division and Office Directors' personal written attestations;
- (b) the Office of Internal Oversight (OIO), on whose reports of internal audits and evaluations I rely. These reports are also provided to the individual Division or Office for strengthening the internal control, risk management and governance processes. During 2017, the OIO has conducted a number of audits and evaluations to assess the adequacy and effectiveness of internal controls in several high risk areas and has made recommendations to further strengthen the system of internal controls, risk management and governance. These high-risk areas were identified through a comprehensive risk assessment exercise carried out by OIO so as to focus the audit effort on the areas that matter most to the Organisation. Work in these areas includes internal audits regarding the procurement system in the Organisation, the system for statement of internal control and the evaluation of governance in the Technical Secretariat (hereinafter "the Secretariat"). Confidentiality audits have also been conducted on developed selection methods for Schedule 3 plant sites, the IT change management process and the implementation of the Secure Information Exchange (SIX) System for the electronic transmission of declarations. An advisory review on the design of the established data migration process for the Unit 4 Business World enterprise resource planning system project was also conducted. The OIO also conducted evaluations of the Quality Management System in the OPCW and the activities of the External Relations Division. A total of 58 audit recommendations were issued in these reports, of which 16 were prioritised as 'critical'. The remaining 42 recommendations were of 'standard' priority. A summary of the audit recommendations issued in 2017, and the impact of those issued and implemented in the past five years is provided in the Annual Report of OIO to the Conference of the State Parties (hereinafter "the Conference"). These have contributed significantly to

strengthening the system of internal control in the Organisation. Management accepted all the audit recommendations, and is taking action to implement them;

- (c) the Advisory Body on Administrative and Financial Matters, whose purpose is to advise me on administrative and financial issues;
- (d) the Risk Management Committee; and
- (e) the External Auditor, whose comments and audit opinion are submitted to the Executive Council and the Conference.

### **Significant risk and internal control matters**

The following significant and internal control issues are reported for 2017, as informed through the above-mentioned channels:

- (a) Implementation of the enterprise resource planning system (ERP system): The Organisation is currently implementing a new ERP system which will have a significant impact on a number of key financial and administrative business processes, including internal control. Implementation of the core solution is ongoing, and detailed user acceptance testing in 2017 indicated that the solution build was incomplete and would not support operational business requirements. As a result, the go-live of the core solution was delayed until completion of the solution build; additional user acceptance testing will be conducted to confirm that the solution meets the operational business requirements. The go-live of the core solution is still planned for 2018, and legacy system controls will continue to be used in the intervening period. In order to ensure sufficient internal control is maintained within the new ERP system, the Organisation is putting in place continually monitored assurance plans to validate internal control within the new ERP system, including review by the OIO.
- (b) Non-payment of contributions by States Parties: In 2015, the Organisation experienced significant financial issues due to the non-payment of assessed contributions and reimbursements of Article IV and Article V invoices by certain States Parties. Remedial action, including recapitalisation of the Working Capital Fund and active budget management, has taken place in 2016 and 2017 to address this issue and improve the financial position as at 31 December 2017. The failure of key States Parties to pay contributions still however remains a significant risk to the Organisation, and as such the Organisation continues to closely monitor and actively address the cash situation, apprising States Parties of the financial position and outstanding contributions on a monthly basis, and continues to maintain a budgetary contingency margin to mitigate the risk of cash flow issues.
- (c) Business continuity planning: The OIO identified a number of critical-level findings relating to the Organisation's disaster recover policy and business continuity planning, including physical security. The Organisation is taking active steps to address these recommendations, enhancing the relevant policies and upgrading physical security.

## **Conclusion**

Effective internal control, no matter how well designed, has inherent limitations—including the possibility of circumvention and, therefore, can provide only reasonable assurance. Furthermore, because of changes in conditions, the effectiveness of internal control may vary over time.

I am committed to addressing any weaknesses in internal controls noted during the year and brought to my attention.

Based on the above, I conclude that, to the best of my knowledge and information, there are no material weaknesses which would prevent the External Auditor from providing an unqualified opinion on the Organisation's financial statements, nor are there other significant matters arising which would need to be raised in the present document for the year ended 31 December 2017.

[signed]

Ahmet Üzümcü  
Director-General  
22 May 2018



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**REPORT OF THE DIRECTOR-GENERAL  
ON THE FINANCIAL STATEMENTS OF THE OPCW  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**Introduction**

1. I have the honour to present the financial statements of the Organisation for the Prohibition of Chemical Weapons (OPCW) for the year ended 31 December 2017.
2. The OPCW is an international organisation which was established by the States Parties to the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction (hereinafter “the Convention”). The Convention entered into force on 29 April 1997, and the OPCW Headquarters is located at Johan de Wittlaan 32, 2517 JR The Hague, the Netherlands.
3. The mission of the OPCW is to achieve the object and purpose of the Convention, to ensure the implementation of its provisions, including those for international verification, and to provide a forum for consultation and cooperation among States Parties.
4. The continued existence of the OPCW in its present form, with its present programme of activity, is dependent on States Parties and their continuing annual appropriations and financial contributions. The comprehensive financial statements prepared under the International Public Sector Accounting Standards (IPSAS) are a key enabler to allow the Organisation to deliver its mandate in an efficient manner.

**Analysis of financial statements**

5. The OPCW financial statements are general purpose financial statements providing information about the financial position, performance, and cash flows of the Organisation to a wide spectrum of users for decision making, consideration in future planning, and to demonstrate the accountability of the OPCW for the resources entrusted to it.
6. The financial statements of the Organisation have been prepared on the accrual basis in accordance with IPSAS. The Organisation’s significant accounting policies within the context of IPSAS are detailed in the financial statements. The budget, as well as the budgetary basis information contained in the financial statements, continues to be prepared on a modified cash basis. There are therefore differences in the accounting bases used for the recognition of revenue, expenses, assets and liabilities in the budget and the IPSAS financial statements for 2017, including timing differences. The Organisation’s functional currency is the euro. All financial information in this analysis is quoted on an IPSAS accounting basis unless otherwise stated.
7. During 2017, the Organisation continued to focus on the effective implementation of the Convention and the efficiency of the processes supporting such implementation. Detailed information on the financial year 2017 can be found within the financial statements and accompanying notes disclosures. Within this context, the following

analysis provides the reader of the financial statements with some of the key highlights of the financial year 2017 in perspective:

- (a) The regular budget (General Fund) experienced an implementation rate of 99.1% during 2017 compared to 96% in the prior year. The level of assessed contributions for 2017 remained unchanged from 2016 at EUR 65.5 million, in line with the approach of zero nominal growth. The overall OPCW Budget decreased by 0.3% to EUR 67.0 million in 2017 for Chapter I and Chapter II programmes<sup>2</sup>.
- (b) Trust funds experienced a decrease in revenue from voluntary contributions of EUR 4.3 million (34%) when compared to 2016.
- (c) Overall expenses, inclusive of the General Fund, trust funds and special accounts, increased by EUR 1.7 million, primarily within the travel category and consistent with programmatic activity resulting in the high budget implementation rate in 2017.
- (d) The net deficit (across all funds and special accounts) for 2017 was EUR -1.8 million, compared to a surplus of EUR 1.9 million in the previous year, primarily due to the reduction in voluntary contribution revenue and increase in travel expenses in 2017.
- (e) The overall value of cash and cash equivalents across the General Fund, trust funds and special accounts decreased from EUR 28.1 million in 2016 to EUR 26.9 million in 2017.
- (f) A lower collection rate of assessed contributions was experienced during 2017 as compared to 2016, leading to an overall increase in the total amount (2017 and prior years) of outstanding assessed contributions by EUR 2.4 million (39%) to EUR 8.5 million. Outstanding total Article IV & V reimbursements increased by EUR 0.6 million (12%) to EUR 6.4 million.
- (g) Investment in major items of inspection and verification equipment increased the net book value of property, plant and equipment by EUR 0.5 million (11%). The net book value of intangible assets increased by EUR 0.5 million (63%), mainly due to ongoing work associated with the development of the new enterprise resource planning (ERP) system.
- (h) The Organisation's total liabilities in 2017 increased by EUR 3.5 million (9%), primarily due to an increase of EUR 3.2 million to the Working Capital Fund (WCF), which is treated as a line of credit from States Parties under IPSAS. Accounts payable increased by EUR 1.4 million, while the cash surplus reduced by EUR 0.5 million, reflecting the transfer of the final cash

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<sup>2</sup> The total approved OPCW Budget for 2017 was EUR 67.8 million, including an appropriation of EUR 0.8 million for the enterprise resource planning (ERP) project (C-21/DEC.6, dated 1 December 2017).

surplus for 2015<sup>3</sup> (EUR 2.0 million) and the determination of the final cash surplus for 2016 (EUR 1.5 million).

- (i) The total employee benefit liability decreased by EUR 0.8 million (10%) in 2017 as the overall headcount of the Organisation decreased during the year.
- (j) The total net assets position experienced a decline of EUR 1.2 million (13%), primarily due to the above-mentioned increase in the WCF and the higher budget implementation rate, combined with a reduction in voluntary contribution revenue. The closing net asset balance for the General Fund was a deficit of EUR -5.3 million, primarily due to long term employee benefit liabilities of EUR 7.5 million. Net assets for trust funds and special accounts were EUR 13.9 million, representing resources which will be spent in future years.

### Financial performance

- 8. A summary of the financial performance by all trust funds and special accounts for 2017 is shown in Table 1 below.

**TABLE 1: SUMMARY OF FINANCIAL PERFORMANCE BY ALL TRUST FUNDS FOR THE YEAR ENDED 31 DECEMBER 2017 (EUR MILLIONS)**

	Regular Budget	Trust Funds and Special Accounts	Total
Total revenue	65.4	8.6	<b>74.0</b>
Total expenses	(66.2)	(9.6)	<b>(75.8)</b>
<b>Net surplus / (deficit) for the year</b>	<b>(0.8)</b>	<b>(1.0)</b>	<b>(1.8)</b>

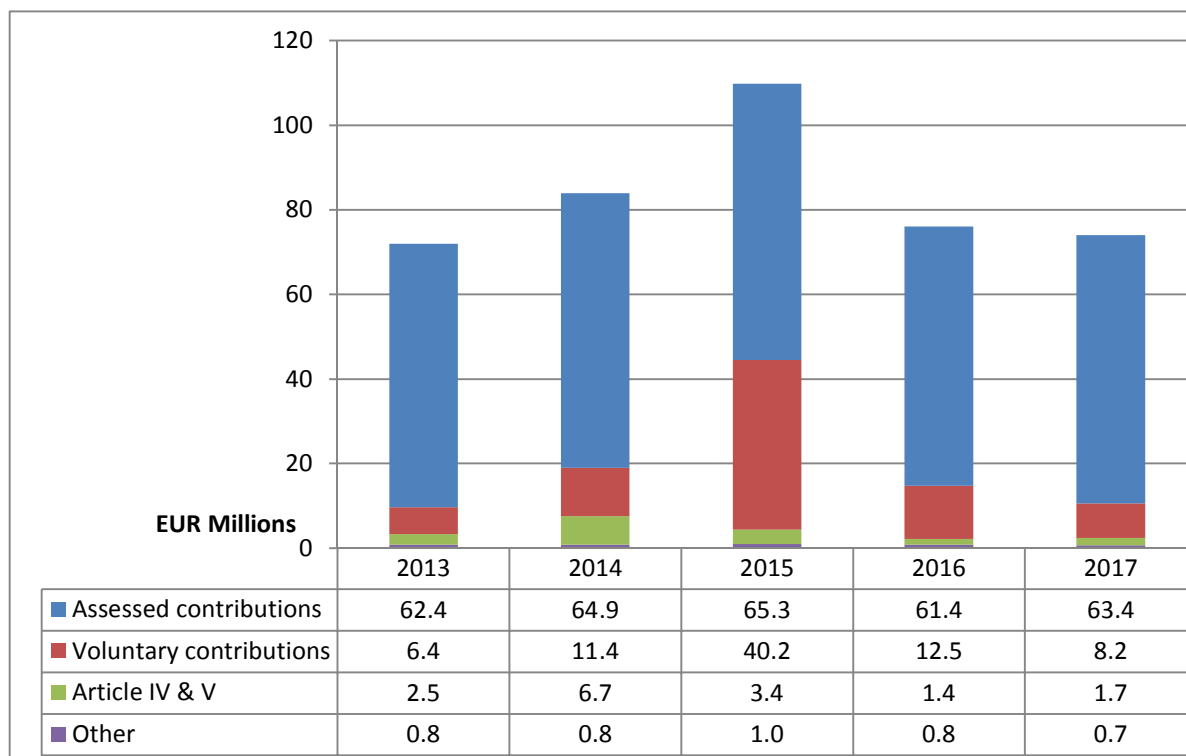
- 9. Taking into account all funds and special accounts of the OPCW, the difference between revenue and expenses for 2017 resulted in a net deficit of EUR -1.8 million, compared to a surplus of EUR 1.9 million in the previous year, primarily due to the reduction in voluntary revenue and increase in travel expenses in 2017.

### Revenue analysis

- 10. Figure 1 shows the composition of revenue by type over the past five financial years. Total revenue has fallen from a peak of EUR 122.9 million in 2015, stabilising at approximately EUR 74.0 million in 2017. Assessed contributions remain the largest revenue stream, with voluntary contribution revenue and Article IV & V revenue decreasing from a peak in 2014 and 2015.

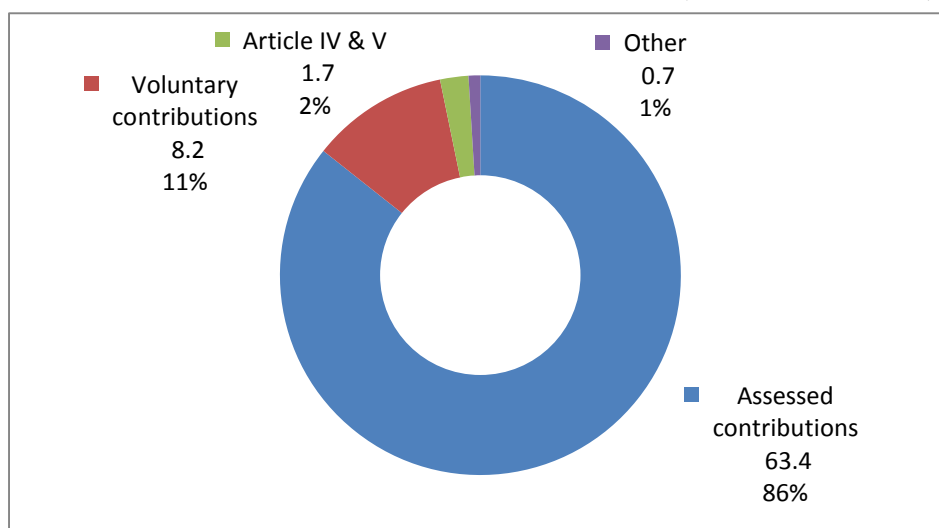
<sup>3</sup> In 2017 the Conference approved the use of a portion of the 2015 cash surplus (EUR 0.7 million) to liquidate the 2014 cash deficit; to transfer a portion of the 2015 cash surplus (EUR 0.3 million) to the special fund for the Fourth Review Conference in 2018; and to transfer of the remainder of the 2015 cash surplus (EUR 1.0 million) to the WCF (C-22/DEC/CRP.9, dated 2 November 2017).

**FIGURE 1: COMPOSITION OF REVENUE FOR FINANCIAL YEARS 2013 TO 2017 (EUR MILLIONS)**



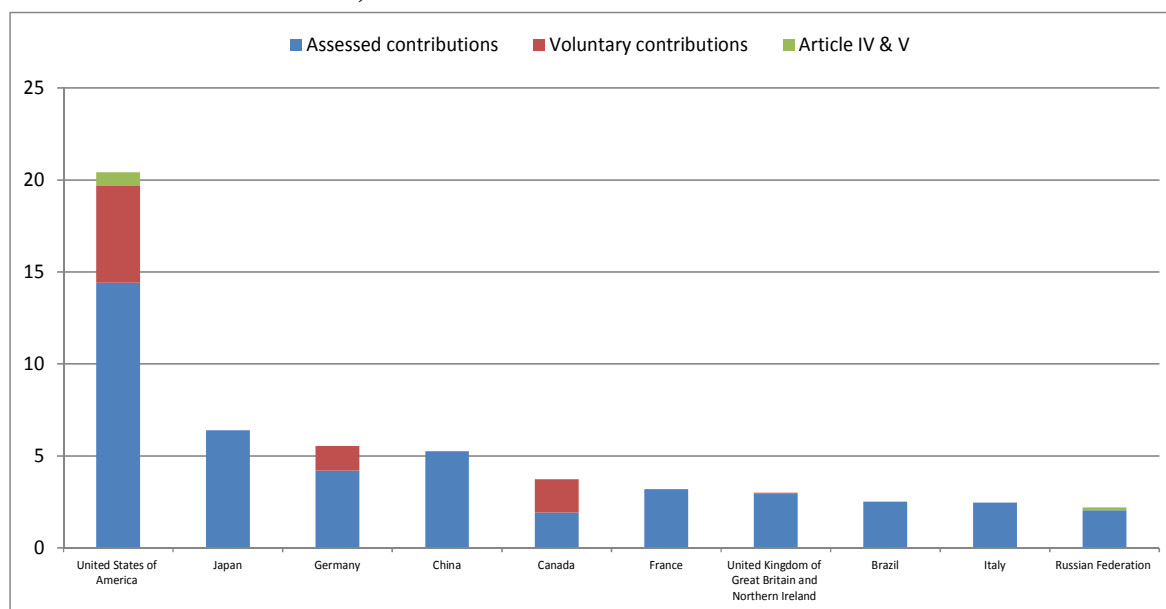
11. Assessed contribution revenue formed 86% of total revenue for 2017, with voluntary contributions accounting for 11% of revenue, as noted in Figure 2.

**FIGURE 2: COMPOSITION OF REVENUE FOR 2017 (EUR MILLIONS)**



12. The top 10 contributors to the OPCW account for a combined total of EUR 54.8 million (74%) of total revenue in 2017, as indicated in Figure 3.

**FIGURE 3: TOP 10 CONTRIBUTORS TO OPCW REVENUE IN 2017, COMBINING ASSESSED CONTRIBUTIONS, VOLUNTARY CONTRIBUTIONS AND ARTICLE IV & V REVENUE (EUR MILLIONS)<sup>4</sup>**



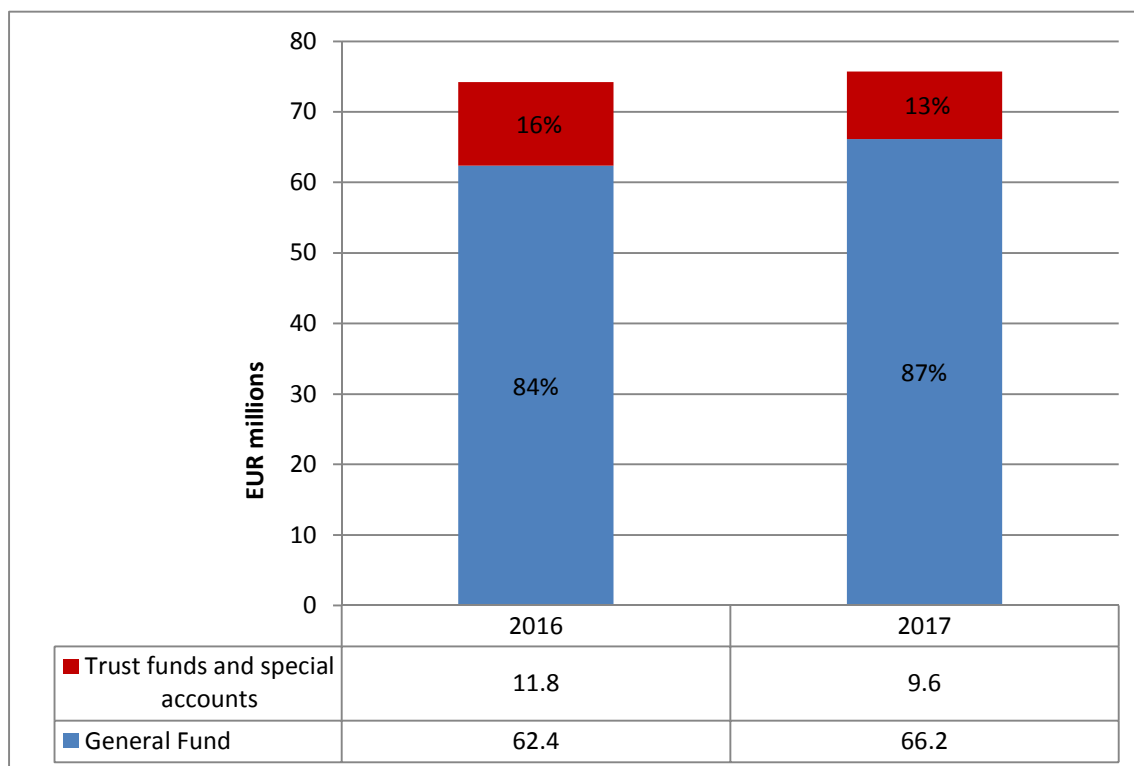
13. Article IV & V revenue has increased by EUR 0.3 million (21%) to EUR 1.7 million in 2017, due to the higher number of inspections undertaken in 2017 when compared with 2016.
14. Other revenue has remained stable at EUR 0.7 million in 2017, and includes cost reimbursements for services provided to the OPCW-United Nations Joint Investigative Mechanism and for inspections related to abandoned chemical weapons.

<sup>4</sup> Reported on a modified cash basis. Agreements with the European Union totalling EUR 3.5 million were also signed in 2017, with the funding received in 2018.

### Expense analysis

Figure 4 below shows a comparison of expenses between 2016 and 2017:

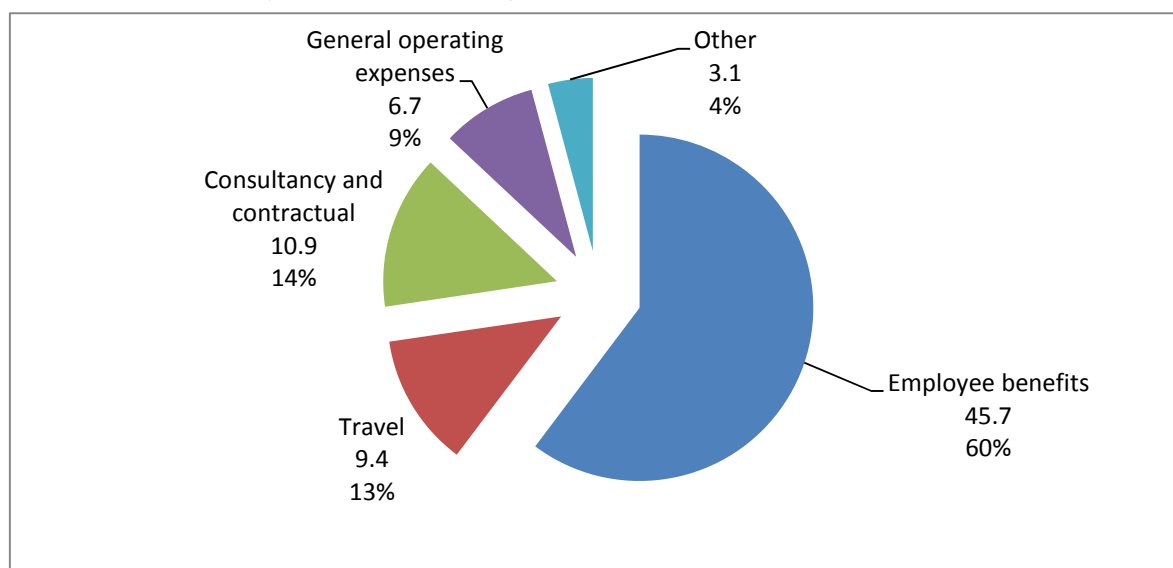
**FIGURE 4: EXPENSE ANALYSIS BY FUNDING SOURCE FOR 2016 AND 2017 (EUR MILLIONS)**



15. In 2017 total expenses (including finance costs) were EUR 75.8 million, denoting an increase of EUR 1.6 million (2%) compared to the previous year. The overall increase in expenses is related primarily to an increase in travel costs of EUR 1.6 million in 2017.
16. The proportion of activities funded by General Fund resources increased to 87% in 2017, from 84% in 2016.
17. In line with the high budget implementation rate, General Fund expenses increased by EUR 3.8 million in 2017, whereas trust fund and special account expenses decreased by EUR 2.2 million.
18. Employee benefit expenses (including salaries) represent the largest cost category in 2017 at EUR 45.7 million (60%), followed by contractual services (EUR 10.9 million, 14%) and travel (EUR 9.4 million 13%). Figure 5 below shows the breakdown of 2017 expenses by nature.



**FIGURE 5: EXPENSE ANALYSIS FOR THE PERIOD ENDED 31 DECEMBER 2017 (EUR MILLIONS)**



19. Table 2 below shows that the increase in total expenses was mainly in the categories of travel and employee benefits.

**TABLE 2: COMPARATIVE EXPENSE ANALYSIS FOR 2016 AND 2017 (EUR MILLIONS)**

	2017	2016	Difference	Change (%)
Employee benefits	45.7	44.9	0.8	1.9%
Travel	9.4	7.8	1.6	20.2%
Consultancy and contractual	10.9	11.2	-0.3	-2.3%
General operating expenses	6.7	6.4	0.3	4.8%
Other expenses	3.1	3.9	-0.8	-19.4%
<b>Total expenses</b>	<b>75.8</b>	<b>74.1</b>	<b>1.7</b>	<b>5%</b>

20. Salaries and employee benefits include the accrued costs of post-employment and other long-term employee benefits which better account for the true cost of employing staff on annual basis. The increase of 1.9% relates primarily to step increments, increases in Provident Fund contributions, and also an increase in education grant expenses in 2017.

21. Driven by the nature of the programmatic activities undertaken during 2017, travel costs increased by EUR 1.6 million (20.2%).

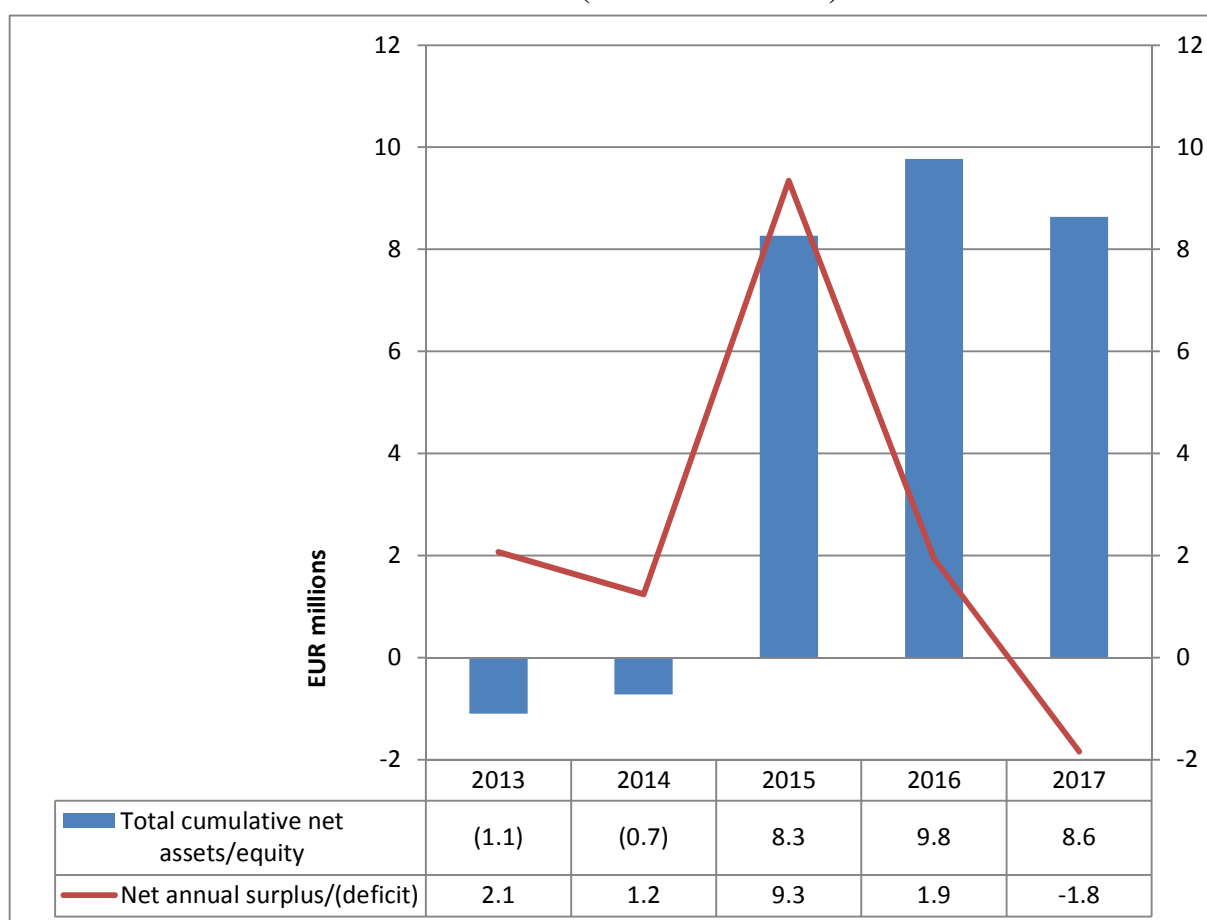
22. Following a one-off expense in 2016 relating to the change in fixed asset thresholds (EUR 1.2 million), other expenses decreased by 19.4% in 2017, reflecting a return to regular levels of expense.

23. The remaining expense categories remained relatively stable between 2016 and 2017.

### Net surplus/(deficit) of the year

24. The overall net deficit for 2017 was EUR -1.8 million, moving from a surplus of EUR 1.9 million in 2016. The primary reason for this change was a reduction in voluntary contribution revenue for 2017, combined with a higher budgetary implementation rate and hence higher overall expenses and an increase to the WCF. This deficit had a negative impact on the overall net assets of the Organisation, decreasing by 13% from EUR 9.8 million in 2016 to EUR 8.6 million in 2017, as noted in Figure 6.

**FIGURE 6: EVOLUTION OF ANNUAL SURPLUS/(DEFICIT) AND NET ASSETS BETWEEN 2013 AND 2017 (EUR MILLIONS)**

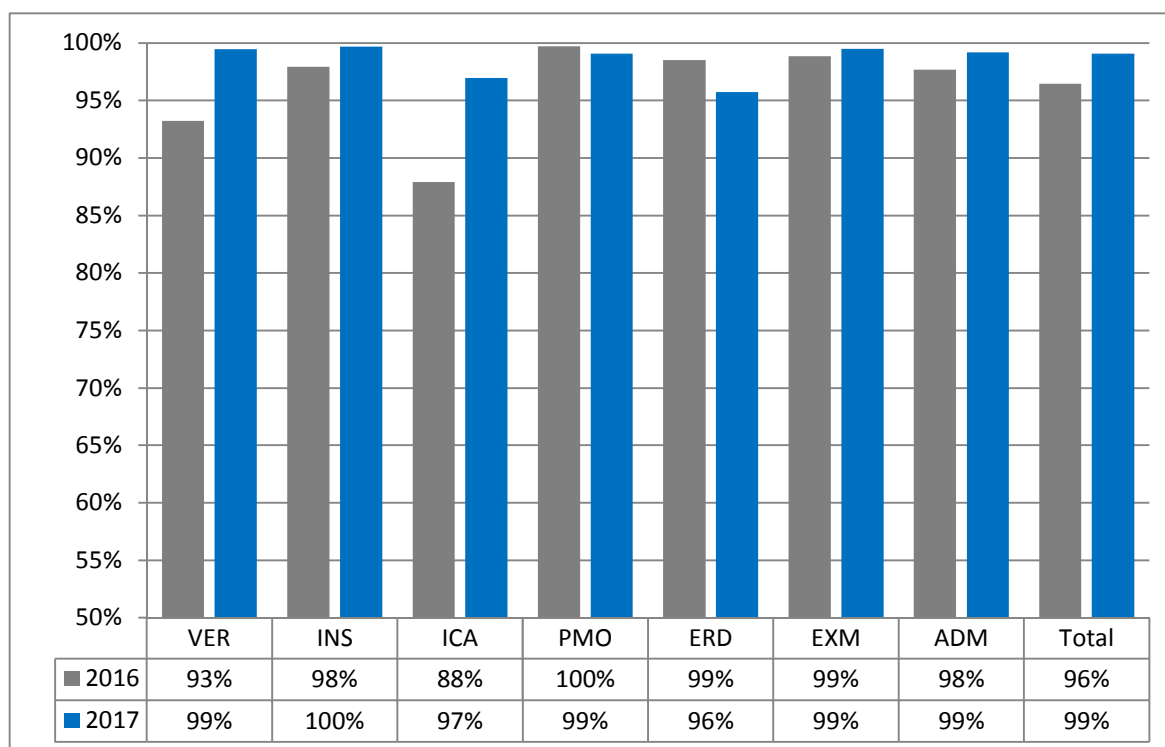


### Budgetary performance

25. The regular budget of the Organisation continues to be prepared on a modified cash basis and is presented in the financial statements as Statement V(a), Statement of Comparison of Budget and Actual Amounts. In order to facilitate a comparison between the Budget and the financial statements that are prepared under IPSAS, reconciliation of the budget to the cash flow statement is included in note 40.7 to the financial statements.

26. The regular budget appropriation for 2017 was approved for EUR 67.0 million for Chapter I and Chapter II programmes (EUR 67.1 million in 2016). Total operational regular budget expenditures, measured on a modified cash basis, were EUR 66.4 million. In 2016, these expenditures totalled EUR 64.7 million. The total budget implementation rate for 2017 was 99%, an increase of 3% from 2016 (96%).

**FIGURE 7: REGULAR BUDGET IMPLEMENTATION BY PROGRAMME IN 2016 AND 2017**



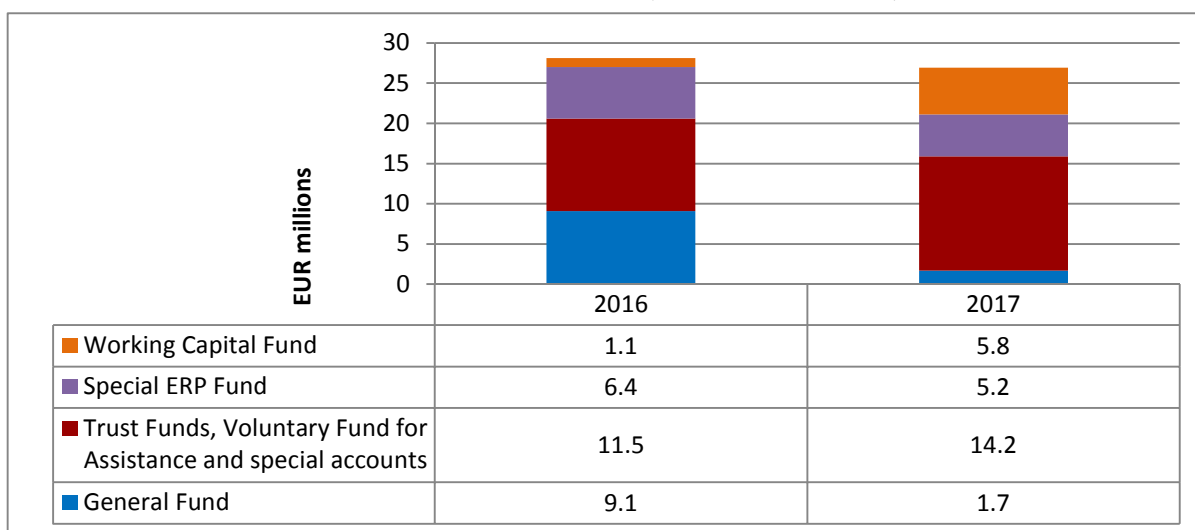
27. Further details on the implementation of the OPCW Programme and Budget for 2017 are contained in the Note by the Secretariat entitled “Programme Performance for the Year 2017” (S/1615/2018, dated 18 April 2018).

### **Financial position**

#### Cash, investments and liquidity analysis

28. In 2017, total cash and cash equivalents decreased by EUR 1.2 million (4%) to EUR 26.9 million at 31 December 2017, as noted in Figure 8 below. Cash balances in the General Fund decreased by EUR 7.4 million (81%) to EUR 1.7 million at 31 December 2017. This decrease reflects the lower collection rate of assessed contributions in 2017, coupled with an increased budget implementation rate and repayment of EUR 3.0 million to the WCF in 2017.

**FIGURE 8: COMPOSITION OF CASH AND CASH EQUIVALENTS AT 31 DECEMBER 2016 AND 2017 (EUR MILLIONS)**

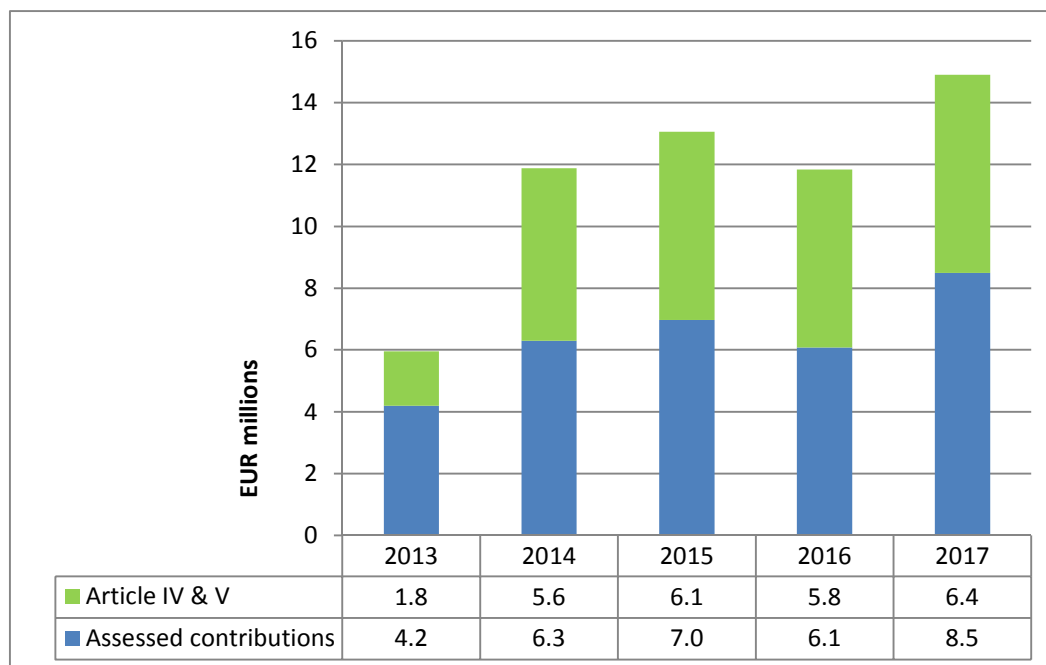


29. Trust funds and special account balances (excluding the special ERP fund) accounted for 53% of the total cash and cash equivalents at 31 December 2017, as noted in Figure 8. In contrast, the General Fund represented only 6% of cash and cash equivalents at the same date. Although lower in proportion than in 2016, this also reflects the annularity of the regular budget cycle, with most cash being disbursed for programmatic activities by the end of the financial year. The high budgetary implementation rate in 2017, combined with higher outstanding contributions, also added to the pressures on the General Fund cash balance at 31 December 2017.

Accounts receivable

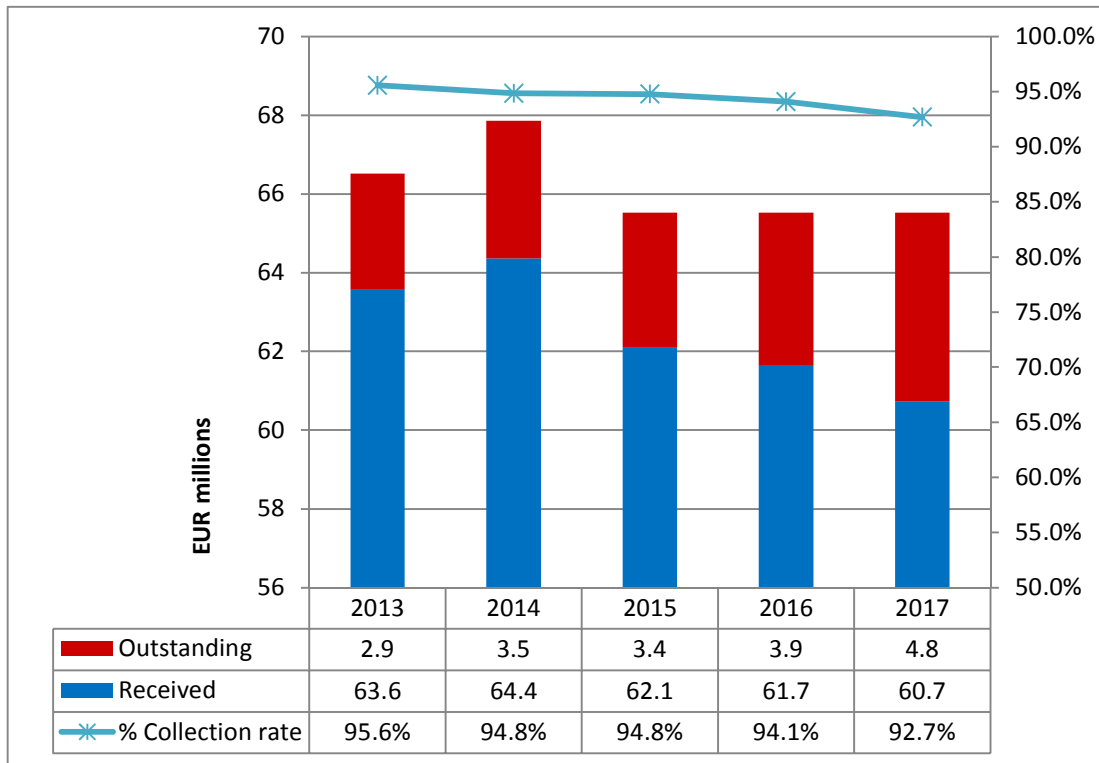
30. Overall, the total gross receivables for assessed contributions and Article IV & V reimbursements increased by EUR 3.0 million to EUR 14.9 million at 31 December 2017. Receivables for assessed contributions represent 58% of this balance (EUR 8.5 million), as represented in Figure 9.

**FIGURE 9: OUTSTANDING TOTAL ASSESSED CONTRIBUTIONS AND ARTICLE IV & V REIMBURSEMENTS 2013 TO 2017 (EUR MILLIONS)**



31. The average collection rate for assessed contributions has decreased slightly over the past five years, reducing by 1.4% between 2016 and 2017, and as represented in Figure 10. The figure shows the collection rate for the specific year as at 31 December of the year (i.e. the collection after 12 months).
32. The late payment of contributions to the Organisation continues to present challenges to the General Fund cash flow, and the Secretariat continues to report on outstanding balances to States Parties on a monthly basis, as well as maintaining a budgetary contingency margin through the year.

**FIGURE 10: ASSESSED CONTRIBUTION BALANCES AND COLLECTION RATES 2013 TO 2017 <sup>5</sup> (EUR MILLIONS)**



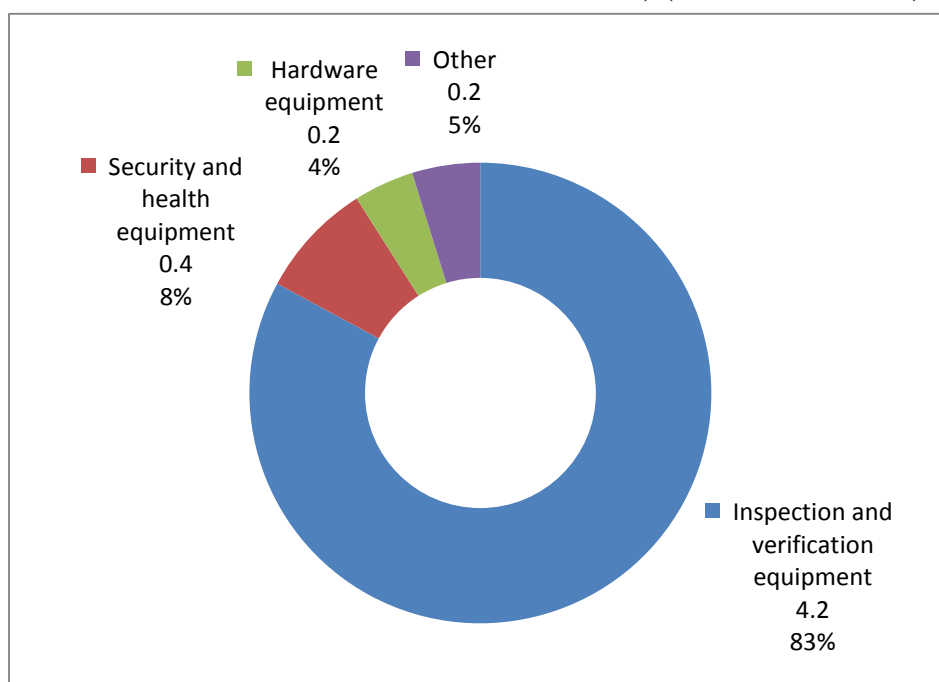
### Long term assets

#### Property, Plant and Equipment

33. As can be seen from Figure 11 below, inspection and verification equipment continues to account for the largest component (EUR 4.2 million, 83%) of the net book value of property, plant and equipment.

<sup>5</sup> As of 31 December each year.

**FIGURE 11: COMPOSITION OF PROPERTY, PLANT AND EQUIPMENT (NET BOOK VALUE AT 31 DECEMBER 2017) (EUR MILLIONS)<sup>6</sup>**

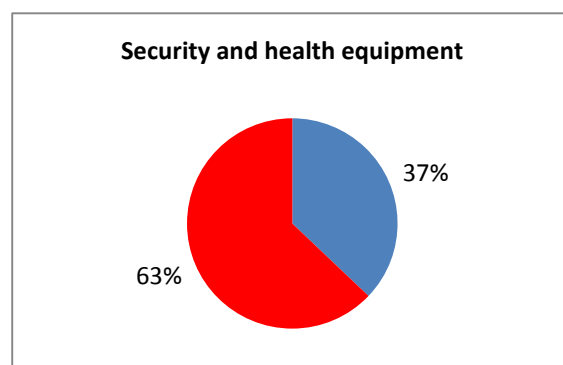
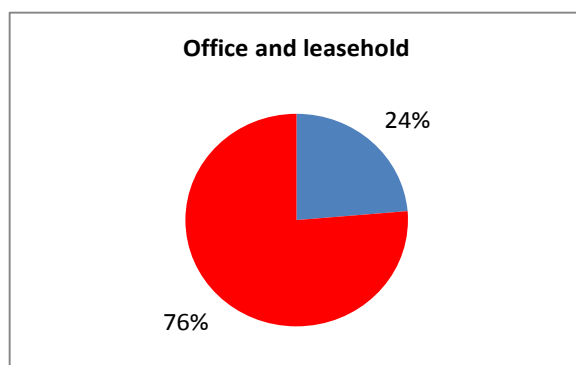
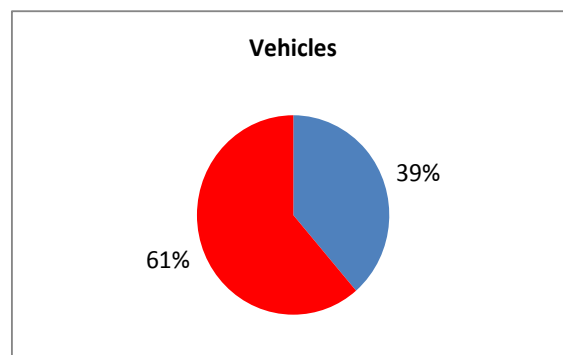
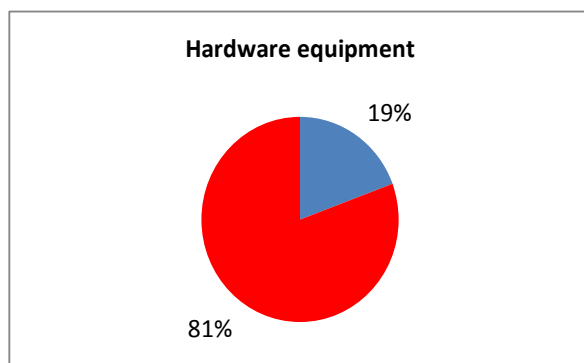
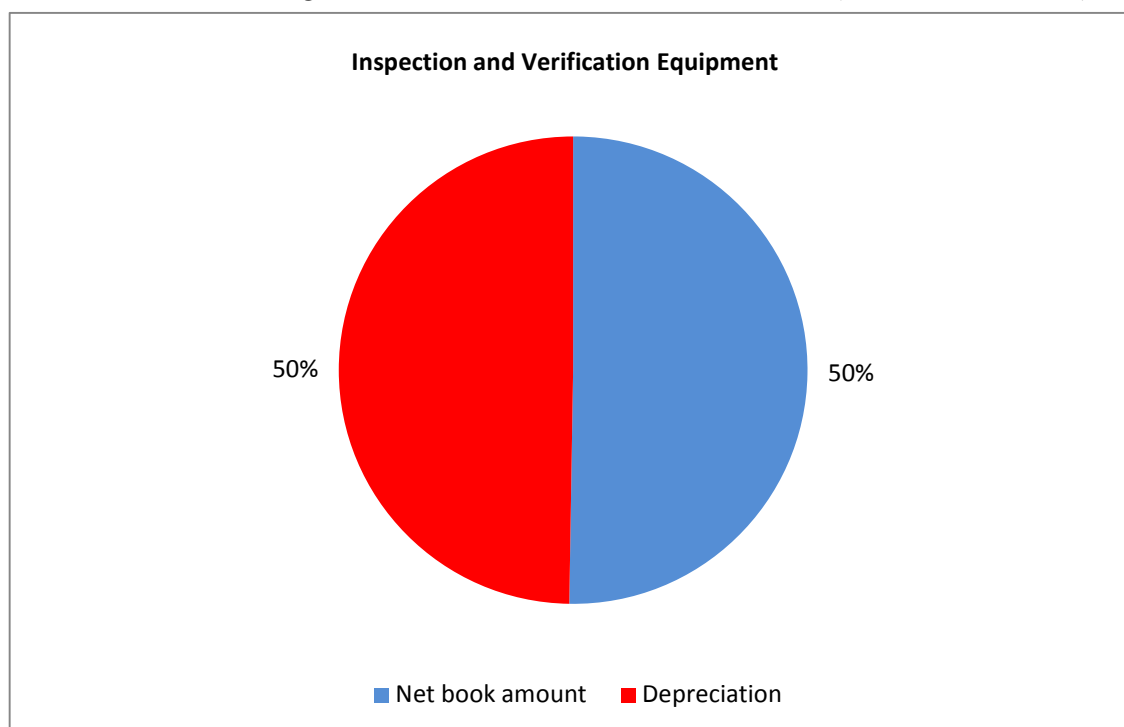


34. Inspection and verification equipment is on average 50% of the way through its useful life, reflecting the annual asset replacement programme for significant items of equipment, as noted in Figure 12 below. Other asset types have less remaining net book value and may require replacement in the near term.

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<sup>6</sup> Other assets include office furniture and equipment, vehicles and leasehold improvements.

**FIGURE 12: NET BOOK VALUE AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT AT 31 DECEMBER 2017 (EUR MILLIONS)<sup>7</sup>**



<sup>7</sup> Office and leasehold comprises office furniture and equipment and leasehold improvements.

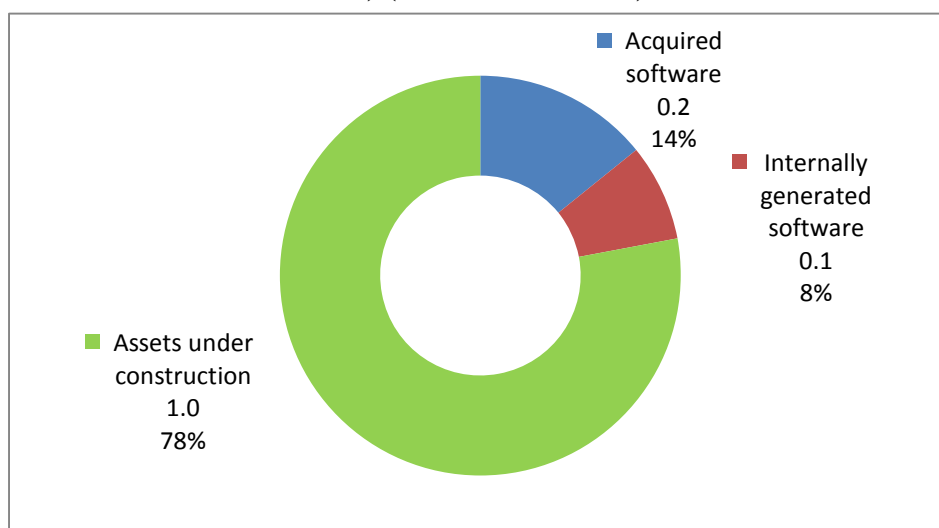


35. The total net book value of property, plant and equipment increased by EUR 0.5 million (11%) in 2017, which relates primarily to the purchase of one significant item of verification equipment and two security equipment items. The remaining asset base continues to be depreciated without replacement, which is reflected in the decreasing net book value of other asset categories.

Intangible assets

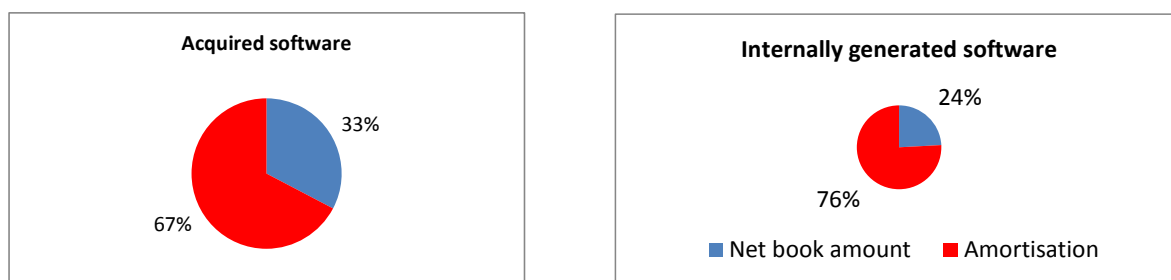
36. As shown in Figure 13 below, the major component of intangible asset at 31 December 2017 was assets under construction (78%), which reflects the costs capitalised with regard to the new ERP system totalling EUR 1.0 million. The total net carrying amount of intangible assets at 31 December 2017 was EUR 1.3 million.

**FIGURE 13: COMPOSITION OF INTANGIBLE ASSETS (NET BOOK VALUE AT 31 DECEMBER 2017) (EUR MILLIONS)**



37. Amortisation for assets under construction does not start until the system go-live, and hence the net book value of these assets is equal to their cost. Figure 14 below shows the remaining net book value for acquired software and internally generated software which is currently in use. Intangible assets are at least two-thirds of the way through their useful lives and may require replacement in the near future.

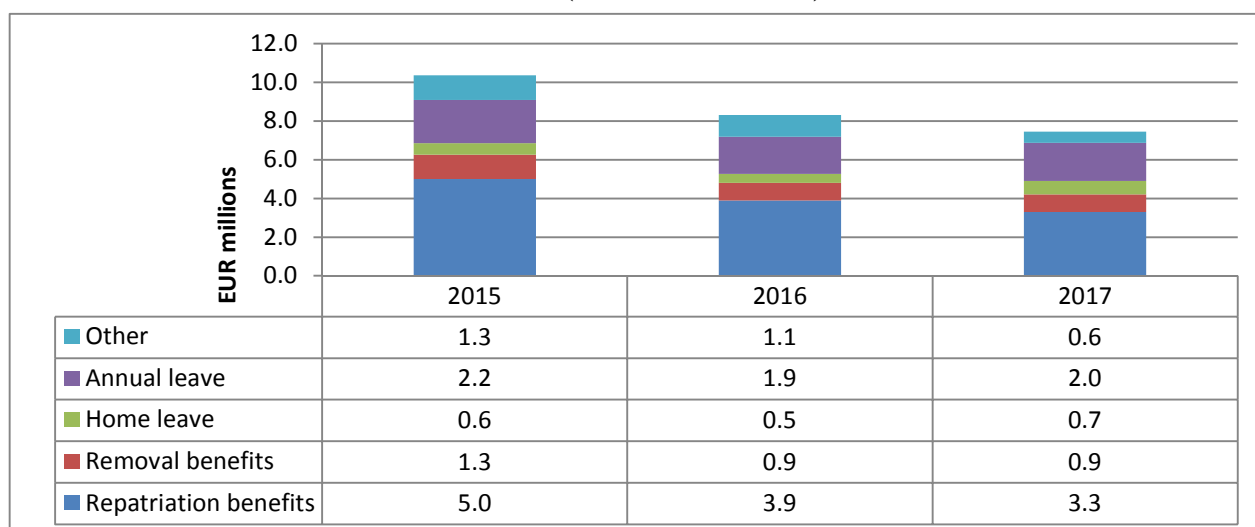
**FIGURE 14: NET BOOK VALUE AND AMORTISATION OF INTANGIBLE ASSETS AT 31 DECEMBER 2017 (EUR MILLIONS)**



### Employee benefits liabilities

38. Employee benefits liabilities consist of short-term employee benefits payable (such as salaries, annual leave and education grants), and long-term employee benefits (such as accrued home leave and removal/repatriation entitlements). Long-term employee benefits are accrued as staff earn the rights to entitlements and as such an actuarial method is used to calculate such liabilities as at the end of the financial year.
39. Total employee benefits liabilities decreased by 28% in the past two financial years, from EUR 10.4 million at 31 December 2015 to EUR 7.5 million at 31 December 2017. As shown in Figure 15 below, the most significant decrease has been in repatriation and removal benefits, which reflects the departure of longer-serving staff in 2016 and 2017 and the settlement of their separation costs in these years, as well as a reduction in overall headcount. Unused annual leave has remained relatively constant over the same period.
40. These employee benefit liabilities continue to be unfunded, meaning that specific funds are not set aside as the entitlements to these benefits are earned by staff members. Instead, the necessary funding is provided on a pay-as-you-go basis through the annual budget cycle.

**FIGURE 15: EVOLUTION OF THE COMPOSITION OF THE MAIN EMPLOYEE BENEFITS LIABILITIES (EUR MILLIONS)**



### Working Capital Fund

41. As part of the Programme and Budget of the OPCW for 2017<sup>8</sup>, the Conference decided to increase the balance of the WCF to help protect against future short-term cash flow issues. A total increase of EUR 3.2 million was achieved in 2017, representing transfer of the Headquarters lease incentive agreement (EUR 1.4

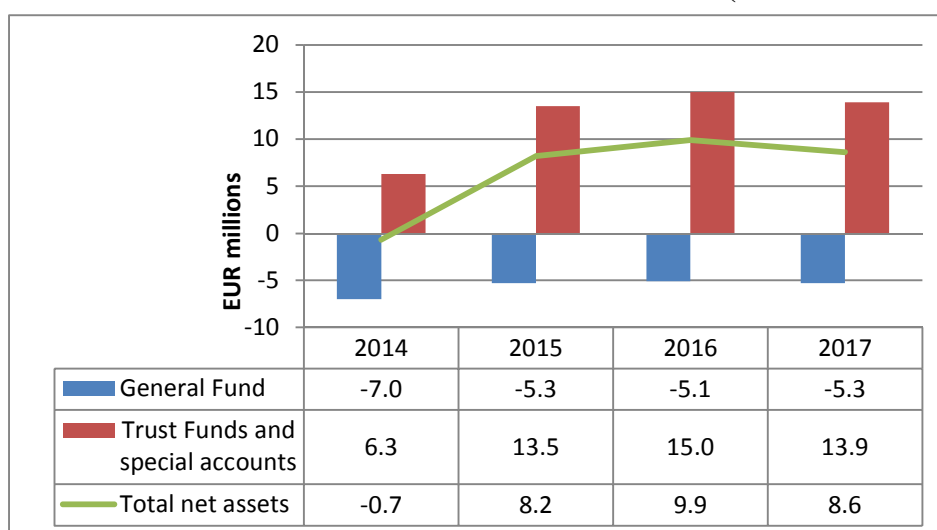
<sup>8</sup> C-21/DEC.6.

million<sup>9</sup>), a portion of the 2015 cash surplus (EUR 1.0 million) and a portion of the 2017 budget (EUR 0.8 million)<sup>10</sup>. The closing balance of the WCF at 31 December 2017 was EUR 7.3 million, representing 11% of the 2017 approved budget of EUR 67.0 million for Chapter I and Chapter II programmes (1.3 months of expenditure).

### Net assets/equity

42. Net assets represent the difference between an Organisation's assets and its liabilities, which is illustrated by Figure 16 below. Consistent with the increase in the Organisation's liabilities in 2017, the net assets have also decreased from EUR 9.9 million to EUR 8.6 million. This decrease which was primarily driven by the deficit of EUR -1.8 million recorded for 2017, offset by an actuarial gain of EUR 0.5 million relating to post-employment benefits recognised directly in net assets.

**FIGURE 16: EVOLUTION OF NET ASSETS 2014 TO 2017 (EUR MILLIONS)**



43. While overall net assets are positive, General Fund net assets continue to be negative, principally due to the unfunded employee benefit liabilities. The General Fund net assets decreased by EUR 0.2 million between 2016 and 2017 (4%).
44. While decreasing by EUR 1.1 million (7%) in 2017, net assets for trust funds and special accounts continue to remain positive at EUR 13.9 million at 31 December 2017, reflecting the time lag between the receipt of voluntary contributions and the implementation of activities.

<sup>9</sup> EC-84/DEC.3, dated 9 March 2017. EUR 0.9 million was received in cash to 31 December 2017, with the remaining balance of EUR 0.5 million to be received in 2018 and 2019.

<sup>10</sup> C-22/DEC.7, dated 30 November 2017.

### **Risk management**

45. The financial statements prepared under IPSAS provide details of how the Organisation manages its financial risk, including credit risk, market risk (foreign currency exchange and interest rate) and liquidity risk. From an overall perspective, the Organisation maintains only euro and United States dollar current accounts, and instant access savings accounts in euros with P-1 rated financial institutions, ensuring sufficient liquidity to meet cash operating requirements, and limiting exposure to foreign currency fluctuations.

### **Summary**

46. The financial statements presented for 2017 show the Organisation's overall financial health, with a high regular budget implementation rate, but also with increasing levels of outstanding contributions and— with the exception of a small number of major items—an ageing asset base. These combined factors highlight the need for strengthened financial resilience, both through the ongoing recapitalisation of the WCF, and through the use of dedicated reserves to reduce the strain that the replacement of significant assets places on the regular budget, strengthening the Organisation's commitment to financial responsibility. While the Organisation's overall financial health is strong, the General Fund is in a negative net asset position. The negative net asset position of the General Fund is driven by the Organisation's unfunded employee benefit liabilities and identifies that specific focus on the funding of these liabilities is warranted.

[signed]

Ahmet Üzümcü  
Director-General

**THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS**

**STATEMENT I**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**  
(expressed in euro '000s)

	Note	2017	2016
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	26,881	28,057
Assessed contributions recoverable	7	7,955	5,328
Voluntary contributions recoverable*	9	3,699	1,716
Article IV & V receivables	8	912	573
Other assets*	10	2,394	2,954
Prepayments*	11	2,031	3,982
Inventories	12	797	1,060
<b>Total current assets</b>		<b>44,669</b>	<b>43,670</b>
<b>Non-current assets</b>			
Property, plant and equipment	6.1	5,079	4,544
Intangible assets	6.2	1,278	778
Other assets	10	250	-
<b>Total non-current assets</b>		<b>6,607</b>	<b>5,322</b>
<b>Total assets</b>		<b>51,276</b>	<b>48,992</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	19	3,633	2,276
Employee benefits	18	4,300	4,976
Cash surplus - reimbursable to States Parties	17	56	57
Deferred revenue*	22	15,906	16,029
Provisions	20	-	-
Other current liabilities*	23	983	919
<b>Total current liabilities</b>		<b>24,878</b>	<b>24,257</b>
<b>Non-current liabilities</b>			
Employee benefits	18	3,230	3,363
Other non-current liabilities	21	4,171	3,789
Cash surplus - reimbursable to States Parties	17	1,455	1,990
Voluntary Fund for Assistance	16	1,558	1,553
Working Capital Fund	15	7,342	4,160
<b>Total non-current liabilities</b>		<b>17,756</b>	<b>14,855</b>
<b>Total liabilities</b>		<b>42,634</b>	<b>39,112</b>
<b>Net assets</b>		<b>8,642</b>	<b>9,880</b>
<b>Net assets</b>			
Accumulated surplus/(deficit)		8,642	9,880
Other reserves		-	-
<b>Total net assets</b>		<b>8,642</b>	<b>9,880</b>

\* Following an accounts streamlining exercise conducted in 2017, the presentation of certain financial statement line items has been revised. 2016 comparative values have been revised accordingly.

**THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS**

**STATEMENT II**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**  
(expressed in euro '000s)

	Note	For the Period Ended 31 December 2017	For the Period Ended 31 December 2016
<b>Revenue</b>			
Assessed contributions	24	63,451	61,366
Voluntary contributions	25	8,177	12,504
Article IV & V	26	1,701	1,383
Other revenue	27	713	824
<b>Total revenue</b>		<b>74,042</b>	<b>76,077</b>
<b>Expenses</b>			
Employee benefit expenses*	28	45,649	44,869
Consultancy and contractual services	29	10,866	11,156
Travel expenses	30	9,403	7,819
Depreciation and impairment of property, plant and equipment	6.1	1,182	1,023
Amortisation and impairment of intangible assets	6.2	138	184
General operating expenses	31	7,148	6,781
Other operating expenses*	32	1,117	2,311
<b>Total expenses</b>		<b>75,503</b>	<b>74,143</b>
<b>Net finance income/(cost)</b>	33	<b>(345)</b>	<b>1</b>
<b>Net surplus/(deficit) for the period</b>		<b>(1,806)</b>	<b>1,935</b>

\* Following an accounts streamlining exercise conducted in 2017, the presentation of certain financial statement line items has been revised. 2016 comparative values have been revised accordingly.

**THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS**

**STATEMENT III**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**  
(expressed in euro '000s)

	Note	Attributable to States Parties		
		General Fund	Trust Funds, Working Capital Fund and Special Accounts	Total Net Assets
<b>Balance at 1 January 2016</b>		(5,281)	13,545	8,264
Changes recognised in net assets:				
Actuarial gains/(losses) on post-employment benefit obligations	18.6	(319)	-	(319)
<b>Net revenue recognised directly in net assets</b>		<b>(319)</b>	<b>-</b>	<b>(319)</b>
Surplus/(deficit) for the period		520	1,415	1,935
<b>Total recognised revenue and expense for the year 2016</b>		<b>201</b>	<b>1,415</b>	<b>1,616</b>
<b>Balance at 31 December 2016</b>		<b>(5,080)</b>	<b>14,960</b>	<b>9,880</b>
<b>Balance at 1 January 2017</b>		<b>(5,080)</b>	<b>14,960</b>	<b>9,880</b>
Changes recognised in net assets:				
Actuarial gains/(losses) on post-employment benefit obligations	18.6	568	-	568
<b>Net revenue recognised directly in net assets</b>		<b>568</b>	<b>-</b>	<b>568</b>
Surplus/(deficit) for the period		(760)	(1,046)	(1,806)
<b>Total recognised revenue and expense for the year 2017</b>		<b>(192)</b>	<b>(1,046)</b>	<b>(1,238)</b>
<b>Balance at 31 December 2017</b>		<b>(5,272)</b>	<b>13,914</b>	<b>8,642</b>

**THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS**

**STATEMENT IV  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2017  
(expressed in euro '000s)**

	Note	For the Year Ended 31 December 2017	For the Year Ended 31 December 2016
<b>Cash flows from operating activities</b>			
Net surplus/(deficit) for the period		(1,806)	1,935
<b>Non-cash movements</b>			
Depreciation and impairment of property, plant and equipment	6.1	1,182	1,023
Change in fixed asset recognition threshold tangibles	6.1	-	1,100
Amortisation and impairment of intangible assets	6.2	138	184
Change in fixed asset recognition threshold intangibles	6.2	-	172
(Gains)/losses on disposal of property, plant and equipment	27, 32	(21)	32
Increase/(decrease) in provision for impairment of assessed contributions recoverable	7.4	(151)	1
Increase/(decrease) in provision for impairment of Article IV & V receivables	8.4	327	304
Unrealised currency exchange gain/(loss)		382	(20)
Repayments of cash surplus	17.5	(1)	(3)
<b>Changes in assets:</b>			
(Increase)/decrease in assessed contributions recoverable (current)	7	(2,476)	895
(Increase)/decrease in Article IV & V receivables (current)	8	(666)	330
(Increase)/decrease in other current receivables	9, 10, 11	528	698
(Increase)/decrease in other non-current receivables	10	(250)	-
(Increase)/decrease in inventories	12	263	122
<b>Changes in liabilities, net assets/equity:</b>			
Increase/(decrease) in cash surplus (non-cash)	17.5	(535)	1,990
Movement in employee benefits (liability)	18.1 – 18.6	(241)	(2,370)
Increase/(decrease) in 'Other non-current liabilities'	21	382	2,115
Movements in provisions	20	-	(15)
Increase/(decrease) in deferred income, accounts payable and other current liabilities	19, 22, 23	1,298	1,905
<b>Net cash flows from operating activities</b>		<b>(1,647)</b>	<b>10,398</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		26	-
Purchases of property, plant and equipment	6.1	(1,722)	(418)
Purchases of intangible assets	6.2	(638)	(512)
<b>Net cash flows from investing activities</b>		<b>(2,334)</b>	<b>(930)</b>
<b>Cash flows from financing activities</b>			
Increase/(decrease) in the Working Capital Fund	15	3,182	-
Proceeds received from the Working Capital Fund	15	-	-
Proceeds received for the Voluntary Fund for Assistance	16	5	11
<b>Net cash flows from financing activities</b>		<b>3,187</b>	<b>11</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(794)</b>	<b>9,479</b>
Cash and cash equivalents at beginning of the period		28,057	18,559
Unrealised currency exchange gain/(loss)		(382)	19
<b>Cash and cash equivalents at end of the period</b>	13	<b>26,881</b>	<b>28,057</b>



## THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS

### STATEMENT V(a) STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 DECEMBER 2017 (expressed in euro '000s)

	Budgeted Amounts for the Period Ended 31 December 2017		Actual* Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
<b>Receipts</b>				
Assessed contributions	65,530	65,530	65,530	-
Voluntary contributions**	150	150	-	150
Articles IV & V	2,062	2,062	1,581	481
Miscellaneous income	56	56	739	(683)
<b>Total receipts</b>	<b>67,798</b>	<b>67,798</b>	<b>67,850</b>	<b>(52)</b>
<b>Expenditure</b>				
<b>Verification</b>				
Office of the Director	619	619	612	7
Chemical Demilitarisation Branch	1,047	1,139	1,135	4
Declarations Branch	3,055	2,891	2,861	30
Industry Verification Branch	1,330	1,398	1,394	4
OPCW Laboratory	2,036	2,301	2,299	2
<b>Subtotal</b>	<b>8,087</b>	<b>8,348</b>	<b>8,301</b>	<b>47</b>
<b>Inspectorate</b>				
Office of the Director	397	351	344	7
Operations and Administration Branch	3,586	3,946	3,924	22
Inspection Capacity Building & Contingency Planning Cell	2,571	2,411	2,391	20
Demilitarisation Inspections Cell	5,373	4,564	4,554	10
Industry Inspections Cell	5,876	6,430	6,427	3
Safety and Analytical Chemistry Cell	3,240	3,080	3,074	6
<b>Subtotal</b>	<b>21,043</b>	<b>20,782</b>	<b>20,714</b>	<b>68</b>
<b>Chapter One</b>	<b>29,130</b>	<b>29,130</b>	<b>29,015</b>	<b>115</b>
<b>International Cooperation and Assistance</b>				
Office of the Director	327	327	303	24
Assistance and Protection Branch	2,024	2,167	2,162	5
Implementation Support Branch	2,557	2,154	1,964	190
International Cooperation Branch	2,702	2,703	2,697	6
<b>Subtotal</b>	<b>7,610</b>	<b>7,351</b>	<b>7,126</b>	<b>225</b>
<b>Support to the Policy-Making Organs</b>				
Office of the Director	1,455	1,205	1,160	45
Language Services Branch	3,401	3,910	3,909	1
<b>Subtotal</b>	<b>4,856</b>	<b>5,115</b>	<b>5,069</b>	<b>46</b>
<b>External Relations</b>				
Office of the Director	308	308	276	32
Political Affairs and Protocol Branch	895	895	872	23
Public Affairs Branch	720	720	692	28
<b>Subtotal</b>	<b>1,923</b>	<b>1,923</b>	<b>1,840</b>	<b>83</b>

	Budgeted Amounts for the Period Ended 31 December 2017		Actual* Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
<b>Executive Management</b>				
Office of the Director-General	1,366	1,450	1,448	2
Office of the Deputy Director-General	423	434	433	1
Office of Internal Oversight	932	980	969	11
Office of the Legal Adviser	1,128	1,128	1,119	9
Office of Strategy and Policy	1,465	1,530	1,518	12
Office of Confidentiality and Security	2,792	3,017	3,010	7
Health and Safety Branch	901	961	958	3
<b>Subtotal</b>	<b>9,007</b>	<b>9,500</b>	<b>9,455</b>	<b>45</b>
<b>Administration</b>				
Office of the Director	606	463	455	8
Budget, Planning and Control Branch	480	425	385	40
Finance and Accounts Branch	1,364	1,364	1,333	31
Human Resources Branch	2,061	1,686	1,660	26
Procurement and Support Services Branch	6,256	6,321	6,315	6
Information Services Branch	3,722	3,737	3,732	5
<b>Subtotal</b>	<b>14,489</b>	<b>13,996</b>	<b>13,880</b>	<b>116</b>
<b>Chapter Two</b>	<b>37,885</b>	<b>37,885</b>	<b>37,370</b>	<b>515</b>
<b>Total expenditure</b>	<b>67,015</b>	<b>67,015</b>	<b>66,385</b>	<b>630</b>
<b>Transfer to the special account for implementation of a new ERP system</b>	<b>783</b>	<b>783</b>	<b>783</b>	<b>-</b>
<b>Total expenditure and transfers</b>	<b>67,798</b>	<b>67,798</b>	<b>67,168</b>	<b>630</b>
<b>Net receipts/(expenditure)***</b>	<b>-</b>	<b>-</b>	<b>682</b>	<b>(682)</b>

\* The actual amounts are based on the budgetary accounts, which are maintained on a modified cash basis (see Appendix 5.1).

\*\* Voluntary contributions received as services in kind are disclosed in note 34.

\*\*\* A reconciliation of the actual amounts from the budgetary result to the IPSAS financial statement basis is provided in note 40.7.

## THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS

### STATEMENT V(b) STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016 (expressed in euro '000s)

	Budgeted Amounts for the Period Ended 31 December 2016		Actual* Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
<b>Receipts</b>				
Assessed contributions	65,530	65,530	65,530	-
Voluntary contributions**	-	-	-	-
Articles IV & V	1,451	1,451	1,135	316
Miscellaneous income	95	95	228	(133)
<b>Total receipts</b>	<b>67,076</b>	<b>67,076</b>	<b>66,893</b>	<b>183</b>
<b>Expenditure</b>				
<b>Verification</b>				
Office of the Director	548	535	480	55
Chemical Demilitarisation Branch	1,101	1,231	1,214	17
Declarations Branch	2,922	2,792	2,568	224
Industry Verification Branch	1,265	1,278	1,274	4
OPCW Laboratory	2,039	2,039	1,806	233
<b>Subtotal</b>	<b>7,875</b>	<b>7,875</b>	<b>7,342</b>	<b>533</b>
<b>Inspectorate</b>				
Office of the Director	319	319	294	25
Inspectorate Management Branch	499	349	307	42
Operations and Planning Branch	3,326	3,191	2,818	373
Inspection Team Leaders and Personnel	17,628	17,913	17,903	10
<b>Subtotal</b>	<b>21,772</b>	<b>21,772</b>	<b>21,322</b>	<b>450</b>
<b>Chapter One</b>	<b>29,647</b>	<b>29,647</b>	<b>28,664</b>	<b>983</b>
<b>International Cooperation and Assistance</b>				
Office of the Director	342	389	388	1
Assistance and Protection Branch	2,018	1,965	1,867	98
Implementation Support Branch	2,490	2,460	1,935	525
International Cooperation Branch	2,762	2,763	2,471	292
<b>Subtotal</b>	<b>7,612</b>	<b>7,577</b>	<b>6,661</b>	<b>916</b>
<b>Support to the Policy-Making Organs</b>				
Office of the Director	1,492	1,131	1,119	12
Language Services Branch	3,318	3,690	3,687	3
<b>Subtotal</b>	<b>4,810</b>	<b>4,821</b>	<b>4,806</b>	<b>15</b>
<b>External Relations</b>				
Office of the Director	300	328	325	3
Political Affairs and Protocol Branch	952	969	966	3
Public Affairs Branch	690	616	593	23
<b>Subtotal</b>	<b>1,942</b>	<b>1,913</b>	<b>1,884</b>	<b>29</b>

	Budgeted Amounts for the Period Ended 31 December 2016		Actual* Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
<b>Executive Management</b>				
Office of the Director-General	1,383	1,432	1,403	29
Office of the Deputy Director-General	416	430	425	5
Office of Internal Oversight	844	878	868	10
Office of the Legal Adviser	1,161	1,206	1,194	12
Office of Strategy and Policy	1,495	1,555	1,543	12
Office of Confidentiality and Security	2,807	2,927	2,908	19
Health and Safety Branch	917	877	857	20
<b>Subtotal</b>	<b>9,023</b>	<b>9,305</b>	<b>9,198</b>	<b>107</b>
<b>Administration</b>				
Office of the Director	522	500	476	24
Budget, Planning and Control Branch	449	449	382	67
Finance and Accounts Branch	1,384	1,406	1,404	2
Human Resources Branch	1,978	1,950	1,869	81
Procurement and Support Services Branch	6,130	6,130	6,123	7
Information Services Branch	3,579	3,378	3,238	140
<b>Subtotal</b>	<b>14,042</b>	<b>13,813</b>	<b>13,492</b>	<b>321</b>
<b>Chapter Two</b>	<b>37,429</b>	<b>37,429</b>	<b>36,041</b>	<b>1,388</b>
<b>Total expenditure</b>	<b>67,076</b>	<b>67,076</b>	<b>64,705</b>	<b>2,371</b>
<b>Net receipts/(expenditure) ***</b>	<b>-</b>	<b>-</b>	<b>2,188</b>	<b>(2,188)</b>

\* The actual amounts are based on the budgetary accounts, which are maintained on a modified cash basis (see Appendix 5.1).

\*\* Voluntary contributions received as services in kind are disclosed in note 34.

\*\*\* A reconciliation of the actual amounts from the budgetary result to the IPSAS financial statement basis is provided in note 40.7.

## **ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS**

### **1. REPORTING ENTITY**

- 1.1 The Organisation for the Prohibition of Chemical Weapons (OPCW) is an international organisation which was established by the States Parties to the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction (hereinafter “the Convention”). The Convention entered into force on 29 April 1997, and the OPCW is located at Johan de Wittlaan 32, 2517 JR The Hague, the Netherlands.
- 1.2 The mission of the OPCW is to achieve the object and purpose of the Convention, to ensure the implementation of its provisions, including those for international verification, and to provide a forum for consultation and cooperation among States Parties.
- 1.3 The continued existence of the OPCW in its present form, with its present programmes of activity, is dependent on States Parties and their continuing annual appropriations and financial contributions.
- 1.4 The reporting entity, the OPCW, comprises the General Fund, the Working Capital Fund (note 15), Special Accounts (note 39.16), the Voluntary Fund for Assistance (notes 16 and 39.21), and the Trust Funds (note 39.22).

### **2. BASIS OF PREPARATION**

- 2.1 The financial statements have been prepared on an accruals and going-concern basis and comply with the requirements of IPSAS. Where IPSAS is silent concerning any specific standard, the IPSAS Conceptual Framework and subsequently the appropriate International Financial Reporting Standards (IFRS) is applied.
- 2.2 OPCW applies the historical cost principle unless stated otherwise. Accounting policies have been applied consistently throughout the year.
- 2.3 The financial statements are presented in euros, rounded to the nearest thousand. These financial statements cover the calendar year ended 31 December 2017. The financial period is the calendar year.

#### **Future accounting pronouncements**

- 2.4 The following significant future accounting pronouncements from the International Public Sector Accounting Standards Board have been issued as at 31 December 2017, but are not yet effective:

<b>Standard</b>	<b>Objective of Standard</b>	<b>Effective Date</b>	<b>Estimated Impact on OPCW Financial Statements</b>
<b>IPSAS 39</b> Employee Benefits	To prescribe the accounting and disclosure for Employee Benefits. Under IPSAS 39, the corridor approach for the recognition of actuarial gains and losses is removed.	1 January 2018	Not applicable as the OPCW does not use the corridor approach for the recognition of actuarial gains and losses.
<b>IPSAS 40</b> Public Sector Combinations	To improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about a public sector combination and its effects.	1 January 2019	Not applicable as the OPCW has not entered into any public sector combinations in 2017.

### 3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The objective of these general purpose financial statements is to provide information about the financial position, performance, and cash flows of the OPCW to a wide range of users. For an organisation such as the OPCW, the objectives are more specifically to provide information useful for decision making and to demonstrate the accountability of the OPCW for the resources entrusted to it. The principal accounting policies applied in the preparation of these financial statements are set out below.

#### **Consolidation**

3.2 The scope of consolidation of the OPCW comprises one entity, the OPCW. No associates or joint operations or controlled entities have been identified for inclusion in the scope of consolidation of these financial statements.

#### **Foreign currency translation**

3.3 The following exchange rates have the most significant impact on the preparation of these financial statements:

<b>Period</b>	<b>USD/EUR</b>	<b>JPY/EUR</b>	<b>GBP/EUR</b>
31 December 2017	0.837	0.0074	1.127
Average 12 months	0.891	0.0079	1.145

<b>Period</b>	<b>USD/EUR</b>	<b>GBP/EUR</b>	<b>INR/EUR</b>
31 December 2016	0.956	1.170	0.014
Average 12 months	0.903	1.223	0.013

- (a) Functional and presentation currency: Items included in the financial statements are measured using the euro, the functional currency, which is the currency of the primary economic environment in which the OPCW operates. The financial statements are also presented in euros, the presentation currency of the OPCW.
- (b) Transactions and balances: Foreign currency transactions are translated into the functional currency using the United Nations Operational Rate of Exchange (UNORE) prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance. Year-end balances of monetary assets and liabilities denominated in foreign currencies are converted into euros on the basis of the exchange rates applicable on 31 December 2017.

### **Cash and cash equivalents**

- 3.4 Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to cash and subject to insignificant risk of changes in value, with original maturities of three months or less, and bank overdrafts. The OPCW is prohibited from having any bank overdrafts and accordingly does not have any.

### **Financial assets**

#### Classification

- 3.5 The OPCW classifies its financial assets as loans and receivables. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months of the reporting date, which are classified as non-current. The OPCW's loans and receivables comprise 'receivables and recoverables from non-exchange transactions' and 'receivables from exchange transactions'.

#### Recognition and measurement

- 3.6 Loans and receivables are initially recognised at fair value plus transaction costs, and are derecognised when the rights to receive cash flows have expired or have been transferred and the OPCW has transferred substantially all risks and rewards of ownership.

#### Subsequent measurement

- 3.7 Loans and receivables are carried at amortised cost using the effective interest method.

### Impairment

- 3.8 All financial assets are subject to review for impairment. The OPCW assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.
- 3.9 If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted using the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of financial performance.

### **Inventories**

- 3.10 Inventories are stated at the lower of cost and current replacement cost. The cost of finished goods comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined using the first in, first out (FIFO) method. Current replacement cost is the cost the entity would incur to acquire the asset on the reporting date. Inventory items acquired in non-exchange transactions are measured at their fair value on the date of acquisition in accordance with IPSAS 12.

### **Property, plant and equipment**

- 3.11 Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items, including costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Items of property, plant and equipment equal to or exceeding EUR 5,000 per unit and leasehold improvements equal to or exceeding EUR 50,000 per unit are capitalised. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits or service potential, associated with the item, will flow to the OPCW and the cost of the item can be reliably measured. All other repairs and maintenance are charged to the statement of financial performance during the financial period in which they are incurred. Assets under construction are not depreciated but are subject to impairment. Subsequent to construction completion and upon the in-service date, the assets are transferred to the above categories and the corresponding useful life will be applied.
- 3.12 Depreciation is calculated using the straight-line method to allocate costs to their residual values over their estimated useful lives, which are as follows:



<b>Asset</b>	<b>Estimated Useful Life</b>
Inspection and verification equipment	Shorter of operational period of asset or 10 years
Security and health equipment	5 years
Office furniture and equipment	7 years
Hardware equipment	4 years
Vehicles	5 years
Leasehold improvements	Shorter of lease term or useful life

- 3.13 The residual value will be set at nil value as per the acquisition date. An asset's carrying amount is written down immediately to its recoverable service amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to note 3.19 'Impairment of non-cash-generating assets'). Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in 'other income' and 'other operating expenses' respectively within the statement of financial performance.

## **Leases**

### Operating lease

- 3.14 An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. As a lessee, the OPCW rents premises, equipment and other facilities under contracts that are considered operating leases. As a lessor, the OPCW rents small portions of office space to third parties on the OPCW's premises at Johan de Wittlaan 32 in The Hague. The rent receipts are recognised as other income.

## **Intangible assets**

- 3.15 Intangible assets are carried at cost less accumulated amortisation and impairment. Donated intangible assets are recognised at cost, using the fair value at the acquisition date. The OPCW recognises as intangible assets both acquired software with a cost equal to or exceeding EUR 5,000 and internally generated software with a cost equal to or exceeding EUR 50,000. Internally generated software is capitalised when the criteria stated in note 3.16 are met. The development of new software or the development of new functionalities of software that is already in operation, and purchased software which requires significant customisation or configuration before it can be used by the OPCW may be recognised as internally generated software. Acquired computer software meeting the recognition criteria is capitalised based on costs incurred to acquire and bring the specific software to use. The cost of internally generated software comprises all directly attributable costs to create, produce, and prepare the asset to be capable of operating in the manner intended by management, including costs of materials and services, and employee benefits determined based on a standard rate that includes an appropriate portion of relevant overheads. Costs associated with maintaining computer software programmes are recognised as expenses as incurred.

- 3.16 Development costs that are directly associated with the development of software for use by the OPCW are capitalised as an intangible asset if the following criteria are met:
- (a) it is technically feasible to complete the software product so that it will be available for use;
  - (b) management intends to complete the software product and use or sell it;
  - (c) there is an ability to use or sell the software product;
  - (d) it can be demonstrated how the software product will generate probable future economic benefits or service potential;
  - (e) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
  - (f) the expenditure attributable to the software product during its development can be reliably measured.
- 3.17 Expenditures that do not meet these criteria are recognised as expenses as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Research costs are recognised as an expense in the financial period in which they are incurred.
- 3.18 Amortisation is recorded on a straight-line basis on all intangible assets of finite life, at rates that will write off the cost or value of the assets to their estimated residual values. Intangible assets under construction are not amortised but are subject to impairment. The useful lives of major classes of intangible assets have been estimated as follows:

<b>Asset</b>	<b>Estimated Useful Life</b>
Acquired software	3 to 5 years
Internally developed software	3 to 10 years

#### **Impairment of non-cash-generating assets**

- 3.19 Non-cash-generating assets are property, plant and equipment, and intangible assets (note 6). As such, these are assessed at each reporting date to determine whether there are any indications that the carrying amount of the assets may not be recoverable and that such assets may be impaired. The asset's recoverable service amount is the higher of the asset's fair value less costs to sell and its value in use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. Impairment losses are recognised immediately in the statement of financial performance.

## **Employee benefits**

### Short-term employee benefits

- 3.20 Short-term employee benefits are expected to be settled within 12 months of the reporting period and are measured at their nominal values based on accrued entitlements at current rates of pay. Short-term employee benefits comprise recurring benefits, deductions and contributions (including salaries, special post allowances, dependency allowances), compensated absences (annual leave, special leave, sick leave), other short-term benefits (salary advances, retroactive payments, education grants, employee income tax reimbursement, travel and removal costs at initial appointment, and assignment grants). These are treated as current liabilities.

### Post-employment benefits

- 3.21 Post-employment benefits include travel and removal costs at separation, and repatriation grants and death benefits after the completion of employment. Post-employment benefit plans are classified as either defined contribution or defined benefit plans.
- 3.22 For defined contribution post-employment plans, the obligation for each period is determined by the amounts to be contributed for that period, and no actuarial assumptions are required to measure the obligation or the expense. Actuarial gains and losses for post-employment benefits are recognised in net assets in the period in which they occur.

### Other long-term employee benefits

- 3.23 Other long-term employee benefits include home leave and long-term sick leave. Long-term employee benefits which are expected to be settled more than 12 months after the end of the reporting period are treated as non-current liabilities and are measured at the present value of the estimated future cash flows if the payments and the impact of discounting are considered to be material. Actuarial gains and losses for other long-term employee benefits are recognised directly in surplus/deficit in the period in which they occur.

## **Financial liabilities**

- 3.24 The OPCW's financial liabilities include accounts payable, 'Working Capital Fund', 'Voluntary Fund for Assistance' and 'Cash surplus reimbursable to States Parties'. These financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The financial liabilities 'Working Capital Fund', 'Voluntary Fund for Assistance' and 'Cash surplus' are not discounted considering the specific objectives and the indefinite nature of these amounts (similar to a permanent advance) and the restrictions imposed on these amounts.

## **Provisions and contingencies**

### Provisions

- 3.25 Provisions are recognised for future expenditures of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not made for future operating losses.
- 3.26 Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

### Contingent liabilities

- 3.27 A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of future events not wholly within the control of the entity. A contingency is also recognised when it is not probable that a present obligation exists, but all other aspects of the definition of a provision are met. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements.

### Contingent assets

- 3.28 A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognised.

## **Taxes**

- 3.29 The OPCW enjoys privileged tax exemption, and as such, assets, income and other properties are exempt from all direct taxation.

## **Revenue recognition**

### Revenue from non-exchange transactions

- 3.30 The OPCW's major categories of non-exchange revenue are assessed contributions and voluntary contributions (as described in notes 24 and 25). Assessed contributions are assessed annually based on the scale of assessments as approved by the Conference. Voluntary contributions are received from various States Parties and other parties (hereinafter "donors") for various purposes as specified in each donor agreement. In certain agreements, donors advance a proportion of the total agreement amount at the project inception, and pay the remaining amount upon receipt of a final project report.
- 3.31 Voluntary contributions can include specified performance obligations by the OPCW, the consideration payable by the donor, and other general terms and conditions.

Conditions that may be attached to the contributions include, inter alia, stipulations that a training or workshop be organised in a certain region, conditions related to progress and completion of research performed, and refund of unspent amounts contributed. The carrying amounts of the voluntary contributions are primarily denominated in euros.

- 3.32 Non-exchange revenue represents transactions in which OPCW receives value from another entity without providing approximately equal value to another entity in exchange. Non-exchange revenue is measured at the amount of the increase in net assets recognised by the OPCW. IPSAS require that inflow of resources from a non-exchange transaction are recognised as an asset and revenue, except to the extent that a present obligation exists in respect of the same inflow (a performance obligation), which is recognised as liability (deferred revenue). As the OPCW satisfies this present obligation, it reduces the carrying amount of the liability and recognises revenue. Further information regarding the judgement required in determining performance obligations is included in note 4.6.
- 3.33 For non-exchange revenue which has not yet been received by the OPCW, but where a donor agreement has been signed, a recoverable relating to non-exchange revenue is recognised at the net realisable amount, after reducing any impaired receivable from the carrying amount. Goods in kind are recognised as assets when the goods are received or when there is a binding agreement to receive the goods and no conditions are attached. Services in kind are not recognised.
- 3.34 Balances in relation to these agreements are reported within voluntary contribution revenue (note 25) and/or deferred revenue (note 22), and voluntary contributions recoverable (note 9).

#### Revenue from exchange transactions

- 3.35 The OPCW's major category of exchange revenue is Article IV and V revenue, amounts that are invoiced to States Parties for various services (as described in note 26 'Article IV and V revenue') provided in the verification of and destruction of chemical weapons.
- 3.36 Revenue from exchange transactions is measured at the fair value of the consideration received or receivable and is recognised as services are rendered according to the estimated stage of completion when the outcome of a transaction can be estimated reliably. Revenue is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. When the outcome of the transaction cannot be estimated reliably, revenue is recognised to the extent of the expenses recognised that are recoverable. Revenue from services is recognised at the fair value of the consideration received or receivable. When a receivable is impaired, the carrying amount is reduced to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the receivable. Subsequent recoveries of amounts previously impaired are credited to miscellaneous income within the statement of financial performance. Interest income is recognised on a time-proportion basis using the effective interest method.

### **Expenses**

- 3.37 Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets, other than those relating to distributions to owners. Expenses are aggregated on the face of the statement of financial performance according to their nature. OPCW follows the delivery principle for receipting of goods and services.

### **Segment information**

- 3.38 A segment is a distinguishable activity or group of activities for which it is appropriate to separately report financial information. At the OPCW, segment information is based on the principal distinguishable services that are engaged in achieving the OPCW's objectives.
- 3.39 Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the OPCW. Assets and liabilities are not allocated to segments.

## **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

- 4.1 In accordance with IPSAS and generally accepted accounting principles, the financial statements include amounts based on estimates and assumptions. The OPCW makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

### **Employee benefits: Post-employment benefits and other long-term employee benefits**

- 4.2 The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Actuarial assumptions are established to anticipate future events and are used in calculating post-employment benefits and other long-term employee benefits expense and liability. Assumptions have been made with respect to the discount rate, inflation, indexation, rates of future compensation increases, turnover rates, and life expectancy. Any changes in these assumptions will impact the amount of benefits expense and the related liability.
- 4.3 The OPCW determines the discount rate annually. This is the interest rate that should be used to determine the present value of the estimated future cash outflows expected to be required to settle the employee benefit obligations. In determining the appropriate discount rate, the OPCW considers the interest rate of government bonds within the Eurozone that have terms to maturity approximating the terms of the related employee benefit liabilities.

- 4.4 The other assumptions are based in part on current market conditions and historical experience of the OPCW. Additional information is disclosed in note 18 'Employee benefits'.

#### **Receivables: Determination of impairment**

- 4.5 The OPCW's receivables are required to be reviewed at the end of each reporting period for impairment and indications of uncollectibility. The OPCW makes an estimate of the amount of receivables that it is not able to recover based on prior payment history and expectations of future amounts it expects to recover from these receivables.

#### **Revenue recognition: Conditions on voluntary contributions**

- 4.6 Revenue for non-exchange transactions is recognised by OPCW in line with the policy set out in notes 3.30 to 3.34, and with IPSAS 23 (Revenue from non-exchange transactions). When reviewing stipulations linked to voluntary contributions and assessing the extent to which revenue may be recognised, the OPCW makes a judgement to determine whether a present obligation to the OPCW exists which would give rise to a financial liability. The OPCW uses contractual information and past practice with donors to inform this judgement.

#### **Enterprise resource planning system (ERP system)**

- 4.7 Implementation of the new ERP system was ongoing as at the reporting date. Accounting estimates have been made to determine the costs accrued as at the reporting date, which in turn has informed the related expense recognition and the degree of capitalisation of eligible development costs relating to the intangible ERP asset under construction. Given that the work was in progress at the reporting date, these accounting estimates involve judgement and are based on management's assessment of the stage of completion of the ERP implementation work streams as at the reporting date.

### **5. FINANCIAL RISK MANAGEMENT**

#### **Financial risk factors**

- 5.1 The OPCW's activities expose it to a variety of financial risks, including market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The OPCW's overall risk management programme is carried out by the Treasury Section under policies approved by the Investment Committee. The Investment Committee comprises six members and is chaired by the Deputy Director-General. The Investment Committee meets at least quarterly, however, meetings generally occur more frequently depending on economic circumstances existing in the financial markets. The OPCW does not enter into hedging activities and does not use derivative financial instruments.

**Market risk: Foreign exchange risk**

- 5.2 Foreign exchange risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The OPCW operates internationally and is exposed to limited foreign exchange risk arising from certain currency exposures.
- 5.3 The OPCW's cash inflows from assessed contributions as determined by the Conference are denominated in euros. Receipts of assessed contributions can be in currencies other than euros; however, the States Parties are responsible for any foreign currency fluctuations that may arise. Voluntary contributions are primarily denominated in euros, US dollars, UK pounds, and Canadian dollars. Foreign-currency exposure arises on voluntary contributions denominated in currencies other than euros. However, the OPCW minimises this risk by immediately converting all foreign currency denominated voluntary contributions into euros at the spot rate of the receiving bank. The OPCW records the contributions at the actual euro amounts received, and all corresponding expenses are reported to the donors in euros. If there is an unused balance, the OPCW refunds the euro balance, which the bank converts back to the original currency at the spot rate prevailing at the time of payment.
- 5.4 The OPCW's cash outflows relate primarily to payments to employees and payments to vendors. Employee salaries are denominated in US dollars, however, are paid in euros. Payments to vendors are typically denominated in euros. Certain payments are denominated in foreign currencies, primarily the US dollar, the UK pound and the Japanese yen. Payments to vendors that are denominated in currencies other than euros typically account for less than 5% of total payments.
- 5.5 At 31 December 2017, if the euro had weakened/strengthened by 10% against the US dollar, net surplus/deficit for the year would have been EUR 29 thousand higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated assessed contributions recoverable, voluntary contributions recoverable, and accounts payable.
- 5.6 Receivables in other currencies than the euro and US dollar and any corresponding effect of exchange rate changes in those currencies on the net surplus/deficit are not significant.

**Market risk: Interest rate risk**

- 5.7 Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The OPCW invests its cash and cash equivalents in accounts with financial institutions for short-term maturities at fixed interest rates. The future cash flows representing interest income from these deposits will not fluctuate because these are invested for short periods. These investment policies requiring maturities of no longer than 12 months and restricting the investments to cash and cash equivalents are established by the OPCW's Investment Committee.



## Credit risk

- 5.8 Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents with banks and financial institutions and exposures to receivables from States Parties. The OPCW's Investment Committee meets at least quarterly to review the OPCW's investment policies for financial assets. The Investment Committee may meet more frequently if economic circumstances demand additional attention. The Investment Committee determines which financial institutions may be used for the investment of cash and cash equivalents. The OPCW will only invest deposits in financial institutions with a Moody's Investors Service Global short-term rating of no lower than a P-1 rating.

	<b>(expressed in euro '000s)</b>	
<b>Moody's Investors Service Ratings</b>	<b>31-Dec-2017</b>	<b>31-Dec-2016</b>
Rating P-1*	26,882	28,057
Non-rated	-	-
<b>Total cash and cash equivalents</b>	<b>26,882</b>	<b>28,057</b>

\* Issuers (or supporting institutions) rated Prime-1 (P-1) have a superior ability to repay short-term debt obligations.

- 5.9 Credit risk arises from receivables from States Parties as outlined in notes 7 and 8.

## Liquidity risk

- 5.10 Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The OPCW has obligations to make certain payments for financial liabilities; liquidity risk arises in that the OPCW may encounter difficulties in meeting these obligations. Cash flow forecasting is performed by the OPCW on a daily, weekly and monthly basis. The Treasury Section may invest surplus cash in short-term deposits, investing these amounts for periods of no longer than 12 months. Investments are denominated in euros to avoid foreign currency fluctuations. The tables below analyse the OPCW's financial liabilities into relevant maturity groupings based on their contractual undiscounted cash flows.

As at 31 December 2017:

<b>(expressed in euro '000s)</b>	<b>Less Than 1 Year</b>	<b>1 to 5 Years</b>	<b>5 to 10 Years</b>	<b>Beyond 10 Years</b>	<b>Undefined Maturity</b>	<b>Total</b>
Working Capital Fund	-	-	-	-	7,342	<b>7,342</b>
Voluntary Fund for Assistance	-	-	-	-	1,558	<b>1,558</b>
Cash surplus reimbursed to States Parties	56	1,455	-	-	-	<b>1,511</b>
Accounts payable	3,633	-	-	-	-	<b>3,633</b>
<b>Total financial liabilities</b>	<b>3,689</b>	<b>1,455</b>	-	-	<b>8,900</b>	<b>14,044</b>

As at 31 December 2016:

(expressed in euro '000s)	Less Than 1 Year	1 to 5 Years	5 to 10 Years	Beyond 10 Years	Undefined Maturity	Total
Working Capital Fund	-	-	-	-	4,160	<b>4,160</b>
Voluntary Fund for Assistance	-	-	-	-	1,553	<b>1,553</b>
Cash surplus reimbursed to States Parties	57	1,990	-	-	-	<b>2,047</b>
Accounts payable	2,276	-	-	-	-	<b>2,276</b>
<b>Total financial liabilities</b>	<b>2,333</b>	<b>1,990</b>	-	-	<b>5,713</b>	<b>10,036</b>

### Capital risk management

- 5.11 The Conference consists of all members of the OPCW. It decides on the Programme and Budget and the scale of annual financial contributions to be paid by States Parties in the form of assessed contributions. The OPCW is prohibited from obtaining debt financing.

### Fair value estimation

- 5.12 The determination of the fair value of the OPCW's financial instruments generally approximates the carrying amount. The OPCW's receivables are recognised at net recoverable amount and the cash and cash equivalents are recognised at fair value. As mentioned in note 3.24, the financial liabilities 'Working Capital Fund', 'Voluntary Fund for Assistance' and 'Cash surplus' are not discounted.

## 6. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

### 6.1 Property, plant and equipment

As at 31 December 2017:

(expressed in euro '000s)	Inspection and Verification Equipment	Security and Health Equipment	Office Furniture and Equipment	Hardware Equipment	Vehicles	Leasehold Improvements	Assets Under Construction	Total
At 1 January 2017:								
Cost	7,397	678	359	1,045	275	209	38	10,001
Accumulated & depreciation impairment	(3,457)	(632)	(293)	(759)	(236)	(80)	-	(5,457)
<b>Net book amount</b>	<b>3,940</b>	<b>46</b>	<b>66</b>	<b>286</b>	<b>39</b>	<b>129</b>	<b>38</b>	<b>4,544</b>
<b>Year ended 31 December 2017:</b>								
Opening net book amount	3,940	46	66	286	39	129	38	4,544
Additions	1,049	451	-	95	105	-	22	1,722
Transfers	38	-	-	-	-	-	(38)	-
Disposals	(143)	(23)	-	(36)	(104)	-	-	(306)
Accumulated depreciation on disposed assets	138	23	-	36	104	-	-	301
Depreciation charge	(835)	(86)	(19)	(168)	(38)	(42)	-	(1,188)
Impairment losses	-	-	-	-	-	-	-	-
Impairment losses reversed	6	-	-	-	-	-	-	6
<b>Closing net book amount</b>	<b>4,193</b>	<b>411</b>	<b>47</b>	<b>213</b>	<b>106</b>	<b>87</b>	<b>22</b>	<b>5,079</b>
<b>At 31 December 2017:</b>								
Cost	8,341	1,106	359	1,104	276	209	22	11,417
Accumulated depreciation & impairment	(4,148)	(695)	(312)	(891)	(170)	(122)	-	(6,338)
<b>Net book amount</b>	<b>4,193</b>	<b>411</b>	<b>47</b>	<b>213</b>	<b>106</b>	<b>87</b>	<b>22</b>	<b>5,079</b>

There are no restrictions on the title to the OPCW's property, plant and equipment.

As at 31 December 2016:

(expressed in euro '000s)	Inspection and Verification Equipment	Security and Health Equipment	Office Furniture and Equipment	Hardware Equipment	Vehicles	Leasehold Improvements	Assets Under Construction	Total
At 1 January 2016:								
Cost	8,514	978	1,113	1,795	275	209	-	12,884
Accumulated depreciation and impairment	(3,588)	(784)	(725)	(1,258)	(210)	(38)	-	(6,603)
<b>Net book amount</b>	<b>4,926</b>	<b>194</b>	<b>388</b>	<b>537</b>	<b>65</b>	<b>171</b>	<b>-</b>	<b>6,281</b>
<b>Year ended 31 December 2016:</b>								
Opening net book amount	4,926	194	388	537	65	171	-	6,281
Change in asset recognition threshold	(426)	(148)	(301)	(225)	-	-	-	(1,100)
Additions	233	32	-	115	-	-	38	418
Transfers	-	-	-	-	-	-	-	-
Disposals	(532)	-	-	(47)	-	-	-	(579)
Accumulated depreciation on disposed assets	500	-	-	47	-	-	-	547
Depreciation charge	(777)	(32)	(21)	(141)	(26)	(42)	-	(1,039)
Impairment losses	(6)	-	-	-	-	-	-	(6)
Impairment losses reversed	22	-	-	-	-	-	-	22
<b>Closing net book amount</b>	<b>3,940</b>	<b>46</b>	<b>66</b>	<b>286</b>	<b>39</b>	<b>129</b>	<b>38</b>	<b>4,544</b>
<b>At 31 December 2016:</b>								
Cost	7,397	678	359	1,045	275	209	38	10,001
Accumulated depreciation and impairment	(3,457)	(632)	(293)	(759)	(236)	(80)	-	(5,457)
<b>Net book amount</b>	<b>3,940</b>	<b>46</b>	<b>66</b>	<b>286</b>	<b>39</b>	<b>129</b>	<b>38</b>	<b>4,544</b>

There are no restrictions on the title to the OPCW's property, plant and equipment.

## 6.2 Intangible assets

As at 31 December 2017:

(expressed in euro '000s)	Acquired Software	Internally Generated Software	Intangible Assets Under Construction*	Total
<b>Balance as at 1 January 2017:</b>				
Cost	520	318	499	<b>1,337</b>
Accumulated amortisation & impairment	(290)	(269)	-	<b>(559)</b>
<b>Net book amount</b>	<b>230</b>	<b>49</b>	<b>499</b>	<b>778</b>
				-
<b>Year ended 31 December 2017:</b>				
Opening net book value	230	49	499	<b>778</b>
Additions	33	84	521	<b>638</b>
Transfers	-	13	(13)	-
Amortisation charge	(81)	(46)	-	<b>(127)</b>
Impairment losses	-	-	(11)	<b>(11)</b>
<b>Net book amount as at 31 December 2017</b>	<b>182</b>	<b>100</b>	<b>996</b>	<b>1,278</b>
				-
<b>As at 31 December 2017:</b>				
Cost	554	415	1,007	<b>1,976</b>
Accumulated amortisation & impairment	(372)	(315)	(11)	<b>(698)</b>
<b>Net book amount as at 31 December 2017</b>	<b>182</b>	<b>100</b>	<b>996</b>	<b>1,278</b>

As at 31 December 2016:

(expressed in euro '000s)	Acquired Software	Internally Generated Software	Intangible Assets Under Construction*	Total
<b>Balance as at 1 January 2016:</b>				
Cost	698	484	1	<b>1,183</b>
Accumulated amortisation and impairment	(290)	(271)	-	<b>(561)</b>
<b>Net book amount</b>	<b>408</b>	<b>213</b>	<b>1</b>	<b>622</b>
<b>Year ended 31 December 2016:</b>				
Opening net book value	408	213	1	<b>622</b>
Change in asset recognition threshold	(88)	(83)	(1)	<b>(172)</b>
Additions	13	-	499	<b>512</b>
Transfers	-	-	-	-
Amortisation charge	(107)	(81)	-	<b>(188)</b>
Impairment losses	4	-	-	<b>4</b>
<b>Net book amount as at 31 December 2016</b>	<b>230</b>	<b>49</b>	<b>499</b>	<b>778</b>
<b>As at 31 December 2016:</b>				
Cost	520	318	499	<b>1,337</b>
Accumulated amortisation and impairment	(290)	(269)	-	<b>(559)</b>
<b>Net book amount as at 31 December 2016</b>	<b>230</b>	<b>49</b>	<b>499</b>	<b>778</b>

\* 'Intangible Assets under Construction' includes software under development.

- 6.3 Intangible assets include intangible assets under construction in the amount of EUR 996 thousand related to the new enterprise resource planning (ERP) system. Refer to Appendix 5.3 for further financial details regarding the ERP system.

## 7. ASSESSED CONTRIBUTIONS RECOVERABLE

	<b>(expressed in euro '000s)</b>	
	<b>2017</b>	<b>2016</b>
Assessed contributions	8,547	6,071
Less: allowance for impairment of assessed contributions	(592)	(743)
<b>Total assessed contributions - net</b>	<b>7,955</b>	<b>5,328</b>

- 7.1 Every Member State is assessed an annual contribution due to the OPCW. The assessed contributions are issued at the beginning of each calendar year and are payable in full within 30 days of States Parties' receipt of the requests for payments or on the first day of the financial period to which they relate, whichever is later.
- 7.2 As of 31 December 2017, assessed contributions of EUR 7,955 thousand (2016: EUR 5,328 thousand) were past due but not impaired. These include assessed contributions recoverable of States Parties with arrears of less than three years old and receivables from States Parties who have made proposal for multi-year payment plans, irrespective of the age of the receivables. The ageing analysis of these assessed contributions is as follows:

	<b>(expressed in euro '000s)</b>			
	<b>2017</b>	<b>%</b>	<b>2016</b>	<b>%</b>
Up to 1 year old	4,796	60%	3,874	73%
Older than 1 year and up to 2 years	2,685	34%	804	15%
Older than 2 years and up to 3 years	157	2%	591	11%
Older than 3 years and up to 10 years	258	3%	12	0%
Older than 10 years	59	1%	47	1%
	<b>7,955</b>	<b>100%</b>	<b>5,328</b>	<b>100%</b>

- 7.3 As of 31 December 2017, assessed contributions of EUR 592 thousand (2016: EUR 743 thousand) were impaired and provided for. The amount impaired as at 2017 year end includes the accumulated unpaid assessed contributions net of corresponding cash surplus, as at 31 December 2016, of States Parties who are in arrears with respect to the financial period 2014 and before. The assessed contributions recoverable in the statement of financial position are shown net of this provision, which does not constitute legal discharges of concerned States Parties from their obligations to make payments to the OPCW. The ageing analysis of these assessed contributions is as follows:

	<b>(expressed in euro '000s)</b>			
	<b>2017</b>	<b>%</b>	<b>2016</b>	<b>%</b>
Up to 1 year old	-	0%	-	0%
Older than 1 year and up to 2 years	62	11%	75	10%
Older than 2 years and up to 3 years	55	9%	78	11%
Older than 3 years and up to 10 years	237	40%	365	49%
Older than 10 years	238	40%	225	30%
	<b>592</b>	<b>100%</b>	<b>743</b>	<b>100%</b>

- 7.4 Movements in the OPCW's provision for impairment of assessed contributions are as follows:

	<b>(expressed in euro '000s)</b>	
	<b>2017</b>	<b>2016</b>
<b>At 1 January</b>	<b>743</b>	<b>742</b>
Provision for impairment of assessed contributions (write-down)	85	81
Unused amounts reversed (other income)	(236)	(80)
<b>At 31 December</b>	<b>592</b>	<b>743</b>

## 8. ARTICLE IV AND V RECEIVABLES

	<b>(expressed in euro '000s)</b>	
	<b>2017</b>	<b>2016</b>
Article IV & V receivables	6,433	5,767
Less: allowance for impairment of Article IV & V receivables (write-down)	(5,521)	(5,194)
<b>Total Article IV &amp; V receivables - net</b>	<b>912</b>	<b>573</b>

- 8.1 The OPCW charges States Parties for its services provided in the verification and destruction of chemical weapons. The amounts charged to States Parties for services provided include amounts to cover the OPCW's staff costs, travel expenses, daily subsistence allowance and transportation charges for hazardous materials. The rates relating to staff costs charged to States Parties by the OPCW are established annually by agreement of the States Parties, taking into account actual expenses incurred. The OPCW provides services in exchange for generating this revenue in the form of expertise of its employees regarding chemical weapons.

- 8.2 As of 31 December 2017, Article IV and V receivables of EUR 912 thousand (2016: EUR 573 thousand) were past due but not impaired. Amounts are impaired, without implying legal discharge of the concerned States Parties' obligation to pay, when there is no expectation of recovering additional cash. The ageing analysis of the Article IV and V receivables is as follows:

	<b>(expressed in euro '000s)</b>			
	<b>2017</b>	<b>%</b>	<b>2016</b>	<b>%</b>
Up to 3 months	697	76%	573	100%
Older than 3 months and up to 6 months	215	24%	-	-
Older than 6 months and up to 1 year	-	-	-	-
	<b>912</b>	<b>100%</b>	<b>573</b>	<b>100%</b>

- 8.3 As of 31 December 2017, Article IV and V receivables of EUR 5,521 thousand (2016: EUR 5,194 thousand) were impaired and provided for, without legally discharging the concerned States Parties' obligations to make payments to the OPCW. The Article IV and V receivables in the statement of financial position are shown net of this provision. The ageing analysis of these receivables is as follows:

	<b>(expressed in euro '000s)</b>			
	<b>2017</b>	<b>%</b>	<b>2016</b>	<b>%</b>
Up to 3 months	227	4%	177	3%
Older than 3 months and up to 6 months	97	2%	127	2%
6 months to 1 year	19	0%	118	2%
Older than 1 year and up to 2 years	407	7%	1,272	24%
Older than 2 years and up to 3 years	1,272	23%	3,500	69%
Older than 3 years and up to 10 years	3,499	64%	-	-
Older than 10 years	-	-	-	-
	<b>5,521</b>	<b>100%</b>	<b>5,194</b>	<b>100%</b>

- 8.4 Movements in the OPCW's provision for impairment of Article IV and V receivables are as follows:

	<b>(expressed in euro '000s)</b>	
	<b>2017</b>	<b>2016</b>
<b>At 1 January</b>		
Beginning of period	5,194	4,890
Provision for impairment of Article IV & V receivables	327	304
Amounts repaid	-	-
<b>At 31 December</b>	<b>5,521</b>	<b>5,194</b>

## 9. VOLUNTARY CONTRIBUTIONS RECOVERABLE

	<b>(expressed in euro '000s)</b>	
	<b>2017</b>	<b>2016</b>
Trust funds for Syria	1,004	1,059
Trust funds for Libya	2,554	-
Other trust funds	141	657
<b>Voluntary contributions recoverable</b>	<b>3,699</b>	<b>1,716</b>

Voluntary contributions recoverable represent balances due to the OPCW under signed contribution agreements.



## 10. OTHER ASSETS

	(expressed in euro '000s)			
	2017		2016	
	Current	Non-current	Current	Non-current
Receivables from staff members	1,236	-	797	-
Value-added tax and other recoverable taxes	898	-	1,394	-
Receivables from vendors	253	250	736	-
'Working Capital Fund' receivable	7	-	7	-
Miscellaneous	-	-	20	-
<b>Other assets</b>	<b>2,394</b>	<b>250</b>	<b>2,954</b>	<b>-</b>

- 10.1 Receivables from staff members comprise receivables due for advances made relating to travel expenses and certain employee benefit advances.
- 10.2 Value-added tax and other recoverable taxes include refundable taxes primarily relating to environmental taxes, energy taxes, and taxes due to the United States government. These receivables arise due to the OPCW's tax-exempt status.
- 10.3 Receivables from vendors relate primarily to the current and non-current portions of the incentive payment for the extension of the Tenancy Agreement through 2028, paid in instalments to the OPCW.

## 11. PREPAYMENTS

	(expressed in euro '000s)	
	2017	2016
Prepayments - vendors	1,015	1,462
Prepayments - UNOPS	1,003	2,497
Prepayments - other	13	23
<b>Total prepayments</b>	<b>2,031</b>	<b>3,982</b>

Prepayments to vendors primarily comprise prepaid rent for the Headquarters building. Prepayments to the United Nations Office for Project Services (UNOPS) primarily comprise advances for provision of services to support OPCW operations in Syria and Libya.

**12. INVENTORIES**

	<b>(expressed in euro '000s)</b>		
	<b>2017</b>		
	<b>Primary</b>	<b>Secondary</b>	<b>Total</b>
<b>At 1 January 2017</b>	445	615	<b>1,060</b>
Purchases	92	51	<b>143</b>
Inventory consumed	(144)	(68)	<b>(212)</b>
Other adjustments	(139)	(55)	<b>(194)</b>
<b>At 31 December 2017</b>	<b>254</b>	<b>543</b>	<b>797</b>

	<b>(expressed in euro '000s)</b>		
	<b>2016</b>		
	<b>Primary</b>	<b>Secondary</b>	<b>Total</b>
<b>At 1 January 2016</b>	500	682	<b>1,182</b>
Purchases	92	42	<b>134</b>
Inventory consumed	(126)	(91)	<b>(217)</b>
Other adjustments	(21)	(18)	<b>(39)</b>
<b>At 31 December 2016</b>	<b>445</b>	<b>615</b>	<b>1,060</b>

- 12.1 The OPCW's inventories relate primarily to its inspection and verification activities and are located in the equipment store in Rijswijk, the Netherlands. Primary consumables consist of consumable items that are listed by name within the "List of Approved Equipment with Operational Requirements and Technical Specifications" (C-I/DEC.71\*, dated 30 November 2010) as approved by the Conference. Secondary consumables consist of consumable items that are integral parts of the approved inspection equipment.
- 12.2 The physical stock count of primary and secondary consumables was carried out as at 31 December 2017. The carrying amount of inventories is shown at lower of cost or current replacement cost as at 31 December 2017.

**13. CASH AND CASH EQUIVALENTS**

	<b>(expressed in euro '000s)</b>	
	<b>2017</b>	<b>2016</b>
<b>Unrestricted</b>		
Interest-bearing current accounts	19,488	25,351
<b>Total unrestricted</b>	<b>19,488</b>	<b>25,351</b>
<b>Restricted</b>		
Interest-bearing current accounts	7,393	2,706
<b>Total restricted</b>	<b>7,393</b>	<b>2,706</b>
<b>Total cash and cash equivalents</b>	<b>26,881</b>	<b>28,057</b>

- 13.1 The following amounts of cash and cash equivalents are not available for use by the OPCW without prior approval:

	(expressed in euro '000s)		
	Note	2017	2016
Restricted cash and cash equivalents			
Working Capital Fund	13.2	5,835	1,153
Voluntary Fund for Assistance	13.3	1,558	1,553
<b>Total restricted cash and cash equivalents</b>		<b>7,393</b>	<b>2,706</b>

### **Working Capital Fund**

- 13.2 The Working Capital Fund is a fund that has been established to meet short-term liquidity problems. The required balance of this fund is determined by the Conference. These funds are managed in a segregated bank account. In December 2016, EUR 3,000 thousand was transferred from the Working Capital Fund to the General Fund to provide short-term liquidity. This amount was reimbursed to the Working Capital Fund in 2017 in line with Financial Regulation 6.6. Refer to further information disclosed in note 15 'Working Capital Fund'.

### **Voluntary Fund for Assistance**

- 13.3 The Voluntary Fund for Assistance has been established in accordance with the Convention to coordinate and deliver assistance to a State Party when requested. Contributions to the fund may be accepted from States Parties, non-governmental organisations, institutions, private parties or individuals. These funds are managed in a segregated bank account. Restrictions placed by donors on the use of the contributions may apply only where acceptance of such funds is exceptionally authorised by the Conference. Restrictions on the availability of these amounts are imposed by the Convention and not by donors of the contributions. Refer to further information disclosed in note 16 'Voluntary Fund for Assistance'. In 2015, an additional EUR 19 thousand was transferred from the Working Capital Fund to the special ERP fund following approval of the final Programme and Budget for 2015 (C-19/DEC.4, dated 3 December 2014).

## **14. CONTINGENT ASSETS**

A contingent asset of EUR 680 thousand was disclosed at 31 December 2016 for the final cash deficit for 2014. Following the decision made by the Conference (C-22/DEC-7, dated 30 November 2017) to offset the final cash deficit for 2014 with the final cash surplus for 2015, no contingent asset is disclosed for 31 December 2017.

## **15. WORKING CAPITAL FUND**

- 15.1 The Working Capital Fund has been established to meet short-term liquidity problems, including temporarily funding appropriated budgetary expenditures pending the receipt of contributions. The Working Capital Fund is financed from advances by all States Parties in accordance with the scale of assessment determined by the Conference.

- 15.2 At its Twenty-First Session, the Conference decided to appropriate EUR 782 thousand for the enterprise resource planning (ERP) project (C-21/DEC.6). This amount was subsequently transferred to the Working Capital Fund in 2017.
- 15.3 In 2017, the Executive Council (hereinafter “the Council”) decided to authorise the Director-General to inform the owner of the OPCW Headquarters building that the OPCW will not terminate the Tenancy Agreement on 15 February 2023, resulting in the extension of the Tenancy Agreement from 2018 through 2028, in exchange for an incentive payment of EUR 1,400 thousand, to be paid in instalments, and to be credited to the OPCW Working Capital Fund (EC-84/DEC.3). As at 31 December 2017, a total of EUR 900 thousand had been received by the OPCW from the owner of the OPCW Headquarters building in relation to this arrangement, with two payments of EUR 250 thousand due in early 2018 and 2019 respectively. The full amount of EUR 1,400 thousand has been credited to the Working Capital Fund, as per the terms of the Council decision.
- 15.4 At its Twenty-Second Session, the Conference approved the transfer of a portion of the 2015 cash surplus in the amount of EUR 1,000 thousand to the Working Capital Fund (C-22/DEC.7).
- 15.5 Any new States Parties joining the OPCW make an advance to the Working Capital Fund in accordance with the scale of assessment applicable to the budget of the year of their ratification of, or accession to, the Convention. The level of the Working Capital Fund is increased by any amounts that new States Parties are required to pay, until the Conference establishes a new level for the Fund. In 2017, no new States Parties joined the OPCW and made contributions to the Working Capital Fund (2016: nil).
- 15.6 The movement in the balance of the Working Capital Fund during the reporting period, and the amount held in it, is explained as follows:

	(expressed in euro ‘000s)		
	Note	2017	2016
<b>Movement in the Working Capital Fund liability</b>			
At 1 January		4,160	4,160
Transfer from Headquarters building lease incentive	15.3	1,400	-
Transfer from final cash surplus for 2015	15.4	1,000	-
Transfer from ERP fund	15.2	782	-
<b>Total Working Capital Fund as at 31 December</b>		<b>7,342</b>	<b>4,160</b>
Of which:			
Non-current portion of Working Capital Fund liability		7,342	4,160
Current portion of Working Capital Fund liability		-	-
<b>Total Working Capital Fund as at 31 December</b>		<b>7,342</b>	<b>4,160</b>

- 15.7 Restrictions regarding the availability of use by the OPCW of amounts of the Working Capital Fund are disclosed in note 13 ‘Cash and cash equivalents’.
- 15.8 The Working Capital Fund liability balance at 31 December 2017 differs to the Working Capital Fund cash balance reported in note 13.1 due to the timing of cash transfers to the Working Capital Fund. The cash transfer of EUR 1,000 thousand from the final cash surplus for 2015 was made in January 2018, and cash of EUR 500 thousand relating to the Headquarters building lease incentive will be paid to the OPCW and subsequently transferred to the Working Capital Fund in 2018 and 2019.
- 15.9 Similarly, the Working Capital Fund liability balance at 31 December 2016 differs to the Working Capital Fund cash balance reported in note 13.1 due to the temporary cash transfer of EUR 3,000 thousand to the General Fund in 2016, which was repaid to the Working Capital Fund in 2017. The Working Capital Fund liability reflects the line of credit provided by States Parties, as set out in Financial Regulation 6.4 and determined by the Conference.

## 16. VOLUNTARY FUND FOR ASSISTANCE

- 16.1 The Voluntary Fund for Assistance was established by the Conference at its First Session (C-I/DEC.52, dated 16 May 1997). Its objective is to provide funding to coordinate and deliver assistance to a State Party, in terms of Article X of the Convention, when requested in the event of use or a threat of use of chemical weapons. The Fund is financed through voluntary contributions from States Parties. Receipts are recorded as liabilities until the related performance obligations are fulfilled, based on which revenue will be recognised.
- 16.2 The movement of the Voluntary Fund for Assistance during the reporting period is as follows:

	<b>(expressed in euro ‘000s)</b>	
	<b>2017</b>	<b>2016</b>
<b>Balance as at 1 January</b>	<b>1,553</b>	<b>1,542</b>
Contributions received/disbursement from States Parties	5	10
Interest earned and bank charges	-	1
<b>Net proceeds received for Voluntary Fund for Assistance</b>	<b>5</b>	<b>11</b>
<b>Total Voluntary Fund for Assistance as at 31 December</b>	<b>1,558</b>	<b>1,553</b>
Of which:		
Non-current portion	1,558	1,553
Current portion		-
<b>Total Voluntary Fund for Assistance as at 31 December</b>	<b>1,558</b>	<b>1,553</b>

**17. CASH SURPLUS – REIMBURSABLE TO STATES PARTIES**

- 17.1 In accordance with the OPCW's regulations, a cash surplus based on the cash basis of accounting is applied to the OPCW's budget. After finalisation, this amount, including any necessary adjustments, is returned to States Parties proportional to the assessed contributions in the year in which the surplus arose, by means of an adjustment to the assessed contributions.
- 17.2 At its Twenty-Second Session, the Conference approved the suspension, on an exceptional basis, of the application of OPCW Financial Regulation 6.3 with regard to the allocation of the 2015 cash surplus among States Parties (C-22/DEC.7), and approved the use of EUR 680 thousand to liquidate the final cash deficit of 2014, the transfer of EUR 310 thousand to the special fund for the Fourth Review Conference in 2018, and the transfer of EUR 1,000 thousand to the Working Capital Fund.
- 17.3 An amount of EUR 1 thousand (2016: EUR 3 thousand) represents final cash surpluses from 2011 and prior years allocated during the reporting period to States Parties which owed amounts to the OPCW and have paid their assessed annual contributions in full for the financial period to which the surplus relates.
- 17.4 Current liabilities at 31 December 2017 of EUR 56 thousand (2016: EUR 57 thousand) represent cash surpluses from 2011 and prior years withheld from the States Parties due to non-payment of assessed contributions to the OPCW.
- 17.5 The following amounts have been recognised as a financial liability in the statement of financial position:

(expressed in euro '000s)		2017	
		Non-current	Current
<b>Balance as at 1 January 2017</b>		<b>1,990</b>	<b>57</b>
Distributed cash surplus	Appendix 5.13	-	(1)
Usage of 2015 cash surplus to liquidate final cash deficit for 2014	14	(680)	-
Transfer of 2015 cash surplus to special fund for the Fourth Review Conference in 2018		(310)	-
Transfer of 2015 cash surplus to Working Capital Fund	15	(1,000)	-
Final cash surplus for 2016	Appendix 5.5	1,455	-
<b>Balance as at 31 December 2017</b>		<b>1,455</b>	<b>56</b>

(expressed in euro '000s)		2016	
		Non-current	Current
<b>Balance as at 1 January 2016</b>		-	<b>60</b>
Distributed cash surplus		-	(3)
Final cash surplus for 2015	Appendix 5.5	1,990	-
<b>Balance as at 31 December 2016</b>		<b>1,990</b>	<b>57</b>

## 18. EMPLOYEE BENEFITS

18.1 The OPCW's statement of financial position presents 'Employee benefits', which comprises the following items:

Employee Benefit	Note	(expressed in euro '000s)					
		2017			2016		
		Non-current	Current	Total	Non-current	Current	Total
<b>Long-term employee benefits</b>							
<b>Post-employment benefits</b>							
Repatriation grant	18.6	1,935	995	<b>2,930</b>	2,097	1,383	<b>3,480</b>
Removal	18.6	652	230	<b>882</b>	568	335	<b>903</b>
Repatriation travel	18.6	344	92	<b>436</b>	294	164	<b>458</b>
Death benefit	18.6	299	32	<b>331</b>	300	33	<b>333</b>
<b>Total post-employment benefits</b>	18.6	<b>3,230</b>	<b>1,349</b>	<b>4,579</b>	<b>3,259</b>	<b>1,915</b>	<b>5,174</b>
<b>Other long-term employee benefits</b>							
Home leave	18.12	-	737	<b>737</b>	104	363	<b>467</b>
<b>Total long-term employee benefits</b>		<b>3,230</b>	<b>2,086</b>	<b>5,316</b>	<b>3,363</b>	<b>2,278</b>	<b>5,641</b>
<b>Short-term employee benefits</b>							
Annual leave	18.2	-	1,962	<b>1,962</b>	-	1,912	<b>1,912</b>
Other short-term employee benefits	18.2	-	252	<b>252</b>	-	786	<b>786</b>
<b>Total short-term employee benefits</b>		-	<b>2,214</b>	<b>2,214</b>	-	<b>2,698</b>	<b>2,698</b>
<b>Total employee benefits</b>		<b>3,230</b>	<b>4,300</b>	<b>7,530</b>	<b>3,363</b>	<b>4,976</b>	<b>8,339</b>

### Short-term employee benefits

18.2 As described in note 3.20, short-term employee benefits comprise recurring benefits, deductions and contributions (including salaries, post adjustments, dependency allowances), compensated absences (annual leave), other short-term benefits (retroactive payments, education grants, income tax reimbursements, travel and removal costs at initial appointment, assignment grants) and the current portion of long-term benefits provided to current employees.

18.3 Disclosure of these items is provided in note 28 'Employee benefit expenses' and note 38 'Key management remuneration'.

### Post-employment benefits

18.4 Liabilities relating to post-employment are calculated by a qualified and independent actuary. The actuarial valuation as at 31 December 2017 was performed on 5 March 2018.

### Defined contribution plans

18.5 The OPCW's pension plan is the Provident Fund. The OPCW contributes a fixed amount for all employees into the Provident Fund. Upon departure from the OPCW (provided a minimum service period of three months has been performed), the employee receives contributions made by the OPCW on their behalf and accrued interest. After this payment upon departure, the OPCW has no remaining legal or constructive obligations to pay further contributions. During the period ended 31 December 2017, a Provident Fund contribution of EUR 6,917 thousand (2016: EUR 6,832 thousand) has been recognised in the employee benefit expenses line of

the statement of financial performance (note 28), representing the OPCW's contribution to the Provident Fund "B" accounts for 2017.

#### Defined benefit plans

- 18.6 The OPCW provides the following post-employment benefits to eligible employees: death benefits (payments to surviving spouse and dependents), repatriation grant (assistance with repatriation expenses upon separation from the OPCW), travel costs at separation (assistance with travel expenses upon separation from the OPCW) and removal costs at separation (assistance with removal costs upon separation from the OPCW). The movement in the defined benefit obligation over the year is as follows:

<b>Post-Employment Benefits</b>	<b>(expressed in euro '000s)</b>	
	<b>Per Actuarial Valuation</b>	
	<b>2017</b>	<b>2016</b>
<b>Balance as at 1 January</b>	5,174	6,693
Current service cost	1,269	1,085
Interest cost	(13)	7
Actuarial (gains)/losses	(568)	319
Benefits paid	(1,283)	(2,930)
<b>Balance as at 31 December</b>	<b>4,579</b>	<b>5,174</b>

- 18.7 The defined benefit obligation disclosed above is wholly unfunded. As a result, there are no plan assets.

<b>Post-Employment Benefits</b>	<b>(expressed in euro '000s)</b>	
	<b>2017</b>	<b>2016</b>
<b>Balance as at 31 December</b>		
Present value of defined benefit obligation	4,579	5,174
Fair value of plan assets	-	-
<b>Deficit/(surplus) in the plan</b>	<b>4,579</b>	<b>5,174</b>

- 18.8 A reconciliation of the present value of the defined benefit obligation to the liability in the statement of financial position is as follows:

<b>Post-Employment Benefits</b>	<b>(expressed in euro '000s)</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Present value of unfunded obligations	4,579	5,174	6,693	6,744	5,382
<b>Liability in the statement of financial position</b>	<b>4,579</b>	<b>5,174</b>	<b>6,693</b>	<b>6,744</b>	<b>5,382</b>



- 18.9 The amounts recognised in the statement of financial performance based on actuarial valuation of post-employment benefits are as follows:

	<b>(expressed in euro '000s)</b>	
<b>Post-Employment Benefits</b>	<b>2017</b>	<b>2016</b>
Current service cost	1,269	1,085
Interest cost	(13)	7
<b>Total expense recognised in statement of financial performance</b>	<b>1,256</b>	<b>1,092</b>

- 18.10 The statement of changes in net assets includes a positive change of EUR 568 thousand relating to actuarial gains and losses in 2017 (2016: negative EUR 319 thousand) and EUR 0 relating to the effect of the limit on the asset per IPSAS 25.69.b.
- 18.11 The expected total contribution to post-employment benefit plans (expected benefit payment to beneficiaries) for the year ended 31 December 2018 is EUR 1,349 thousand (2017: EUR 1,915 thousand).

Other long-term employee benefits

- 18.12 As described in note 3.23, other long-term employee benefits include home-leave benefits. The discount rate used is negative 0.35% (2016: negative 0.45%). Disclosure of these items is provided in note 28 'Employee benefit expenses'. The movement in other long-term employee benefits liabilities over the year is as follows:

	<b>(expressed in euro '000s)</b>	
<b>Other long-term employee benefits (home-leave benefits)</b>	<b>2017</b>	<b>2016</b>
<b>Balance as at 1 January</b>	467	594
Current service cost	638	534
Interest cost	(4)	-
Actuarial (gains)/losses	64	(65)
Benefits paid	(428)	(596)
<b>Balance as at 31 December</b>	<b>737</b>	<b>467</b>

- 18.13 The defined benefit obligation in respect of other long-term employee benefits is wholly unfunded. As a result, there are no plan assets.

	<b>(expressed in euro '000s)</b>	
<b>Other long-term employee benefits (home-leave benefits)</b>	<b>2017</b>	<b>2016</b>
<b>Balance as at 31 December</b>		
Present value of defined benefit obligation	737	467
Fair value of plan assets	-	-
<b>Deficit/(surplus) in the plan</b>	<b>737</b>	<b>467</b>

18.14 The amount recognised in the statement of financial performance based on actuarial valuation of other long-term employee benefits is as follows:

	<b>(expressed in euro '000s)</b>	
<b>Other long-term employee benefits (home-leave benefits)</b>	<b>2017</b>	<b>2016</b>
Current service cost	638	534
Interest cost	(4)	-
Actuarial (gains)/losses	64	(65)
<b>Total expense recognised in statement of financial performance</b>	<b>698</b>	<b>469</b>

18.15 The principal assumptions used for post-employment benefits and other long-term employee benefits as of 31 December 2017 are the following:

<b>Long-term employee benefits</b>	<b>2017</b>	<b>2016</b>
Discount rate: Death benefits	1.15%	0.95%
Discount rate: Repatriation grant, removal costs, travel costs	-0.10%	-0.30%
Discount rate: Home leave	-0.35%	-0.45%
Inflation	1.60%	1.60%
Indexation: Travel and removal costs	2.25%	2.25%
Indexation: Home leave	0.00%	0.00%
Mortality tables: Dutch generational tables "AG prognosis table 2016"	-	-
Future salary increases: Based on UN salary scales	-	-

18.16 If the discount rates used in the determination of the employee benefit expense and liability were higher or lower by 0.25% from management's estimate, the carrying amount of the benefit liability would be an estimated EUR 37 thousand (2016: 37 thousand) lower or EUR 38 thousand (2016: EUR 37 thousand) higher, respectively.

#### **Termination benefits**

18.17 No liability for termination benefits exists at the reporting date.

### **19. ACCOUNTS PAYABLE**

	<b>(expressed in euro '000s)</b>	
	<b>2017</b>	<b>2016</b>
Accounts payable - vendors	2,807	1,726
Reimbursements to governments	-	78
Accounts payable - staff	826	472
<b>Total accounts payable</b>	<b>3,633</b>	<b>2,276</b>

19.1 Accounts payable to vendors relate to the purchase of goods and services that have been received or rendered but not yet paid for as at 31 December 2017.

- 19.2 Reimbursements to governments relate to the unused balance of voluntary contributions that became refundable to the donors upon finalisation of the activities for which the contributions were made.

## 20. PROVISIONS

### Legal claims

- 20.1 There are legal cases filed at the International Labour Organisation Administrative Tribunal (ILOAT) against the OPCW by former staff members and the cases are expected to be decided upon in subsequent financial years. As at 31 December 2017, based on the assessment by the OPCW of the individual facts and circumstances of all open cases, no provision is recognised (2016: nil) with respect to the outflow that is expected to arise as result of these decisions.
- 20.2 The movements in the provisions in 2017 comprise:

	<b>(expressed in euro '000s)</b>	
<b>Provisions for Legal Claims</b>	<b>2017</b>	<b>2016</b>
At 1 January	-	15
Increase of provisions	-	-
Used during the year	-	(15)
<b>At 31 December</b>	<b>-</b>	<b>-</b>

## 21. OTHER NON-CURRENT LIABILITIES

	<b>(expressed in euro '000s)</b>	
<b>Other non-current liabilities</b>	<b>2017</b>	<b>2016</b>
Assessed contributions with performance obligations	2,911	3,789
Headquarters lease incentive liability	1,260	-
<b>Total other non-current liabilities</b>	<b>4,171</b>	<b>3,789</b>

### Assessed contributions with performance obligations

- 21.1 IPSAS requires that a liability be recognised in respect of an inflow of resources from a non-exchange transaction that are also recognised as assets, to the extent that a present obligation exists against the same inflow. Performance obligations exist as at 31 December 2017 with respect to assessed contributions received or receivable requiring recognition of a corresponding liability.

### Headquarters lease incentive liability

- 21.2 A liability is recognised for the Headquarters operating lease incentive detailed in note 15.6, in line with IPSAS 13 and IFRS (SIC-15[5]). The non-current portion of this Headquarters lease incentive liability is EUR 1,260 thousand at the reporting date. The Headquarters lease incentive liability will be offset against operating lease expenses over the ten year lease term from 2018, on a straight-line basis. The current portion of this liability is detailed in note 23.

**22. DEFERRED REVENUE**

	<b>(expressed in euro '000s)</b>	
	<b>2017</b>	<b>2016</b>
<b>Deferred voluntary contributions</b>		
Trust funds for Syria	6,686	5,492
Trust funds for Libya	2,900	340
Other trust funds	2,055	3,054
<b>Total deferred voluntary contributions</b>	<b>11,641</b>	<b>8,886</b>
Deferred assessed contributions	4,265	7,143
<b>Total deferred revenue</b>	<b>15,906</b>	<b>16,029</b>

During the reporting period, The OPCW received assessed contributions relating to the subsequent financial year. These receipts represent liabilities since they apply to a future financial year. Some voluntary contributions received for trust funds as at the reporting date also require the recognition of liabilities, as they contain performance obligations which have not been met at the reporting date, and where the donor demonstrates a history of repayment of unspent balances. The liabilities established are reduced and revenue is recognised only when the OPCW fulfils the performance obligations in question.

**23. OTHER CURRENT LIABILITIES**

	<b>(expressed in euro '000s)</b>	
	<b>2017</b>	<b>2016</b>
Voluntary contributions received in advance	531	392
Special accounts/funds with conditions	309	127
Headquarters lease incentive liability	140	400
Other liabilities	3	-
<b>Total other liabilities</b>	<b>983</b>	<b>919</b>

23.1 Voluntary contributions received in advance represent cash amounts received where the relevant contribution agreement has not been finalised as at the reporting date. This differs to deferred revenue, where the purpose of the funding has been determined as at the reporting date.

23.2 Special accounts/funds with performance obligations represent the balance of certain special accounts/funds where any unspent balances will be returned to States Parties.

## 24. ASSESSED CONTRIBUTION REVENUE

Every Member State is assessed a contribution due to the OPCW each year. The amounts of assessed contributions approved by the Conference for the year 2017 is EUR 65,529 thousand (2016: EUR 65,529 thousand). The amount recognised as revenue in 2017 with respect to inflow of resources in assessed contributions as well as reduction of previously recognised liabilities relating to satisfied obligations is EUR 63,451 thousand (2016: EUR 61,366 thousand). Amounts for which the OPCW does not satisfy the obligations are reimbursable to States Parties as cash surplus that is determined in the budgetary accounts (see Appendix 5.5).

## 25. VOLUNTARY CONTRIBUTION REVENUE

	<b>(expressed in euro '000s)</b>	
<b>Voluntary contribution revenue</b>	<b>2017</b>	<b>2016</b>
Trust funds for Syria	6,546	8,284
Trust funds for Libya	13	2,635
Other trust funds	1,618	1,585
<b>Total voluntary contribution revenue</b>	<b>8,177</b>	<b>12,504</b>

Refer to note 22 'Deferred revenue' for additional information regarding liabilities recognised in respect voluntary contributions with conditions.

## 26. ARTICLE IV AND V REVENUE

26.1 The OPCW charges States Parties for its services provided in the verification of and destruction of chemical weapons. The OPCW provides the following types of services to States Parties:

- (a) Inspections of chemical weapons storage facilities accounting for stocks of chemical weapons;
- (b) Expert on-site verification of the destruction of chemical weapons stockpiles and chemical weapons related items at the chemical weapons destruction facilities;
- (c) Inspections of sites in relation to various categories of chemical weapons (old or abandoned chemical weapons) and prior destroyed or converted chemical weapons production facilities for peaceful purposes; and
- (d) Transportation, storage, and analyses of hazardous samples collected during inspections using the OPCW mobile laboratory.

26.2 With respect to these specific services provided, the OPCW invoices amounts to possessor States Parties relating to inspectors' salaries, inspection travel expenses, including airfare tickets, daily subsistence allowances, interpretation and cargo expenses, and other costs incurred while performing these services.

**27. OTHER REVENUE**

	<b>(expressed in euro '000s)</b>	
	<b>2017</b>	<b>2016</b>
Other exchange revenue	273	428
Receipt of receivables previously impaired	236	-
Revenue for special funds	122	193
Rental income	46	46
Gain on sale of assets	26	-
Other/operating revenue	10	157
<b>Total other operating revenue</b>	<b>713</b>	<b>824</b>

- 27.1 Other exchange revenue relates cost-reimbursement for services provided to the OPCW-United Nations Joint Investigative Mechanism and a State Party.
- 27.2 Other non-exchange revenue relates to revenue recognised for special funds.
- 27.3 Rental income comprises the rental of office space to third parties in the OPCW's premises at Johan de Wittlaan 32 in The Hague.

## 28. EMPLOYEE BENEFIT EXPENSES

	<b>(expressed in euro '000s)</b>	
	<b>2017</b>	<b>2016</b>
<b>Short-term employee benefit expenses</b>		
Salaries and post-adjustment expense	28,219	27,456
Dependency allowances	707	676
Rental subsidies	163	149
Medical insurance subsidies	953	893
Death and disability insurance	231	233
Annual leave expense	3,175	3,362
Child care allowances	447	414
Incoming employee expenses (including travel expenses, removal costs and assignment grant)	1,014	1,421
Education grant and travel expenses	1,727	1,503
Other short-term employee benefit expenses	339	346
<b>Total short-term employee benefit expenses</b>	<b>36,975</b>	<b>36,453</b>
<b>Post-employment benefit expenses</b>		
Provident Fund pension expense (defined contribution plan)	6,917	6,832
Death benefit expense	48	56
Repatriation grant expense	790	723
Travel costs upon separation from the OPCW	134	118
Removal costs upon separation from the OPCW	257	221
<b>Total post-employment benefit expenses</b>	<b>8,146</b>	<b>7,950</b>
<b>Other long-term employee benefit expenses</b>		
Home leave expense	710	466
<b>Total other long-term employee benefit expenses</b>	<b>710</b>	<b>466</b>
<b>Total – Employee benefit expenses</b>	<b>45,831</b>	<b>44,869</b>
Less: Capitalised employee benefit expenses - Software under development by OPCW staff	(182)	-
<b>Net employee benefit expenses</b>	<b>45,649</b>	<b>44,869</b>

## 29. CONSULTANCY AND CONTRACTUAL SERVICES

Consultancy and contractual services of EUR 10,866 thousand (2016: EUR 11,156 thousand) represent expenses incurred in relation to the destruction of chemical weapons and chemical weapons production facilities by contractual partners, as well as consultant fees, interpretation services, laboratory and inspector services.

## 30. TRAVEL EXPENSES

Travel expenses of EUR 9,403 thousand (2016: EUR 7,819 thousand) represent costs incurred in relation to official, inspection and training travel for staff and contractors. Costs include expenses incurred for transportation, daily subsistence allowance, and other travel costs.

**31. GENERAL OPERATING EXPENSES**

General operating expenses comprise the following:

	<b>(expressed in euro '000s)</b>	
	<b>2017</b>	<b>2016</b>
Operating lease rental expense	3,592	3,488
Supplies and materials	419	358
Utilities	305	318
Maintenance	717	793
Inventories	574	283
Impairment of assessed contributions receivable	85	81
Impairment of Article IV & V receivables	327	304
Other general operating expenses	1,129	1,156
<b>Total general operating expenses</b>	<b>7,148</b>	<b>6,781</b>

**32. OTHER OPERATING EXPENSES**

Other operating expenses comprise the following:

	<b>(expressed in euro '000s)</b>	
	<b>2017</b>	<b>2016</b>
Internships, grants, contributions to seminars and workshops	276	461
Loss on disposal of property, plant and equipment	4	33
Purchases of furniture and equipment	642	463
Other staff costs	195	82
Change in threshold of fixed assets	-	1,272
<b>Total other expenses</b>	<b>1,117</b>	<b>2,311</b>

**33. FINANCE INCOME AND COSTS**

	<b>(expressed in euro '000s)</b>	
	<b>2017</b>	<b>2016</b>
<b>Finance income</b>		
Interest income arising on cash and cash equivalents	19	13
Foreign currency gains	65	171
<b>Total finance income</b>	<b>84</b>	<b>184</b>
<b>Finance costs</b>		
Unwinding of discounts on employee benefits	(14)	7
Foreign currency losses	443	176
<b>Total finance costs</b>	<b>429</b>	<b>183</b>
<b>Net finance income/(costs)</b>	<b>(345)</b>	<b>1</b>



## **34. SERVICES IN KIND**

- 34.1 Services in kind are services provided to the OPCW by individuals and States Parties in a non-exchange transaction. The major classes of services in kind received by the OPCW are described below.

### **Accommodation and transportation services**

- 34.2 For various OPCW activities such as training seminars and international meetings, accommodation and transportation services are provided.

### **Security services**

- 34.3 During various OPCW activities such as training seminars and international meetings, security services are provided to ensure the security and safety of attendees.

### **Laboratory services**

- 34.4 Specialised laboratory services are provided regarding the testing and evaluation of data, preparation and analysis of samples, and other specialised services.

### **Usage of facilities**

- 34.5 For various OPCW activities such as training seminars and international meetings, facilities (such as usage of meeting facilities, break facilities, etc.) are provided, including use of the World Forum Convention Centre, The Hague.

### **Other services**

- 34.6 Other services provided to the OPCW include the transportation of chemical samples, specialised employees for the delivery of training courses, consultancy regarding website design, and printing services.

### **Services provided by the OPCW to the Provident Fund**

- 34.7 The staff members of the Budget & Finance Branch provide the OPCW's Provident Fund with disbursements, accounting, reporting, and other administrative services. The Provident Fund Management Board is formed of six staff members including the Deputy Director-General, the Director of Administration, two Professional and higher staff and two General-Service staff, who provide services on a voluntary basis. The OPCW provides necessary materials and facilities needed for the Provident Fund's operations. The Provident Fund does not compensate the staff members for such services.

## **35. CONTINGENT LIABILITIES**

The OPCW has contingent liabilities in respect of legal claims arising in the course of business for which estimates cannot be made at present. Outstanding legal cases with probable obligations for which estimates are available have been provided for in note 20 'Provisions'.

**36. COMMITMENTS****Capital commitments**

- 36.1 Capital expenditure contracted for at the reporting date but not yet incurred is as follows:

	<b>(expressed in euro '000s)</b>	
<b>Capital Commitments</b>	<b>2017</b>	<b>2016</b>
Property, plant and equipment	1,024	684
Intangible assets	1,453	177
	<b>2,477</b>	<b>861</b>

**Operating lease commitments**

- 36.2 The future aggregate minimum lease payments under non-cancellable operating leases where the OPCW is lessee are as follows:

	<b>(expressed in euro '000s)</b>	
<b>Operating Leases (OPCW as Lessee)</b>	<b>2017</b>	<b>2016</b>
No later than 1 year	3,107	3,053
Later than 1 year and no later than 5 years	11,957	11,577
Later than 5 years	15,138	3,254
	<b>30,202</b>	<b>17,884</b>

- 36.3 The OPCW leases various buildings (including its Headquarters in The Hague, the Netherlands), office space, conference facilities, parking facilities, and various items of office and laboratory equipment under non-cancellable operating leases. The lease terms generally range from one year to ten years. The OPCW is typically required to provide a notice period in order to cancel any of these operating lease agreements.
- 36.4 Operating lease payments that are recognised in the statement of financial performance amount to EUR 3,592 thousand (2016: EUR 3,488 thousand). The operating lease expense is also disclosed in note 31 'General operating expenses'. Sublease payments received from the rental of office space in one of the OPCW's buildings is disclosed in note 27 'Other revenue'. In 2017, the OPCW extended the lease of the Headquarter building until February 2028.

**37. RELATED PARTY TRANSACTIONS**

- 37.1 The OPCW is not controlled by another entity, however the OPCW Provident Fund is considered a related party of the OPCW as it shares key management personnel (Deputy Director-General), and the OPCW provides the principal source of Provident Fund Participants' contributions.
- 37.2 The OPCW provides administrative support to the Provident Fund free of charge (note 34.7). All other transactions between the OPCW and the Provident Fund are conducted at arm's length. As at 31 December 2017, a balance in the amount of EUR 0.1 thousand was payable from the OPCW to the Provident Fund.

37.3 The OPCW is not party to any further arrangements that could be considered as related parties.

### 38. KEY MANAGEMENT REMUNERATION

38.1 Key management personnel for the OPCW are the Director-General and Deputy Director-General. No close family member of the key management personnel was employed by the OPCW during the year. The remuneration paid to key management for employee services is shown below, and includes benefits available in line with the OPCW Staff Regulations (e.g. base salary, post adjustment, provident fund contributions, education grant, home leave and repatriation costs):

(expressed in euro '000s)	2017	
	Number of Posts	Aggregate Remuneration
Director-General and Deputy Director-General	2	586

(expressed in euro '000s)	2016	
	Number of Posts	Aggregate Remuneration
Director-General and Deputy Director-General	2	585

38.2 The undue effort required for the OPCW to determine the amount of post-employment benefits and other long-term employee benefits relating to key management precludes disclosure of these amounts.

### 39. SEGMENT INFORMATION

39.1 The OPCW's segment reporting is based on the structure of the OPCW's budget, as this reflects the OPCW's manner of evaluating past performance in achieving its objectives and making decisions about future allocation of resources in the OPCW. The OPCW's segments are described below.

#### Verification

39.2 The main activities are related to the implementation of the verification regime provided for by the Convention. The types of activities include planning, overseeing and finalising inspections; providing operational and policy guidance on verification and inspection regimes; and providing technical support.

39.3 The following subprogrammes are included: Office of the Director, Chemical Demilitarisation Branch, Declarations Branch, Industry Verification Branch, and the OPCW Laboratory.

### **Inspections**

- 39.4 The main activities are related to providing inspections to verify the destruction and storage of chemical weapons by States Parties, inspecting the status of production facilities, and non-proliferation of chemical weapons in compliance with the Convention.
- 39.5 The following subprogrammes are included: Office of the Director, Operations and Administration Branch, Inspection Capacity Building & Contingency Planning Cell, Demilitarisation Inspections Cell, Industry Inspection Cell, and Safety and Analytical Cell.

### **International Cooperation and Assistance**

- 39.6 The main activities include promoting the peaceful use of chemistry, facilitating implementation by States Parties of their national obligations under the Convention, and assisting States Parties to develop capabilities to deal with any situation arising out of the use or threat of use of chemical weapons.
- 39.7 The following subprogrammes are included: Office of the Director, Assistance and Protection Branch, International Cooperation Branch, and Implementation Support Branch.

### **Support to the Policy-Making Organs**

- 39.8 The main activities are related to facilitating meetings and wider consultations between States Parties and with the OPCW's Secretariat, ensuring substantive and operating support in their decision-making process, follow-up of decisions, coordination of the preparation and translation of formal documents, and providing interpretation services for formal meetings.
- 39.9 The following subprogrammes are included: Office of the Director, and Language Services Branch.

### **External Relations**

- 39.10 The main activities include support and encouraging cooperation between the OPCW and States Parties in implementing the Convention, increasing the international level of involvement in OPCW activities and events, and enhancing partnerships and cooperation between the OPCW and the United Nations and other regional and international organisations.
- 39.11 The following subprogrammes are included: Office of the Director, Political Affairs and Protocol Branch, and Public Affairs Branch.

### **Executive Management**

- 39.12 The main activities are related to providing strategic guidance and direction, effective governance and accountability, and organisational management and leadership within the Secretariat.
- 39.13 The following subprogrammes are included: Office of the Director-General, Office of the Deputy Director-General, Office of Internal Oversight, Office of the Legal Adviser, Office of Strategy and Policy, Office of Confidentiality and Security, and Health and Safety Branch.

### **Administration**

- 39.14 The main activities are related to providing support for budget, finance, human resources, information services, procurement and infrastructure support, and training.
- 39.15 The following subprogrammes are included in 2017: Office of the Director; Budget, Planning and Control Branch; Finance and Accounts Branch; Human Resources Branch; Information Services Branch; and Procurement and Support Services Branch.

### **Special accounts and Voluntary Fund for Assistance**

- 39.16 Special account for the OPCW Equipment Store: The purposes of this special account are:
- (a) to provide a basis for evaluating new technologies and samples of new equipment, the availability of which cannot be forecast on a calendar basis, and for purchasing new equipment approved by the Conference, which cannot necessarily be accomplished within the calendar year; and
  - (b) to provide an account from which to make payments for reimbursements to States Parties for costs incurred in disposing of or decontaminating equipment on site.
- 39.17 Special account for activities related to designated laboratories: The purpose of this special account is to provide funds for paying designated laboratories for the analysis of samples taken during on-site inspections.
- 39.18 Special account for new ERP system: The purpose of this special account is to provide funds to meet the financial requirements of implementing the new ERP, as set out in Conference decision C-19/DEC.7, dated 3 December 2014.
- 39.19 Special fund for OPCW special missions: The purpose of this fund is to provide a funding source for future, unforeseen special mission deployments, which will be undertaken at short notice and outside the regular programme of work, as set out in Conference decision C-20/DEC.11, dated 3 December 2015.
- 39.20 Special fund for the Fourth Review Conference in 2018: The purpose of this fund is to cover the cost of organising the Fourth Review Conference in 2018 as set out in Conference decision C-22/DEC.10, dated 30 November 2017.

39.21 Voluntary Fund for Assistance: The main activities of this fund are to coordinate and deliver assistance, in terms of Article X of the Convention, to a State Party when requested.

### **Trust funds**

39.22 Trust funds are established to account for voluntary contributions. They may be established by the Conference or the Director-General for clearly defined activities that are consistent with the policies, aims and activities of the OPCW for the implementation of the Convention. Presently, the following trust funds are operational within the OPCW:

- (a) Trust fund for regional seminars
- (b) Trust fund for courses for personnel of National Authorities
- (c) Trust fund for the implementation of Article X in relation to the provision of assistance and protection, on request, to any Member State in the event of the use or threat of use of chemical weapons
- (d) United States voluntary trust fund to meet costs associated with the inspection-and-verification regime and with international cooperation (including support for enhancing national measures to combat chemical terrorism)
- (e) Trust fund for the Associate Programme
- (f) Trust fund for the procurement of GC-MS systems to support on- and off-site chemical analysis
- (g) Trust fund for the implementation of Article VII obligations
- (h) Trust fund for the Internship-Support Programme to finance four internships at OPCW Headquarters and the OPCW Laboratory
- (i) Trust fund for the Scientific Advisory Board
- (j) Trust fund to support participation in the OPCW events of a broader group of NGOs from Africa, Asia and Latin America
- (k) Trust fund for the conference on international cooperation and chemical safety and security
- (l) Trust fund for training: support to the OPCW in its transition as its main activities change focus, with work on verifying destruction of chemical weapons stockpiles moving towards completion
- (m) Trust fund for the International Support Network for Victims of Chemical Weapons

- (n) European Union support for OPCW activities 2012 in the framework of the implementation of the European Union Strategy against Proliferation of Weapons of Mass Destruction
- (o) Syria Trust Fund for the Destruction of Chemical Weapons pursuant to the decision of the Council (EC-M-34/DEC.1, dated 15 November 2013)
- (p) OPCW Nobel Prize trust fund to support the allocation of an annual prize to nominees selected by the OPCW Prize Committee for their contribution to the Convention
- (q) Trust fund for programme support costs established in September 2014 to recover indirect support costs associated with the implementation and administration of programme activities funded by voluntary contributions
- (r) Trust Fund for Syria Missions established in November 2015 to support full elimination of the Syrian Chemical Weapons Programme and clarification of facts related to the alleged use of chemical weapons, in accordance with the relevant decisions of the policy-making organs of the OPCW
- (s) Trust fund for support to Libya established in July 2016 to provide extrabudgetary resources necessary to cover operational planning costs, as well as costs to support the removal, destruction and verification of Libyan chemical weapons
- (t) Trust Fund for a Centre for Chemistry and Technology established in October 2017 to enhance the capability of leading the network of partner laboratories, as well as to assist States Parties in research and capacity building.

**Segment Information  
For the period ended 31 December 2017**

(expressed in euro '000s)	Verification	Inspections	International Cooperation and Assistance	Support to the Policy-Making Organs (PMO)	External Relations	Executive Management	Administration	Trust Funds and Special Accounts	Unallocated	Total
<b>Total segment revenue / income</b>	<b>7,903</b>	<b>21,378</b>	<b>6,959</b>	<b>4,844</b>	<b>1,821</b>	<b>8,996</b>	<b>13,251</b>	<b>8,571</b>	<b>319</b>	<b>74,042</b>
Segment revenue from budget allocation:										
Assessed contributions	7,903	19,677	6,959	4,844	1,821	8,996	13,251	-	-	63,451
Article IV & V revenue	-	1,701	-	-	-	-	-	-	-	1,701
Segment revenue from external sources:										
Voluntary contributions	-	-	-	-	-	-	-	8,177	-	8,177
Other income / revenue	-	-	-	-	-	-	-	394	319	713
<b>Total segment expense</b>	<b>7,159</b>	<b>19,280</b>	<b>7,032</b>	<b>4,968</b>	<b>1,824</b>	<b>9,116</b>	<b>13,141</b>	<b>9,015</b>	<b>3,968</b>	<b>75,503</b>
Employee benefit expenses	6,168	14,135	2,860	3,883	1,524	7,907	7,052	199	1,921	45,649
Travel expenses	180	3,364	3,340	364	15	471	37	1,632	-	9,403
Contractual services	381	1,073	440	364	159	534	1,552	6,363	-	10,866
General operating expenses	308	681	168	315	124	157	4,370	564	461	7,148
Others	122	27	224	42	2	47	130	257	1,586	2,437

The OPCW does not attribute assets and liabilities to reporting segments.



**Segment Information  
For the period ended 31 December 2016**

(expressed in euro '000s)	Verification	Inspections	International Cooperation and Assistance	Support to the Policy-Making Organs (PMO)	External Relations	Executive Management	Administration	Trust Funds and Special Accounts	Unallocated	Total
<b>Total segment revenue / income</b>	<b>7,204</b>	<b>21,430</b>	<b>6,931</b>	<b>4,411</b>	<b>1,751</b>	<b>8,513</b>	<b>12,637</b>	<b>12,997</b>	<b>203</b>	<b>76,077</b>
Segment revenue from budget allocation										
Assessed contributions	7,204	19,919	6,931	4,411	1,751	8,513	12,637	-	-	61,366
Article IV & V revenue	-	1,383	-	-	-	-	-	-	-	1,383
Segment revenue from external sources:										-
Voluntary contributions	-	-	-	-	-	-	-	12,504	-	12,504
Other income / revenue	-	128	-	-	-	-	-	493	203	824
<b>Total segment expense</b>	<b>6,608</b>	<b>17,984</b>	<b>6,384</b>	<b>4,661</b>	<b>1,747</b>	<b>8,493</b>	<b>12,958</b>	<b>10,862</b>	<b>4,446</b>	<b>74,143</b>
Employee benefit expenses	5,890	13,463	2,760	3,809	1,510	7,481	7,063	1,343	1,550	44,869
Travel expenses	118	2,860	2,728	250	15	388	54	1,406	-	7,819
Contractual services	385	990	347	340	103	489	1,310	7,192	-	11,156
General operating expenses	182	540	196	239	110	93	4,446	686	289	6,781
Others	33	131	353	23	9	42	85	235	2,607	3,518

The OPCW does not attribute assets and liabilities to reporting segments.

#### **40. BUDGETARY INFORMATION**

40.1 The approved Programme and Budget covers the period from 1 January 2017 to 31 December 2017. No additional entities are included. The Budget is prepared using a combination of cash and commitment based accounting whilst these financial statements are prepared using accrual based accounting. Additional information regarding the budgetary accounts is presented as an Appendix. The Appendix is not considered part of the IPSAS financial statements.

##### **Differences between budget and actual amounts**

40.2 The following is an overview of the significant differences that have arisen between the OPCW's revised budget and actual amounts, presented in Statement V 'Statement of comparison of budget and actual amounts' of these financial statements.

40.3 There was no change between the overall original and final budgets during 2017, which totalled EUR 67,798 thousand.

40.4 Transfers were made between programmes and subprogrammes in accordance with Financial Regulation 4.6, as detailed under EC-87/DG.13 C-23/DG.2, dated 15 February 2018.

40.5 The level of expenditure for 2017 reflects an overall budget utilisation rate of 99.1%. The Chapter One utilisation rate was 99.6%; the Chapter Two rate was 98.6%.

40.6 The Secretariat spent less than the final budget in all programmes. The utilisation of programme budgets was between 95.7% and 99.7%. Factors influencing the budget utilisation will be detailed in the 2017 Programme Performance Report and taken into consideration when formulating the 2019 Programme and Budget.

##### **Reconciliation of actual amounts from budgetary basis to financial statement basis**

40.7 The modified cash basis is used to prepare the budgetary amounts. A reconciliation of the actual amounts on the budgetary basis to the net cash flows from operating, investing, and financing activities is presented below.

For the year ended 31 December 2017:

(expressed in euro '000s)	Operating	Financing	Investing	Total
<b>Actual net surplus amount on budgetary basis (Statement of Comparison of Budget and Actual Amounts)</b>	<b>682</b>	-	-	<b>682</b>
<b>Basis differences</b>				
Unliquidated obligations	4,368	-	-	<b>4,368</b>
Assessed contributions revenue	(4,403)	-	-	<b>(4,403)</b>
Article IV and V revenue	(873)	-	-	<b>(873)</b>
Employee benefits	(624)	-	-	<b>(624)</b>
Other basis differences	(4,766)	-	(1,864)	<b>(6,630)</b>
<b>Budgetary (General Fund) results on cash basis</b>	<b>(5,616)</b>	-	<b>(1,864)</b>	<b>(7,480)</b>
<b>Entity differences</b>				
Trust funds and special accounts	3,969	3,187	(470)	<b>6,686</b>
<b>Timing differences</b>	-	-	-	-
<b>Actual amount in the IPSAS cash flow statement</b>	<b>(1,647)</b>	<b>3,187</b>	<b>(2,334)</b>	<b>(794)</b>

For the year ended 31 December 2016:

(expressed in euro '000s)	Operating	Financing	Investing	Total
<b>Actual net surplus amount on budgetary basis (Statement of Comparison of Budget and Actual Amounts)</b>	<b>2,188</b>	-	-	<b>2,188</b>
<b>Basis differences</b>				
Unliquidated obligations	3,257	-	-	<b>3,257</b>
Assessed contributions revenue	(3,351)	-	-	<b>(3,351)</b>
Articles IV and V revenue	274	-	-	<b>274</b>
Employee benefits	(116)	-	-	<b>(116)</b>
Other basis differences	3,666	-	791	<b>4,457</b>
<b>Budgetary (General Fund) results on cash basis</b>	<b>5,918</b>	-	<b>791</b>	<b>6,709</b>
<b>Entity differences</b>				
Trust funds and special accounts	4,480	11	(1,721)	<b>2,770</b>
<b>Timing differences</b>	-	-	-	-
<b>Actual amount in the IPSAS cash flow statement</b>	<b>10,398</b>	<b>11</b>	<b>(930)</b>	<b>9,479</b>

40.8 The differences arising are basis and entity differences. Basis differences arise because the budgetary amounts are prepared on a different basis than the IPSAS financial statements, as described above. Entity differences typically arise because the budget includes transactions relating to the General Fund only, whereas the OPCW consolidated IPSAS financial statements include all programmes and entities. Timing differences typically do not arise because the budget period and the reporting period for these financial statements are identical.

### Reconciliation from budgetary result to IPSAS result

40.9 To aid the users of the OPCW's IPSAS financial statements, the following reconciliation has been provided as an overview of the differences arising between the budgetary result and the IPSAS result as reported in these financial statements. This information is not required to be included in financial statements prepared in accordance with IPSAS, however, is provided as additional, voluntary information.

	(expressed in euro '000s)	
	2017	2016
<b>Budgetary Accounts (all funds) - excess/(shortfall) of income over expenditure (Appendix 5.1)</b>	<b>490</b>	<b>2,267</b>
Prior year adjustments reclassified as current year revenue and expense	884	39
<b>Net excess/(shortfall) of income over expenditure</b>	<b>1,374</b>	<b>2,306</b>
<b>Differences</b>		
Expenses of the budgetary accounts reclassified as property, plant and equipment	953	(659)
Expenses of the budgetary accounts reclassified as inventories	143	133
Expenses of the budgetary accounts reclassified as intangible assets	745	14
Recognition of expenses against inventories consumed	(212)	(216)
Recognition of depreciation and impairment expense on property, plant and equipment	(1,182)	(2,123)
Recognition of amortisation and impairment expense (intangible assets)	(138)	(356)
Derecognition of unliquidated obligations	9,145	7,887
Recognition of long-term employee benefit expenses	(216)	1,860
Recognition of short-term employee benefit expenses	(165)	393
Assessed contribution recognised as other non-current liabilities	(2,079)	(4,164)
Recognition of impairment expense of assessed contributions	152	(81)
Recognition of impairment expense of Articles IV and V receivables	(327)	(304)
Recognition of other impairment	(195)	(39)
Recognition of write-down of other non-current liabilities	-	137
Recognition of expenses based on current year receipt of goods and services	(6,865)	(5,329)
Recognition of provisions (legal cases)	-	15
Gain (loss) on disposal of property, plant and equipment	57	-
Miscellaneous adjustments to expense	(465)	369
Miscellaneous adjustments to income	(1,403)	20
Adjustments to exchange revenue	120	555
Income and expense reclassified as finance income/finance cost	-	(369)
Adjustments to non-exchange revenue (voluntary contributions with conditions)	(1,248)	1,886
<b>Total differences</b>	<b>(3,180)</b>	<b>(371)</b>
<b>IPSAS net surplus/(deficit) for the period</b>	<b>(1,806)</b>	<b>1,935</b>

#### 41. EVENTS AFTER THE REPORTING PERIOD

No significant events are reported after the reporting date. The date of authorisation for issue is the date at which the financial statements are certified by the external auditors.

Appendix: Additional Information to the Financial Statements (Unaudited)

## **Appendix**

### **ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS (UNAUDITED)**

#### **1. BUDGETARY ACCOUNTS**

1.1 The OPCW's Financial Regulations 11.1(b) to 11.1(e) require the Director-General to provide the following information in addition to the financial statements prepared in accordance with the International Public Sector Accounting Standards (IPSAS).

- (a) a statement for the status of appropriations, as per Financial Regulation 11.1(b), including:
  - (i) the original budget appropriations;
  - (ii) the appropriations as modified by any transfers of funds;
  - (iii) credits, if any, other than appropriations approved by the Conference;
  - (iv) the amounts charged against the appropriations and/or other credits; and
  - (v) an unobligated balance of appropriations.
- (b) a statement on the investments held at 31 December as per Financial Regulation 11.1(c);
- (c) such notes, other statements, and schedules, as are required to provide a fair presentation of the financial statements and the results of the OPCW's operations for the financial period as per Financial Regulation 11.1(d); and
- (d) a statement of all losses, as per Financial Regulation 11.1(e).

1.2 Accordingly, this Appendix presents statements and schedules based on financial information derived within the OPCW's budgetary accounting. Pursuant to the OPCW's Financial Regulation 2.2, the budgetary accounting involves the recording and reporting of financial information on a modified cash basis, the same basis as that followed for appropriations for the regular budget or for other funds governed by other agreements, in a manner that is consistent with the Financial Regulations and Rules, with Financial Directives, and with any other instructions as may be issued by or on behalf of the Director-General for their administration. The required additional information has, therefore, been extracted from the budgetary accounts and presented in the following schedules and statements under the indicated paragraphs of the Appendix.

- (a) Statement for the status of appropriations (paragraph 3);
- (b) Statement of cash and investments (paragraph 4);

- (c) Income, expenditure, and changes in reserves and fund balances for all funds (paragraph 5.1);
- (d) Assets, liabilities and reserves and fund balances for all funds (paragraph 5.2);
- (e) Income, expenditure and changes in reserve and fund balances for the special accounts and Voluntary Fund for Assistance (paragraph 5.3);
- (f) Income, expenditure and changes in reserves and fund balances for all trust funds (paragraph 5.4);
- (g) Statement of cash surpluses – General Fund (paragraph 5.5);
- (h) Status of assessed annual contributions – General Fund (paragraph 5.6);
- (i) Status of advances to the Working Capital Fund (paragraph 5.7);
- (j) Statement of expenditure by funding programme and major expenditure category – General Fund (paragraph 5.8);
- (k) Statement of budgetary obligations by funding programme and major expenditure category – General Fund (paragraph 5.9);
- (l) Statement of budgetary obligations by funding programme and major expenditure category – special accounts, Voluntary Fund for Assistance and trust funds (paragraph 5.10);
- (m) Statement of savings on prior year's obligations – General Fund (paragraph 5.11);
- (n) Statement of savings on prior year's obligations – trust funds, special accounts and Voluntary Fund for Assistance (paragraph 5.12);
- (o) Statement of cash surpluses credited to Member States – General Fund (paragraph 5.13);
- (p) Reimbursements for inspections invoiced under Articles IV and V (paragraph 5.14);
- (q) Trust funds – voluntary contributions by donors (paragraph 5.15);
- (r) Ex-gratia payments (paragraph 6); and
- (s) Statement of losses (paragraph 7).

## **2. RECONCILIATION OF BUDGETARY RESULTS TO IPSAS RESULTS**

- 2.1 Due to application of different accounting bases, namely, the IPSAS basis and the modified cash basis, respectively, in the preparation of the financial statements and the statements and schedules in the Appendix, differences exist in various balances as well as their presentations in the statements and schedules. Breakdowns of these differences are provided in the reconciliation statements shown within the notes to the financial statements under note 40.9 'Reconciliation from budgetary result to IPSAS result'.

The reconciliation of the budgetary result to the IPSAS result shows a breakdown of the major areas of differences between the amounts of 'Excess/(shortfall) of income over expenditure' reported under the budgetary accounts to the net surplus/(deficit) reported under the IPSAS-based statement of financial performance.

- 2.2 Additional footnotes are also provided within the Appendix, as necessary, to explain specific items in the various sections of the statements and schedules of the budgetary accounts, where these are derived or presented on a different basis than the financial statements.

### 3. STATEMENT FOR THE STATUS OF APPROPRIATIONS (FINANCIAL REGULATION 11.1(B))

3.1 Statement of appropriations - General Fund - For the period ended 31 December 2017 (expressed in euros)

Funding Programme	Appropriations <sup>11</sup>			Expenditure <sup>12</sup>			Balance
	Appropriations	Transfers	Revised	Disbursements	Unliquidated Obligations	Total <sup>13</sup> Expenditure	
	Programme 1. Verification	8,085,700	261,000	8,346,700	7,389,046	911,594	
Programme 2. Inspections	21,043,500	(261,000)	20,782,500	19,493,301	1,221,506	20,714,806	67,694
<b>Total verification costs (Chapter 1)</b>	<b>29,129,200</b>	-	<b>29,129,200</b>	<b>26,882,347</b>	<b>2,133,100</b>	<b>29,015,447</b>	<b>113,753</b>
Programme 3. International Cooperation and Assistance	7,609,700	(260,000)	7,349,700	6,436,239	689,305	7,125,544	-
Programme 4. Support to the Policy-Making Organs	4,855,700	260,000	5,115,700	4,901,623	167,087	5,068,711	46,989
Programme 5. External Relations	1,923,100	-	1,923,100	1,772,898	68,244	1,841,142	81,958
Programme 6. Executive Management	9,008,700	493,000	9,501,700	9,010,415	443,310	9,453,725	47,975
Programme 7. Administration	14,489,300	(493,000)	13,996,300	13,014,587	866,583	13,881,170	115,130
<b>Total administrative and other costs (Chapter 2)</b>	<b>37,886,500</b>	-	<b>37,886,500</b>	<b>35,135,762</b>	<b>2,234,529</b>	<b>37,370,291</b>	<b>516,209</b>
<b>TOTAL (paragraph 5.8(a) and 5.9(a))</b>	<b>67,015,700</b>	-	<b>67,015,700</b>	<b>62,018,109</b>	<b>4,367,629</b>	<b>66,385,738</b>	<b>629,962</b>

<sup>11</sup> Appropriations for 2017 in the total amount of EUR 67,015,700 (2016: EUR 67,075,500) were approved by the Conference at its Twenty-First Session (C-21/DEC.6, dated 1 December 2016). The agreed appropriations were to be financed from assessed annual contributions paid by all States Parties in the amount of EUR 65,529,600 (2016: EUR 65,529,600) and from budgeted direct income in the amount of EUR 2,268,600 (2016: 1,545,900). The balance (budget less expenditures) of EUR 629,962 represents a surplus over the amount appropriated, not the amount allotted. The difference between allotment and appropriation is the amount withheld according to Financial Regulation 4.7 (contingency margin to account for assessments not likely to be received in the financial period). The amount of the contingency margin is based on the average of the collection rate for the previous three years (Financial Rule 4.7.01).

<sup>12</sup> Expenditure obligations which are established during the financial period, and remain outstanding as at the end of the reporting period, are recognised under the budgetary accounts as expenditure for the financial period when they are based on a contract, binding purchase order, agreement or other form of undertaking by the OPCW before the end of the financial period, or are based on a liability recognised by the OPCW. In this context, the cost of goods (supplies, furniture, equipment, and other property) ordered before the end of the financial period but received (and paid for) in the following period is recognised as expenditure, and a liability, in the reporting period. The cost of services, including staff costs, is recognised as expenditure, and a liability, during the reporting period only to the extent that the associated services are rendered up to the end of the reporting period.

<sup>13</sup> In the budgetary accounts, expenditures include costs of furniture, equipment, and other non-expendable property (NEP) acquired during the financial year. Benefits payable to employees on separation from the service of the OPCW, as well as obligations attributable to accumulated annual leave and other staff entitlements, are recorded as expenditure in the year in which the benefits are paid to, or on behalf of, a staff member.



3.2 Statement of appropriations - General Fund - For the period ended 31 December 2016 (expressed in euros)

Funding Programme	Appropriations			Expenditure			Balance
	Appropriations	Transfers	Revised	Disbursements	Unliquidated Obligations	Total Expenditure	
Programme 1. Verification	7,874,000	-	7,874,000	6,794,016	546,916	7,340,932	533,068
Programme 2. Inspections	21,771,800	-	21,771,800	20,370,498	951,551	21,322,049	449,751
<b>Total verification costs (Chapter 1)</b>	<b>29,645,800</b>	-	<b>29,645,800</b>	<b>27,164,514</b>	<b>1,498,467</b>	<b>28,662,981</b>	<b>982,819</b>
Programme 3. International Cooperation and Assistance	7,612,100	(36,000)	7,576,100	6,385,242	274,738	6,659,980	916,120
Programme 4. Support to the Policy-Making Organs	4,809,800	11,334	4,821,134	4,720,403	86,058	4,806,460	14,674
Programme 5. External Relations	1,942,000	(28,146)	1,913,854	1,827,838	57,621	1,885,459	28,395
Programme 6. Executive Management	9,023,000	282,146	9,305,146	8,652,753	545,286	9,198,039	107,107
Programme 7. Administration	14,042,800	(229,334)	13,813,466	12,696,769	794,576	13,491,345	322,121
<b>Total administrative and other costs (Chapter 2)</b>	<b>37,429,700</b>	-	<b>37,429,700</b>	<b>34,283,005</b>	<b>1,758,279</b>	<b>36,041,284</b>	<b>1,388,416</b>
<b>TOTAL (paragraph 5.8(a) and 5.9(a))</b>	<b>67,075,500</b>	-	<b>67,075,500</b>	<b>61,447,519</b>	<b>3,256,746</b>	<b>64,704,265</b>	<b>2,371,235</b>

**4. STATEMENT OF CASH AND INVESTMENTS (TERM DEPOSITS) - ALL FUNDS (FINANCIAL REGULATION 11.1(C))**

4.1 Statement of cash and investments (term deposits) - All funds as at 31 December 2017 (expressed in euros)

<b>Fund</b>	<b>Cash</b>	<b>Total</b>
General Fund	1,649,640	<b>1,649,640</b>
Working Capital Fund	5,835,722	<b>5,835,722</b>
Voluntary Fund for Assistance	1,557,975	<b>1,557,975</b>
United States voluntary trust fund	1,358,213	<b>1,358,213</b>
Trust fund for European Union Council Decision 2015	829,093	<b>829,093</b>
Special account for the OPCW Equipment Store	5,652,319*	<b>5,652,319</b>
Special account for designated laboratories		
Special account for the implementation of a new ERP system		
Special fund for the Fourth Review Conference in 2018		
Special fund for special missions		
Syria Trust Fund for the Destruction of Chemical Weapons	1,232,965	<b>1,232,965</b>
Trust Fund for Syria Missions	5,778,801	<b>5,778,801</b>
OPCW Nobel Prize trust fund	794,840	<b>794,840</b>
Regional seminars	2,191,883*	<b>2,191,883</b>
Courses for personnel of National Authorities		
Implementation of Article X		
Associate Programme		
Procurement of GC/MS systems		
Implementation of Article VII obligations		
Scientific Advisory Board		
Internship-Support Programme		
NGO participation in OPCW events		
Conference on International Cooperation and Chemical Safety & Security		
Trust fund for training		
Trust fund for the International Support Network for Victims of Chemical Weapons		
Trust fund for programme support costs		
Trust fund for support to Iraq		
Trust fund for temporary support to Libya		
Trust fund for support to Libya		
<b>TOTAL CASH AND TERM DEPOSITS**</b>	<b>26,881,451</b>	<b>26,881,451</b>

\* Some trust fund and special accounts cash balances held in current accounts have been pooled to a single current account.

\*\* No term deposits were held in the year, due to negative interest rates charged on such deposits.

4.2 Statement of cash and investments (term deposits) - All funds as at 31 December 2016  
(expressed in euros)

<b>Fund</b>	<b>Cash</b>	<b>Total</b>
General Fund	9,129,707	<b>9,129,707</b>
Working Capital Fund	1,153,222	<b>1,153,222</b>
Voluntary Fund for Assistance	1,552,975	<b>1,552,975</b>
United States voluntary trust fund	1,380,526	<b>1,380,526</b>
Trust fund of Canada for Libya	62,163	<b>62,163</b>
Trust fund for European Union Council Decision 2015	1,219,332	<b>1,219,332</b>
Special account for the OPCW Equipment Store	6,987,068*	6,987,068
Special account for designated laboratories		
Special account for the implementation of a new ERP system		
Special fund for special missions		
Trust Fund for Syria	26,095	<b>26,095</b>
Syria Trust Fund for the Destruction of Chemical Weapons	1,448,592	<b>1,448,592</b>
Trust Fund for Syria Missions	2,223,437	<b>2,223,437</b>
OPCW Nobel Prize trust fund	755,658	<b>755,658</b>
Regional seminars	2,118,099*	<b>2,118,099</b>
Courses for personnel of National Authorities		
Implementation of Article X		
Associate Programme		
Procurement of GC/MS systems		
Implementation of Article VII obligations		
Scientific Advisory Board		
Internship-Support Programme		
NGO participation in OPCW events		
Conference on International Cooperation and Chemical Safety & Security		
Trust fund for training		
Trust fund for the International Support Network for Victims of Chemical Weapons		
Trust fund for programme support costs		
<b>TOTAL CASH AND TERM DEPOSITS**</b>		

\* Some trust fund and special accounts cash balances held in current accounts have been pooled to a single current account.

\*\* No term deposits were held in the year, due to negative interest rates charged on such deposits.

## 5. OTHER STATEMENTS (FINANCIAL REGULATION 11.1(D))

5.1 Budgetary accounts: Income, expenditure and changes in reserves and fund balances - All Funds  
- For the period ended 31 December 2017 (expressed in euros)

	Reference (Appendix)	General Fund		Working Capital Fund		Special Accounts and Voluntary Fund for Assistance (Appendix 5.3)		Trust Funds (Appendix 5.4)		TOTAL	
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
		<b>INCOME</b>									
Assessed annual contributions <sup>14</sup>	5.6	65,529,600	65,529,600	-	-	-	-	-	-	65,529,600	65,529,600
Voluntary contributions	5.15	-	-	-	-	5,000	10,000	9,771,399	10,485,887	9,776,399	10,495,887
Miscellaneous income:											
Verification contributions under Articles IV & V	5.14	1,581,143	1,134,765	-	-	-	-	-	-	1,581,143	1,134,765
Assessed annual contributions - new Member States		-	-	-	-	-	-	2	7,238	-	-
Interest income		16,559	5,132	-	-	979	579	-	-	17,540	12,948
Currency-exchange gains/(loss)		(305,269)	41,671	-	-	-	-	474,884	664,407	(305,269)	41,671
Other income		1,028,089	181,219	-	-	-	-	-	-	1,502,974	845,626
<b>TOTAL INCOME</b>		<b>67,850,122</b>	<b>66,892,387</b>	-	-	<b>5,979</b>	<b>10,579</b>	<b>10,246,285</b>	<b>11,157,532</b>	<b>78,102,388</b>	<b>78,060,498</b>
<b>EXPENDITURE</b>											
Staff costs		45,603,370	46,124,033	-	-	8,095	45,939	1,039,763	2,536,059	46,651,227	48,706,031
Travel costs		7,854,973	6,607,935	-	-	28,841	82,224	1,701,249	1,426,342	9,585,063	8,116,502
Contractual services		4,603,418	4,237,849	-	-	2,960,273	577,961	3,144,899	3,830,885	10,708,590	8,646,695
Internships, grants, contributions to seminars and workshops		248,358	452,754	-	-	-	-	16,000	28,098	264,358	480,852
General operating expenses		6,134,195	5,839,503	-	-	432,462	174,852	541,902	1,401,681	7,108,559	7,416,036
Furniture and equipment		1,941,424	1,442,191	-	-	21,294	705,000	448,117	240,951	2,410,835	2,388,142
<b>TOTAL EXPENDITURE</b>	5.8	<b>66,385,738</b>	<b>64,704,265</b>	-	-	<b>3,450,964</b>	<b>1,585,976</b>	<b>6,891,929</b>	<b>9,464,017</b>	<b>76,728,631</b>	<b>75,754,258</b>
<b>EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>		<b>1,464,384</b>	<b>2,188,122</b>	-	-	<b>(3,444,986)</b>	<b>(1,575,397)</b>	<b>3,354,356</b>	<b>1,693,515</b>	<b>1,373,756</b>	<b>2,306,240</b>
Prior period adjustments		(39,944)	6,774	-	-	(33,037)	(11,056)	(810,503)	(35,195)	(883,484)	(39,477)
<b>NET EXCESS/(SHORTFALL) OF INCOME OVER EXPENDITURE</b>		<b>1,424,440</b>	<b>2,194,896</b>	-	-	<b>(3,478,023)</b>	<b>(1,586,453)</b>	<b>2,543,853</b>	<b>1,658,320</b>	<b>490,272</b>	<b>2,266,763</b>
Savings on prior period's obligations	5.11	872,976	720,183	-	-	120,792	78,844	591,083	113,962	1,584,851	912,990
Transfers to/from other funds		(1,682,752)	-	-	-	-	-	-	252	-	-
Credits to Member States <sup>15</sup>	5.13	(628)	(3,495)	-	-	-	-	-	-	(628)	(3,495)
Retention of cash surplus for 2015	5.13	(1,309,669)	-	-	-	309,360	-	-	-	-	-
Increase in Working Capital Fund		-	-	-	-	-	-	-	-	-	-
Reserves and fund balances, beginning of period		9,340,191	6,428,606	4,159,978	4,159,978	8,625,166	10,132,774	8,170,980	6,398,699	30,296,315	27,120,057
<b>RESERVES AND FUND BALANCES, END OF PERIOD</b>		<b>8,644,558</b>	<b>9,340,191</b>	<b>6,842,787</b>	<b>4,159,978</b>	<b>5,577,296</b>	<b>8,625,166</b>	<b>11,306,167</b>	<b>8,170,980</b>	<b>32,370,810</b>	<b>30,296,315</b>

<sup>14</sup>

Assessed annual contributions received in advance, during the reporting period, are considered liabilities owed to States Parties, and are recorded as income in the periods to which the contributions relate.

<sup>15</sup>

The amount of EUR 628 (2016: EUR 3,495) represents final cash surpluses from 2011 and prior years, applied during the reporting period to States Parties which owed amounts to the OPCW and have paid their assessed annual contributions in full for the financial period to which the surplus relates. The detailed application of surpluses during 2017 for each State Party is shown in paragraph 5.13.

5.2 Budgetary accounts: Assets, liabilities and reserves and fund balances - All Funds  
- As at 31 December 2017 (expressed in euros)

	Reference (Appendix)	General Fund		Working Capital Fund		Special Accounts and Voluntary Fund for Assistance		Trust Funds		TOTAL	
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>ASSETS</b>											
Cash and term deposits	4	1,649,640	9,129,707	5,835,722	1,153,222	7,210,294	8,540,043	12,185,795	9,233,900	26,881,451	28,056,871
Accounts receivable:											
Assessed annual contributions from Member States	5.6	8,547,062	6,071,476	-	-	-	-	-	-	8,547,062	6,071,476
Voluntary contributions		-	-	-	-	-	-	-	-	-	-
Verification contributions under Articles IV & V <sup>16</sup>	5.14	5,602,661	5,053,499	-	-	-	-	830,589	713,394	6,433,250	5,766,893
Other contributions receivable:											
Advances		-	-	6,757	6,757	-	-	-	-	6,757	6,757
Inter-fund balances		420,383	207,564	1,000,309	3,000,000	751,651	357,809	152,050	281,759	2,324,393	3,847,132
Other receivables		1,486,746	1,750,097	-	-	2,380	-	3,128,116	4,871,956	4,617,242	6,622,053
Other assets		2,359,748	2,188,112	-	-	-	80,675	3,333	4,330	2,363,082	2,273,117
<b>TOTAL ASSETS</b>		<b>20,066,240</b>	<b>24,400,455</b>	<b>6,842,788</b>	<b>4,159,979</b>	<b>7,964,325</b>	<b>8,978,527</b>	<b>16,299,883</b>	<b>15,105,340</b>	<b>51,173,237</b>	<b>52,644,301</b>
<b>LIABILITIES</b>											
Contributions received in advance	5.6, 5.14	4,267,822	7,146,212	-	-	-	-	-	392,027	4,267,822	7,538,238
Unliquidated obligations	5.5, 5.9	4,362,292	3,256,746	-	-	2,226,496	224,319	3,378,496	5,607,846	9,967,283	9,088,911
Accounts payable:											
Inter-fund balances		1,921,691	3,657,136	-	-	161,499	129,041	241,313	60,952	-	-
Other payables		869,874	1,000,169	-	-	-965	-	1,373,908	873,535	2,324,502	3,847,130
Other liabilities		-	-	-	-	-	-	-	-	2,242,817	1,873,704
<b>TOTAL LIABILITIES</b>		<b>11,421,679</b>	<b>15,060,263</b>	<b>-</b>	<b>-</b>	<b>2,387,030</b>	<b>353,360</b>	<b>4,993,717</b>	<b>6,934,359</b>	<b>18,802,425</b>	<b>22,347,983</b>
<b>RESERVES AND FUND BALANCES</b>											
Fund balances <sup>17</sup>		8,644,560	9,340,191	6,842,787	4,159,978	5,577,297	8,625,167	11,306,168	8,170,981	32,370,812	30,296,318
<b>TOTAL RESERVES AND FUND BALANCES</b>		<b>8,644,560</b>	<b>9,340,191</b>	<b>6,842,787</b>	<b>4,159,978</b>	<b>5,577,297</b>	<b>8,625,167</b>	<b>11,306,168</b>	<b>8,170,981</b>	<b>32,370,812</b>	<b>30,296,318</b>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCES</b>		<b>20,066,240</b>	<b>24,400,454</b>	<b>6,842,788</b>	<b>4,159,978</b>	<b>7,964,325</b>	<b>8,978,527</b>	<b>16,299,883</b>	<b>15,105,340</b>	<b>51,173,237</b>	<b>52,644,301</b>

16

Receivables pertaining to reimbursement of verification costs under Articles IV and V of the Convention include accruals for inspection missions that were in progress as at 31 December 2017 or missions for which billing information had not yet been fully received as at the same date.

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Reconciliation of the total fund balances of the budgetary accounts to the net assets of the IPSAS financial statements has been provided in note 40 to the financial statements.

5.3 Budgetary accounts: Income, expenditure and changes in reserves and fund balances - Special Accounts and Voluntary Fund for Assistance  
- For the period ended 31 December 2017 (expressed in euros)

	OPCW Equipment Store		Designated Laboratories		Implementation of New ERP system		Special Fund for Special Missions	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>INCOME</b>								
Assessed annual contributions	-	-	-	-	-	-	-	-
Voluntary contributions	-	-	-	-	-	-	-	-
Miscellaneous income:	-	-	-	-	-	-	-	-
Verification contributions under Articles IV & V	-	-	-	-	-	-	-	-
Assessed annual contributions - new Member States	-	-	-	-	-	-	-	-
Interest income	-	-	979	-	-	-	-	-
Currency-exchange gains	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-
<b>TOTAL INCOME</b>	-	-	<b>979</b>	-	-	-	-	-
<b>EXPENDITURE</b>								
Staff costs	-	-	8,065	2,374	30	43,565	30	43,565
Travel costs	-	-	5,807	9,354	23,034	72,870	23,034	72,870
Contractual services	-	-	2,886,407	474,737	73,866	73,224	73,866	73,224
Internships, grants, contributions to seminars and workshops	-	-	-	-	-	-	-	-
General operating expenses	30	40	427,981	170,273	4,451	4,539	4,451	4,539
Furniture and equipment	-	-	21,294	475,000	-	-	-	-
<b>TOTAL EXPENDITURE</b>	<b>30</b>	<b>40</b>	<b>3,349,553</b>	<b>1,131,738</b>	<b>101,381</b>	<b>194,197</b>	<b>101,381</b>	<b>194,197</b>
<b>EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>(30)</b>	<b>(40)</b>	<b>(3,348,575)</b>	<b>(1,131,738)</b>	<b>(101,381)</b>	<b>(194,197)</b>	<b>(101,381)</b>	<b>(194,197)</b>
Prior period adjustments	-	-	(39)	(6,879)	(32,998)	(4,177)	(32,998)	(4,177)
<b>NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>(30)</b>	<b>(40)</b>	<b>(3,348,614)</b>	<b>(1,138,617)</b>	<b>(134,379)</b>	<b>(198,375)</b>	<b>(134,379)</b>	<b>(198,375)</b>
Savings on prior period's obligations	-	-	112,751	(38)	8,042	57,535	8,042	57,535
Transfers to/from other funds	-	-	-	-	-	-	-	-
Credits to Member States	-	-	-	-	-	-	-	-
Retention of cash surplus for 2015	-	-	-	-	-	-	-	-
Increase in Working Capital Fund	-	-	-	-	-	-	-	-
Reserves and fund balances, beginning of period	22,576	22,616	501,551	740,203	6,421,728	7,560,383	126,338	267,177
<b>RESERVES AND FUND BALANCES, END OF PERIOD</b>	<b>22,546</b>	<b>22,576</b>	<b>501,551</b>	<b>501,551</b>	<b>3,185,865</b>	<b>6,421,728</b>	<b>-</b>	<b>126,338</b>

5.3 Budgetary accounts: Income, expenditure and changes in reserves and fund balances - Special Accounts and Voluntary Fund for Assistance  
- For the period ended 31 December 2017 (expressed in euros) (continued)

	Special Fund for the Fourth Review Conference in 2018		Voluntary Fund for Assistance		Total	
	2017	2016	2017	2016	2017	2016
<b>INCOME</b>						
Assessed annual contributions	-	-	-	-	-	-
Voluntary contributions	-	-	5,000	10,000	5,000	10,000
Miscellaneous income:	-	-	-	-	-	-
Verification contributions under Articles IV & V	-	-	-	-	-	-
Assessed annual contributions - new Member States	-	-	-	-	-	-
Interest income	-	-	-	579	979	579
Currency-exchange gains	-	-	-	-	-	-
Other income	-	-	-	-	-	-
<b>TOTAL INCOME</b>	-	-	<b>5,000</b>	<b>10,579</b>	<b>5,979</b>	<b>10,579</b>
<b>EXPENDITURE</b>						
Staff costs	-	-	-	-	8,095	45,939
Travel costs	-	-	-	-	28,841	82,224
Contractual services	-	-	-	-	2,960,273	577,961
Internships, grants, contributions to seminars and workshops	-	-	-	-	-	-
General operating expenses	-	-	-	-	432,462	174,852
Furniture and equipment	-	-	-	-	21,294	705,000
<b>TOTAL EXPENDITURE</b>	-	-	-	-	<b>3,450,964</b>	<b>1,585,976</b>
<b>EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	-	-	<b>5,000</b>	<b>10,579</b>	<b>(3,444,986)</b>	<b>(1,575,397)</b>
Prior period adjustments	-	-	-	-	(33,037)	(11,056)
<b>NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	-	-	<b>5,000</b>	<b>10,579</b>	<b>(3,478,023)</b>	<b>(1,586,453)</b>
Savings on prior period's obligations	-	-	-	-	120,792	78,844
Transfers to/from other funds	-	-	-	-	-	-
Credits to Member States	-	-	-	-	-	-
Retention of cash surplus for 2015	309,360	-	-	-	309,360	-
Increase in Working Capital Fund	-	-	-	-	-	-
Reserves and fund balances, beginning of period	-	-	1,552,974	1,542,395	8,625,167	10,132,775
<b>RESERVES AND FUND BALANCES, END OF PERIOD</b>	<b>309,360</b>	-	<b>1,557,974</b>	<b>1,552,974</b>	<b>5,577,297</b>	<b>8,625,167</b>

5.4 Budgetary accounts: Income, expenditure and changes in reserves and fund balances - Trust Funds - For the period ended 31 December 2017 (expressed in euros)

	Regional Seminars		Courses for Personnel of National Authorities		US Voluntary Fund		Implementation of Article X		Associate Programme		Scientific Advisory Board	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>INCOME</b>												
Assessed annual contributions	-	-	-	-	-	-	-	-	-	-	-	-
Voluntary contributions	177,377	227,337	-	-	-	-	79,081	147,362	-	-	-	22,264
Miscellaneous income:	-	-	-	-	-	-	-	-	-	-	-	-
Verification contributions under Articles IV & V	-	-	-	-	-	-	-	-	-	-	-	-
Assessed contributions - new Member States	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	502	-	-	-	-	-	-	-
Currency-exchange gains	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL INCOME</b>	<b>177,377</b>	<b>227,337</b>	-	-	<b>502</b>	<b>147,362</b>	<b>79,081</b>	<b>147,362</b>	-	-	-	<b>22,264</b>
<b>EXPENDITURE</b>												
Staff costs	-	-	-	-	-	-	-	-	-	-	-	-
Travel costs	285,051	206,891	4,843	-	-	-	101,152	62,429	-	-	7,187	26,297
Contractual services	17,828	11,214	14,364	-	8,744	-	47,334	18,662	-	-	336	2,784
Internships, grants, contributions to seminars and workshops	-	-	-	-	-	-	-	27,677	-	-	-	-
General operating expenses	28,583	2,738	60	-	25	-	22,365	1,241	-	-	1,386	2,459
Furniture and equipment	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURE</b>	<b>331,462</b>	<b>220,843</b>	<b>19,267</b>	-	<b>8,769</b>	<b>110,008</b>	<b>170,851</b>	<b>110,008</b>	-	-	<b>8,909</b>	<b>31,539</b>
<b>EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>(154,084)</b>	<b>6,494</b>	<b>(19,267)</b>	-	<b>(8,268)</b>	<b>37,354</b>	<b>(91,770)</b>	<b>37,354</b>	-	-	<b>(8,909)</b>	<b>(9,276)</b>
Prior period adjustments	-	(1,113)	-	-	-	-	(100)	-	-	-	-	-
<b>NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>(154,084)</b>	<b>5,381</b>	<b>(19,267)</b>	-	<b>(8,268)</b>	<b>37,354</b>	<b>(91,870)</b>	<b>37,354</b>	-	-	<b>(8,909)</b>	<b>(9,276)</b>
Savings on prior period's obligations	14,621	6,091	63	-	45	-	4,169	-	-	-	3	(7)
Transfers to/from other funds	-	-	-	-	(10,000)	-	-	-	-	-	-	1,969
Credits to Member States	-	-	-	-	-	-	-	-	-	-	-	-
Other adjustments to reserves and fund balances	-	-	-	-	-	-	-	-	-	-	-	-
Reserves and fund balances, beginning of period	403,447	391,975	1,387,511	165,063	1,405,734	283,458	246,104	5,024	5,024	15,850	23,164	
<b>RESERVES AND FUND BALANCES, END OF PERIOD</b>	<b>263,984</b>	<b>403,447</b>	<b>1,368,308</b>	<b>165,063</b>	<b>1,387,511</b>	<b>195,758</b>	<b>283,458</b>	<b>5,024</b>	<b>5,024</b>	<b>6,945</b>	<b>15,850</b>	<b>15,850</b>



5.4 Budgetary accounts: Income, expenditure and changes in reserves and fund balances - Trust Funds  
- For the period ended 31 December 2017 (expressed in euros) (continued)

	NGO Participation in OPCW Events		Procurement of GC/MS Systems		Implementation of Article VII Obligations		Programme Support Costs		Internship Support Project		Conference on International Cooperation and Chemical Safety & Security	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>INCOME</b>												
Assessed annual contributions	-	-	-	-	-	-	-	-	-	-	-	-
Voluntary contributions	26,000	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous income:	-	-	-	-	-	-	-	-	-	-	-	-
Verification contributions under Articles IV & V	-	-	-	-	-	-	-	-	-	-	-	-
Assessed contributions - new Member States	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-	-	-	-	-
Currency-exchange gains	-	-	-	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	275,367	364,078	-	-	-	-
<b>TOTAL INCOME</b>	<b>26,000</b>	-	-	-	-	-	<b>275,367</b>	<b>364,078</b>	-	-	-	-
<b>EXPENDITURE</b>												
Staff costs	-	-	-	-	-	-	-	213,438	-	-	-	-
Travel costs	-	-	-	-	-	19,774	-	-	-	-	-	-
Contractual services	3,095	-	-	-	-	866	21,716	110,949	-	-	-	-
Internships, grants, contributions to seminars and workshops	-	-	-	-	-	-	-	-	-	-	-	-
General operating expenses	22,905	-	-	-	-	111	-	-	-	-	-	-
Furniture and equipment	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURE</b>	<b>26,000</b>	-	-	-	-	<b>20,751</b>	<b>21,716</b>	<b>324,388</b>	-	-	-	-
<b>EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	-	-	-	-	-	<b>(20,751)</b>	<b>253,650</b>	<b>39,691</b>	-	-	-	-
Prior period adjustments	-	-	-	-	-	-	-	(13,315)	-	-	-	-
<b>NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	-	-	-	-	-	<b>(20,751)</b>	<b>253,650</b>	<b>26,375</b>	-	-	-	-
Savings on prior period's obligations	-	-	-	-	79	-	470	-	-	-	-	-
Transfers to/from other funds	252	-	-	(31,969)	-	-	-	-	-	-	-	-
Credits to Member States	-	-	-	-	-	-	-	-	-	-	-	-
Other adjustments to reserves and fund balances	-	-	-	-	-	-	-	-	-	-	-	-
Reserves and fund balances, beginning of period	(252)	(252)	28,654	60,623	82,202	102,954	77,115	50,739	5,912	5,912	18,527	18,527
<b>RESERVES AND FUND BALANCES, END OF PERIOD</b>	-	<b>(252)</b>	<b>28,654</b>	<b>28,654</b>	<b>82,281</b>	<b>82,202</b>	<b>331,235</b>	<b>77,115</b>	<b>5,912</b>	<b>5,912</b>	<b>18,527</b>	<b>18,527</b>

5.4 Budgetary accounts: Income, expenditure and changes in reserves and fund balances - Trust Funds  
- For the period ended 31 December 2017 (expressed in euros) (continued)

	Trust Fund for Training		EU Council Decision 2015		International Support Network for Victims of Chemical Weapons		OPCW Nobel Prize Trust Fund		Trust Fund for Syria		Syria Trust Fund for the Destruction of Chemical Weapons	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>INCOME</b>												
Assessed annual contributions	-	-	-	-	-	-	-	-	-	-	-	-
Voluntary contributions	110,000	-	393,180	1,362,261	82,492	4,983	40,000	-	-	115,592	735,000	-
Miscellaneous income:	-	-	-	-	-	-	-	-	-	-	-	-
Verification contributions under Articles IV & V	-	-	-	-	-	-	-	-	-	-	-	-
Assessed contributions - new Member States	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-	-	-	-	194
Currency-exchange gains	-	-	-	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL INCOME</b>	<b>110,000</b>	-	<b>393,180</b>	<b>1,362,261</b>	<b>82,492</b>	<b>4,983</b>	<b>40,000</b>	-	-	<b>115,592</b>	<b>735,000</b>	<b>194</b>
<b>EXPENDITURE</b>												
Staff costs	-	-	56,329	25,663	-	-	-	-	-	-	-	313,330
Travel costs	19,131	140	437,776	205,535	-	-	4,649	-	-	-	30,620	86,261
Contractual services	20,398	9,371	205,206	158,207	-	4,874	-	-	-	-	435,752	296,484
Internships, grants, contributions to seminars and workshops	-	-	16,000	421	-	-	-	-	-	-	-	-
General operating expenses	59	-	77,128	24,308	-	-	17	45,000	-	-	(260,945)	359,173
Furniture and equipment	-	-	7,390	177,496	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURE</b>	<b>39,588</b>	<b>9,511</b>	<b>799,829</b>	<b>591,630</b>	-	<b>4,874</b>	<b>4,666</b>	<b>45,000</b>	-	-	<b>205,427</b>	<b>1,055,249</b>
<b>EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>70,412</b>	<b>(9,511)</b>	<b>(406,650)</b>	<b>770,630</b>	<b>82,492</b>	<b>109</b>	<b>35,335</b>	<b>(45,000)</b>	-	<b>115,592</b>	<b>529,573</b>	<b>(1,055,054)</b>
Prior period adjustments	-	-	(5,806)	(326)	-	-	-	(607)	-	-	(819,635)	-
<b>NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>70,412</b>	<b>(9,511)</b>	<b>(412,456)</b>	<b>770,304</b>	<b>82,492</b>	<b>109</b>	<b>35,335</b>	<b>(45,607)</b>	-	<b>115,592</b>	<b>(290,062)</b>	<b>(1,055,054)</b>
Savings on prior period's obligations	-	-	157,051	6,869	-	1	-	149	-	-	137,692	70,902
Transfers to/from other funds	-	-	-	-	-	45,000	-	(45,000)	(26,852)	-	-	(13,734)
Credits to Member States	-	-	-	-	-	-	-	-	-	-	-	-
Other adjustments to reserves and fund balances	-	-	-	-	-	-	-	-	-	-	-	-
Reserves and fund balances, beginning of period	47,009	56,520	982,961	205,787	97,008	51,898	755,695	846,153	26,852	(88,740)	1,138,501	2,136,387
<b>RESERVES AND FUND BALANCES, END OF PERIOD</b>	<b>117,422</b>	<b>47,009</b>	<b>727,556</b>	<b>982,961</b>	<b>179,500</b>	<b>97,008</b>	<b>791,029</b>	<b>755,695</b>	-	<b>26,852</b>	<b>986,132</b>	<b>1,138,501</b>

5.4 Budgetary accounts: Income, expenditure and changes in reserves and fund balances - Trust Funds  
- For the period ended 31 December 2017 (expressed in euros) (continued)

	Trust Fund for Syria Missions		Trust Fund for Support to Iraq		Trust Fund for Temporary Support to Libya		Trust Fund for Support to Libya		Trust Fund of Canada for Libya		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	<b>INCOME</b>											
Assessed annual contributions	-	-	-	-	-	-	-	-	-	-	-	-
Voluntary contributions	7,988,285	6,926,493	119,984	411,382	-	-	20,000	1,268,214	-	-	9,771,399	10,485,887
Miscellaneous income:	-	-	-	-	-	-	-	-	-	-	-	-
Verification contributions under Articles IV & V	-	-	-	-	-	-	-	-	-	-	-	-
Assessed contributions - new Member States	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	2	161	-	-	-	-	-	-	-	6,381	2	7,238
Currency-exchange gains	-	-	-	-	-	-	-	-	-	-	-	-
Other income	199,518	300,329	-	-	-	-	-	-	-	-	-	-
<b>TOTAL INCOME</b>	<b>8,187,805</b>	<b>7,226,983</b>	<b>119,984</b>	<b>411,382</b>	<b>-</b>	<b>-</b>	<b>20,000</b>	<b>1,268,214</b>	<b>-</b>	<b>6,381</b>	<b>10,246,285</b>	<b>11,157,532</b>
<b>EXPENDITURE</b>												
Staff costs	982,973	1,920,491	-	-	-	-	460	63,136	-	-	1,039,763	2,536,059
Travel costs	739,417	741,119	-	19,242	-	31,004	71,425	22,726	-	4,925	1,701,249	1,426,342
Contractual services	2,140,858	2,620,769	30,250	448,556	-	-	207,761	84,355	-	55,050	3,144,899	3,830,885
Internships, grants, contributions to seminars and workshops	-	-	-	-	-	-	-	-	-	-	16,000	28,098
General operating expenses	553,185	669,768	2,122	34,791	-	2,628	95,038	259,440	-	-	541,902	1,401,681
Furniture and equipment	406,825	42,239	-	-	-	4,001	33,902	-	-	17,216	448,117	240,951
<b>TOTAL EXPENDITURE</b>	<b>4,823,259</b>	<b>5,994,386</b>	<b>32,372</b>	<b>502,588</b>	<b>-</b>	<b>37,633</b>	<b>408,586</b>	<b>429,656</b>	<b>-</b>	<b>77,191</b>	<b>6,891,929</b>	<b>9,464,017</b>
<b>EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>3,364,546</b>	<b>1,232,596</b>	<b>87,612</b>	<b>(91,207)</b>	<b>-</b>	<b>(37,633)</b>	<b>(388,586)</b>	<b>838,558</b>	<b>-</b>	<b>(70,809)</b>	<b>3,354,356</b>	<b>1,693,515</b>
Prior period adjustments	15,038	-	-	-	-	-	-	-	-	(19,835)	(810,503)	(35,195)
<b>NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>3,379,584</b>	<b>1,232,596</b>	<b>87,612</b>	<b>(91,207)</b>	<b>-</b>	<b>(37,633)</b>	<b>(388,586)</b>	<b>838,558</b>	<b>-</b>	<b>(90,644)</b>	<b>2,543,853</b>	<b>1,658,320</b>
Savings on prior period's obligations	191,631	-	-	-	-	-	11,131	-	74,173	29,912	591,083	113,962
Transfers to/from other funds	26,852	13,734	-	-	-	40,000	133,638	-	(133,638)	-	252	-
Credits to Member States	-	-	-	-	-	-	-	-	-	-	-	-
Other adjustments to reserves and fund balances	-	-	-	-	-	-	-	-	-	-	-	-
Reserves and fund balances, beginning of period	1,841,260	594,930	(91,207)	-	2,367	-	838,558	-	59,465	120,198	8,170,981	6,398,700
<b>RESERVES AND FUND BALANCES, END OF PERIOD</b>	<b>5,439,327</b>	<b>1,841,260</b>	<b>(3,594)</b>	<b>(91,207)</b>	<b>2,367</b>	<b>2,367</b>	<b>594,741</b>	<b>838,558</b>	<b>-</b>	<b>59,465</b>	<b>11,306,168</b>	<b>8,170,981</b>

5.5 Budgetary accounts: Statement of cash surpluses - General Fund  
- as at 31 December 2017 (expressed in euros)

<b>PROVISIONAL CASH SURPLUS - CURRENT YEAR</b>	<b>2017</b>	<b>2016</b>
Receipts	61,895,243	62,255,130
Disbursements	(62,018,108)	(61,447,519)
<b>EXCESS / (SHORTFALL) OF RECEIPTS OVER DISBURSEMENTS</b>	<b>(122,866)</b>	<b>807,611</b>
Unliquidated obligations	(4,367,629)	(3,256,746)
Transfers to/from other funds	(1,682,752)	-
<b>PROVISIONAL SURPLUS / (DEFICIT) AS AT END OF THE REPORTING PERIOD</b>	<b>(6,173,246)</b>	<b>(2,449,135)</b>
<b>BUDGETARY SURPLUS</b>		
Contributions receivable	4,796,964	3,875,053
Miscellaneous income receivable	1,157,917	762,204
Transfers to/from other funds	1,682,752	-
<b>EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE - (STATEMENT I) BUDGETARY SURPLUS</b>	<b>1,464,386</b>	<b>2,188,122</b>
<b>FINAL CASH SURPLUS - PRIOR YEAR</b>	<b>2016</b>	<b>2015</b>
<b>PROVISIONAL SURPLUS / (DEFICIT)</b>	<b>(2,449,135)</b>	<b>(4,958,348)</b>
Receipt of:		
Arrears from prior years' annual contributions	2,321,378	4,768,143
Miscellaneous income from prior years	702,932	1,207,073
Savings on prior period's obligations (paragraph 5.11)	872,976	720,183
<b>PRIOR YEAR CASH SURPLUS / (DEFICIT)</b>	<b>1,448,151</b>	<b>1,737,051</b>
Prior period adjustment	6,774	252,850
Prior period transfers from the General Fund to special accounts	-	-
<b>FINAL CASH SURPLUS<sup>18</sup> / (DEFICIT)</b>	<b>1,454,925</b>	<b>1,989,901</b>

<sup>18</sup> Final cash surpluses identified for any past period are allocated to States Parties in accordance with Financial Regulation 6.3 and the scale of assessment for the period to which the cash surplus relates. The allocation is applied only to amounts owed to the OPCW by a State Party, and for States Parties which have paid their respective contributions in full for the period to which a cash surplus relates. In the IPSAS-based financial statements, cash surpluses are recognised as liabilities.

## 5.6 Status of assessed annual contributions - General Fund - as at 31 December 2017 (expressed in euros)

Member State	Outstanding Contributions from the Prep. Comm. 1993 - 1997	Outstanding Annual Contributions 1997 - 2015	2016 Annual Contributions			2017 Annual Contributions			Total Balance Outstanding 1993 - 2017	Overpayments and Payments in Advance
			Assessment	Receipts	Balance Outstanding	Assessment	Receipts	Balance Outstanding		
Afghanistan	-	-	3,962	3,962	-	3,962	3,962	-	-	
Albania	-	-	5,282	5,282	-	5,282	5,282	-	5,282	
Algeria	-	-	106,303	106,303	-	106,303	106,303	-	-	
Andorra	-	-	3,962	3,962	-	3,962	3,945	17	-	
Angola	-	-	6,603	6,603	-	6,603	6,603	-	-	
Antigua and Barbuda	-	15,096	1,321	-	1,321	1,321	-	1,321	17,738	
Argentina	-	-	588,958	588,958	-	588,958	-	588,958	588,958	
Armenia	-	-	3,962	3,962	-	3,962	3,962	-	3,962	
Australia	-	-	1,543,044	1,543,044	-	1,543,044	1,543,044	-	-	
Austria	-	-	475,392	475,392	-	475,392	475,392	-	-	
Azerbaijan	-	-	39,616	39,616	-	39,616	39,616	-	-	
Bahamas	-	-	9,244	9,244	-	9,244	9,244	-	-	
Bahrain	-	-	29,052	29,052	-	29,052	28,994	58	-	
Bangladesh	-	-	6,603	6,603	-	6,603	6,603	-	-	
Barbados	-	-	4,622	4,622	-	4,622	4,622	-	-	
Belarus	-	-	36,975	36,975	-	36,975	36,975	-	-	
Belgium	-	-	584,336	584,336	-	584,336	584,336	-	-	
Belize	-	-	655	655	-	655	655	-	-	
Benin	-	5,844	1,981	-	1,981	1,981	-	1,981	9,806	
Bhutan	-	-	655	655	-	655	655	-	-	
Bolivia (Plurinational State of)	-	-	7,923	7,923	-	7,923	7,923	-	-	
Bosnia and Herzegovina	-	-	8,583	8,583	-	8,583	8,583	-	-	
Botswana	-	-	9,244	9,244	-	9,244	9,244	-	-	
Brazil	-	-	2,524,201	25,488	2,498,713	2,524,201	-	2,524,201	5,022,914	
Brunei Darussalam	-	-	19,148	19,148	-	19,148	19,148	-	-	
Bulgaria	-	-	29,712	29,712	-	29,712	29,712	-	-	
Burkina Faso	-	-	2,641	2,641	-	2,641	2,626	15	-	
Burundi	-	-	655	655	-	655	-	655	-	
Cambodia	-	-	2,641	2,641	-	2,641	2,641	-	-	
Cameroon	-	7,918	6,603	-	6,603	6,603	-	6,603	21,124	
Canada	-	-	1,928,640	1,928,640	-	1,928,640	1,928,640	-	-	
Cabo Verde	-	892	655	-	655	655	-	655	2,202	
Central African Republic	6,595	6,262	655	-	655	655	-	655	14,167	
Chad	-	-	3,301	2,856	445	3,301	-	3,301	3,746	
Chile	-	-	263,447	263,447	-	263,447	263,447	-	3,822	
China	-	-	5,229,976	5,229,976	-	5,229,976	5,229,977	-	-	
Colombia	-	-	212,606	212,606	-	212,606	5	212,601	212,601	
Comoros	6,595	6,321	655	-	655	655	-	655	14,226	
Congo	-	6,644	3,962	-	3,962	3,962	-	3,962	14,568	
Cook Islands	-	-	655	655	-	655	655	-	-	
Costa Rica	-	-	31,033	31,033	-	31,033	31,033	-	4,857	
Côte d'Ivoire	-	-	5,942	5,942	-	5,942	-	5,942	-	
Croatia	-	-	65,366	65,366	-	65,366	65,366	-	-	

Member State	Outstanding Contributions from the Prep. Comm. 1993 - 1997	Outstanding Annual Contributions 1997 - 2015	2016 Annual Contributions			2017 Annual Contributions			Total Balance Outstanding 1993 - 2017	Overpayments and Payments in Advance
			Assessment	Receipts	Balance Outstanding	Assessment	Receipts	Balance Outstanding		
Cuba	-	-	42,917	42,917	-	42,917	154	42,763	-	
Cyprus	-	-	28,391	28,391	-	28,391	28,391	-	-	
Czech Republic	-	-	227,132	227,132	-	227,132	227,132	-	-	
Democratic Republic of the Congo	6,552	20,871	5,282	-	5,282	5,282	-	5,282	37,987	
Denmark	-	-	385,596	385,596	-	385,596	385,596	-	-	
Djibouti	5,976	6,728	655	-	655	655	-	655	14,014	
Dominica	4,302	9,859	655	-	655	655	-	655	15,471	
Dominican Republic	8,902	189,139	30,372	-	30,372	30,372	-	30,372	258,785	
Ecuador	-	-	44,238	44,238	-	44,238	44,238	-	-	
El Salvador	6,595	208,891	9,244	-	9,244	9,244	-	9,244	233,974	
Equatorial Guinea	-	-	6,603	13	6,590	6,603	-	6,603	13,193	
Eritrea	-	-	655	655	-	655	655	-	-	
Estonia	-	-	25,090	25,090	-	25,090	25,090	-	25,090	
Ethiopia	-	-	6,603	6,603	-	6,603	6,603	-	6,677	
Fiji	-	-	1,981	1,981	-	1,981	1,981	-	36	
Finland	-	-	301,082	301,082	-	301,082	301,082	-	-	
France	-	-	3,208,238	3,208,238	-	3,208,238	3,208,238	-	-	
Gabon	-	13,138	11,225	-	11,225	11,225	-	11,225	35,588	
Gambia	-	1,318	655	-	655	655	-	655	2,628	
Georgia	-	-	5,282	5,282	-	5,282	5,282	-	-	
Germany	-	-	4,218,448	4,218,448	-	4,218,448	4,218,448	-	-	
Ghana	-	-	10,564	10,564	-	10,564	-	10,564	-	
Greece	-	-	310,986	310,986	-	310,986	310,986	-	-	
Grenada	-	2,968	655	-	655	655	-	655	4,278	
Guatemala	-	-	18,487	18,487	-	18,487	18,487	-	174	
Guinea	6,595	31,302	1,321	-	1,321	1,321	-	1,321	40,539	
Guinea-Bissau	6,595	5,118	655	-	655	655	-	655	13,023	
Guyana	-	-	1,321	1,321	-	1,321	1,321	-	16,377	
Haiti	-	-	1,981	1,981	-	1,981	1,981	-	1,910	
Holy See	-	-	655	655	-	655	655	-	-	
Honduras	-	-	5,282	1,955	3,327	5,282	-	5,282	8,609	
Hungary	-	-	106,303	106,303	-	106,303	106,303	-	-	
Iceland	-	-	15,186	15,186	-	15,186	15,186	-	-	
India	-	-	486,617	486,617	-	486,617	486,617	-	-	
Indonesia	-	-	332,775	332,775	-	332,775	332,775	-	-	
Iran (Islamic Republic of)	-	-	310,986	310,986	-	310,986	310,986	-	-	
Iraq	-	-	85,174	85,174	-	85,174	85,174	-	-	
Ireland	-	-	221,190	221,190	-	221,190	221,190	-	221,190	
Italy	-	-	2,474,682	2,474,682	-	2,474,681	2,474,681	-	-	
Italy	-	-	5,942	5,942	-	5,942	5,942	-	-	
Jamaica	-	-	6,391,387	6,391,387	-	6,391,387	6,391,387	-	-	
Japan	-	-	13,205	13,205	-	13,205	13,205	-	-	
Jordan	-	-	126,111	126,111	-	126,111	126,111	-	-	
Kazakhstan	-	-	11,885	11,885	-	11,885	11,885	-	-	
Kenya	-	-	655	655	-	655	655	-	-	
Kiribati	-	3,085	-	-	655	-	-	655	4,395	

Member State	Outstanding Contributions from the Prep. Comm. 1993 - 1997	Outstanding Annual Contributions 1997 - 2015	2016 Annual Contributions			2017 Annual Contributions			Total Balance Outstanding 1993 - 2017	Overpayments and Payments in Advance
			Assessment	Receipts	Balance Outstanding	Assessment	Receipts	Balance Outstanding		
Kuwait	-	-	188,176	188,176	-	188,176	188,176	-	-	-
Kyrgyzstan	28,566	10,369	1,321	-	1,321	1,321	1,321	1,321	41,577	-
Lao People's Democratic Republic	-	-	1,981	1,981	-	-	1,981	-	-	-
Latvia	-	-	33,013	33,013	-	-	33,013	-	-	-
Lebanon	-	-	30,372	30,372	-	-	30,372	-	-	-
Lesotho	-	-	655	655	-	-	655	-	-	-
Liberia	-	-	655	655	-	-	14	641	641	-
Libya	-	188,687	82,533	-	82,533	-	-	82,533	353,753	-
Liechtenstein	-	-	4,622	4,622	-	-	4,622	-	-	-
Lithuania	-	-	47,539	47,539	-	-	47,539	-	-	47,539
Luxembourg	-	-	42,257	42,257	-	-	42,257	-	-	-
Madagascar	-	42	1,981	-	1,981	-	-	1,981	4,384	-
Malawi	-	-	1,321	1,321	-	-	1,321	-	-	-
Malaysia	-	-	212,606	212,606	-	-	212,606	-	-	-
Maldives	-	-	1,321	1,321	-	-	675	646	646	-
Mali	-	-	1,981	1,981	-	-	1,981	-	-	18,825
Malta	-	-	10,564	10,564	-	-	10,564	-	-	-
Marshall Islands	-	6,221	655	-	655	-	-	655	7,531	-
Mauritania	-	1,914	1,321	-	1,321	-	-	1,321	4,556	-
Mauritius	-	-	7,923	7,923	-	-	7,923	-	-	-
Mexico	-	-	947,483	947,483	-	-	947,483	-	947,483	-
Micronesia (Federated States of)	-	6,566	655	-	655	-	-	655	7,876	-
Monaco	-	-	6,603	6,603	-	-	6,603	-	-	-
Mongolia	-	-	3,301	3,301	-	-	7	3,294	3,294	-
Montenegro	-	-	2,641	2,641	-	-	2,641	-	-	-
Morocco	-	-	35,654	35,654	-	-	35,654	-	-	-
Mozambique	-	-	2,641	48	2,593	-	-	2,641	5,234	-
Myanmar	-	-	6,603	6,603	-	-	6,578	25	25	-
Namibia	-	6,600	6,603	-	6,603	-	-	6,603	19,806	-
Nauru	4,064	8,820	655	-	655	-	-	655	14,194	-
Nepal	-	-	3,962	3,962	-	-	3,926	36	36	-
Netherlands	-	-	978,516	978,516	-	-	978,516	-	-	978,516
New Zealand	-	-	176,952	176,952	-	-	176,952	-	-	-
Nicaragua	-	-	2,641	2,641	-	-	2,641	-	-	-
Niger	6,595	26,125	1,321	-	1,321	-	-	1,321	35,362	-
Nigeria	-	-	137,996	118,804	19,192	-	-	137,996	157,188	-
Niue	-	-	655	655	-	-	640	15	15	-
Norway	-	-	560,567	560,567	-	-	560,567	-	-	-
Oman	-	-	74,610	74,610	-	-	74,610	-	-	-
Pakistan	-	-	61,405	61,405	-	-	61,405	-	-	40,546
Palau	-	216	655	-	655	-	-	655	1,526	-
Panama	-	-	22,449	22,449	-	-	13,789	8,660	8,660	-
Papua New Guinea	-	-	2,641	2,641	-	-	2,641	-	2,641	-
Paraguay	-	18,014	9,244	-	9,244	-	-	9,244	36,502	-
Peru	-	-	89,796	89,796	-	-	45,612	44,184	44,184	-

Member State	Outstanding Contributions from the Prep. Comm. 1993 - 1997	Outstanding Annual Contributions 1997 - 2015	2016 Annual Contributions			2017 Annual Contributions			Total Balance Outstanding 1993 - 2017	Overpayments and Payments in Advance
			Assessment	Receipts	Balance Outstanding	Assessment	Receipts	Balance Outstanding		
Philippines	-	-	108,944	108,944	-	108,944	108,944	-	-	
Poland	-	-	555,285	555,285	-	555,285	555,285	-	555,285	
Portugal	-	-	258,825	258,825	-	258,825	258,825	-	-	
Qatar	-	-	177,612	177,612	-	177,612	177,612	-	-	
Republic of Korea	-	-	1,346,285	1,346,285	-	1,346,285	1,346,285	-	-	
Republic of Moldova	-	-	2,641	2,641	-	2,641	2,641	-	-	
Romania	-	-	121,489	121,489	-	121,489	121,489	-	-	
Russian Federation	-	-	2,038,906	2,038,906	-	2,038,906	2,038,906	-	2,038,856	
Rwanda	-	-	1,321	1,321	-	1,321	1,321	-	-	
Saint Kitts and Nevis	-	-	655	655	-	655	655	-	-	
Saint Lucia	-	-	655	640	15	655	655	670	-	
Saint Vincent and the Grenadines	5,976	8,966	655	-	655	655	655	16,252	-	
Samoa	-	-	655	655	-	655	655	-	5	
San Marino	-	-	1,981	1,981	-	1,981	1,981	-	-	
Sao Tome and Principe	-	8,340	655	-	655	655	655	9,650	-	
Saudi Arabia	-	-	756,666	756,666	-	756,666	756,666	-	-	
Senegal	-	665	3,301	-	3,301	3,301	3,301	7,267	-	
Serbia	-	-	21,129	21,129	-	21,129	21,129	21,129	-	
Seychelles	-	-	655	655	-	655	655	-	-	
Sierra Leone	6,595	7,665	655	-	655	655	655	15,570	-	
Singapore	-	-	295,139	295,139	-	295,139	295,139	-	295,139	
Slovakia	-	-	105,643	105,643	-	105,643	105,643	-	-	
Slovenia	-	-	55,462	55,462	-	55,462	55,462	-	-	
Solomon Islands	-	4,394	655	-	655	655	655	5,704	-	
Somalia	-	1,722	655	-	655	655	655	3,032	-	
South Africa	-	-	240,337	240,337	-	240,337	240,337	-	-	
Spain	-	-	1,613,034	1,613,034	-	1,613,033	1,613,033	-	-	
Sri Lanka	-	-	20,468	20,468	-	20,468	20,468	-	-	
Sudan	-	4,599	6,603	-	6,603	6,603	6,603	17,805	-	
Suriname	-	-	3,962	3,962	-	3,962	3,962	7,924	-	
Swaziland	-	-	1,321	1,321	-	1,321	1,321	-	-	
Sweden	-	-	631,215	631,215	-	631,215	631,215	-	-	
Switzerland	-	-	752,705	752,705	-	752,705	752,705	-	-	
Syrian Arab Republic	-	-	15,846	15,846	-	15,846	15,846	-	-	
Tajikistan	-	-	2,641	2,641	-	2,641	300	300	-	
Thailand	-	-	192,138	192,138	-	192,138	192,138	-	-	
The former Yugoslav Republic of Macedonia	-	-	4,622	4,622	-	4,622	4,622	4,622	-	
Timor-Leste	-	-	1,981	1,966	15	1,981	1,981	1,996	-	
Togo	-	-	655	640	15	655	655	670	-	
Tonga	-	-	655	655	-	655	655	-	16	
Trinidad and Tobago	-	-	22,449	22,449	-	22,449	22,449	-	-	
Tunisia	-	-	18,487	18,487	-	18,487	18,487	-	-	
Turkey	-	-	672,152	672,152	-	672,152	672,152	-	-	
Turkmenistan	-	-	17,167	17,167	-	17,167	17,167	-	-	



Member State	Outstanding Contributions from the Prep. Comm. 1993 - 1997	Outstanding Annual Contributions 1997 - 2015	2016 Annual Contributions			2017 Annual Contributions			Total Balance Outstanding 1993 - 2017	Overpayments and Payments in Advance
			Assessment	Receipts	Balance Outstanding	Assessment	Receipts	Balance Outstanding		
Tuvalu	-	2,233	655	-	655	655	-	655	3,543	-
Uganda	-	-	5,942	5,942	-	5,942	5,942	-	-	-
Ukraine	-	-	68,008	68,008	-	68,008	68,008	-	-	-
United Arab Emirates	-	-	398,801	398,801	-	398,801	398,801	-	-	-
United Kingdom of Great Britain and Northern Ireland	-	-	2,946,773	2,946,773	-	2,946,773	2,946,773	-	-	-
United Republic of Tanzania	-	11,974	6,603	-	6,603	6,603	-	6,603	25,180	-
United States of America	-	-	14,416,513	14,416,513	-	14,416,513	14,416,513	-	-	-
Uruguay	-	-	52,161	52,161	-	52,161	52,161	-	-	-
Uzbekistan	-	-	15,186	15,186	-	15,186	15,186	-	-	-
Vanuatu	-	6,963	655	-	655	655	-	655	8,273	-
Venezuela (Bolivarian Republic of)	-	-	377,013	377,013	-	377,013	377,013	-	-	651
Viet Nam	-	-	38,295	38,295	-	38,295	38,295	-	-	-
Yemen	-	20,012	6,603	-	6,603	6,603	-	6,603	33,218	-
Zambia	-	-	4,622	4,622	-	4,622	4,622	-	-	391
Zimbabwe	-	-	2,641	2,641	-	2,641	2,641	2,592	2,592	-
<b>Total as at 31 December 2017</b>	<b>110,503</b>	<b>892,881</b>	<b>65,529,600</b>	<b>62,782,888</b>	<b>2,746,712</b>	<b>65,529,600</b>	<b>60,732,637</b>	<b>4,796,963</b>	<b>8,547,059</b>	<b>4,265,148</b>

5.7 Status of advances to the Working Capital Fund - As at 31 December 2017  
- (expressed in euros)

Member State	Working Capital Fund Assessment			Receipts	Balance Out-standing	Transfers to Special Account for a New ERP <sup>19</sup>	Transfers from other funds to WCF <sup>20</sup>	WCF After Transfers
	Original	Increment	Total					
Afghanistan	408	102	510	510	-	(161)	152	501
Albania	454	255	709	709	-	(320)	237	626
Algeria	7,958	3,877	11,835	11,835	-	(5,020)	4,109	10,924
Andorra	181	255	436	436	-	(281)	183	338
Angola	419	-	419	419	-	-	170	589
Antigua and Barbuda	142	158	300	-	300	-	54	176
Argentina	23,875	48,764	72,639	72,639	-	(52,194)	19,474	39,919
Armenia	2,487	102	2,589	2,589	-	(459)	173	2,303
Australia	73,615	81,205	154,820	154,820	-	(91,780)	60,514	123,554
Austria	43,274	43,816	87,090	87,090	-	(50,033)	20,246	57,303
Azerbaijan	501	255	756	756	-	(327)	1,420	1,849
Bahamas	732	865	1,597	1,597	-	(970)	408	1,035
Bahrain	995	1,530	2,525	2,525	-	(1,673)	1,139	1,991
Bangladesh	454	510	964	964	-	(575)	271	660
Barbados	412	487	899	899	-	(546)	200	553
Belarus	13,927	918	14,845	14,845	-	(2,919)	1,513	13,439
Belgium	50,237	54,528	104,765	104,765	-	(61,745)	25,058	68,078
Belize	45	51	96	96	-	(57)	27	66
Benin	454	102	556	556	-	(167)	81	470
Bhutan	46	53	99	99	-	(60)	27	66
Bolivia (Plurinational State of)	454	459	913	913	-	(524)	294	683
Bosnia and Herzegovina	454	153	607	607	-	(218)	391	780
Botswana	454	612	1,066	1,066	-	(677)	408	797
Brazil	80,579	77,685	158,264	158,264	-	(89,261)	94,369	163,372
Brunei Darussalam	995	1,734	2,729	2,729	-	(1,877)	754	1,606
Bulgaria	3,979	867	4,846	4,846	-	(1,439)	1,237	4,644
Burkina Faso	454	102	556	556	-	(167)	98	487
Burundi	454	51	505	505	-	(116)	27	416
Cambodia	95	105	200	200	-	(119)	108	189
Cameroon	454	408	862	862	-	(473)	291	680
Canada	154,692	143,486	298,178	298,178	-	(165,708)	79,582	212,052
Cabo Verde	45	51	96	96	-	(57)	27	66
Central African Republic	46	53	99	-	99	(60)	27	66
Chad	45	51	96	96	-	(57)	105	144
Chile	3,979	11,375	15,354	15,354	-	(11,947)	10,129	13,536
China	36,808	104,719	141,527	141,527	-	(110,007)	186,147	217,667
Colombia	4,970	7,906	12,876	12,876	-	(8,620)	8,068	12,324
Comoros	46	53	99	-	99	(60)	27	66
Congo	45	54	99	99	-	(60)	152	191
Cook Islands	454	51	505	505	-	(116)	27	416
Costa Rica	454	1,530	1,984	1,984	-	(1,595)	1,180	1,569
Côte d'Ivoire	454	510	964	964	-	(575)	264	653
Croatia	4,476	1,887	6,363	6,363	-	(2,530)	2,947	6,780

<sup>19</sup> In 2016 following finalisation of the Programme and Budget for 2016, an additional amount of EUR 19,322 was transferred from WCF to the special ERP fund.

<sup>20</sup> Transfers to the WCF in 2017 include EUR 782,500 from the special fund for the new ERP (C-21/DEC.6), EUR 1,000,309 from the final cash surplus for 2015 (C-22/DEC.7) and EUR 900,000 received in 2017 relating to the Headquarters building lease incentive (EC-84/DEC.3).

Member State	Working Capital Fund Assessment			Receipts	Balance Out-standing	Transfers to Special Account for a New ERP <sup>19</sup>	Transfers from other funds to WCF	WCF After Transfers
	Original	Increment	Total					
Cuba	2,487	2,193	4,680	4,680	-	(2,550)	1,797	3,927
Cyprus	1,398	1,989	3,387	3,387	-	(2,190)	1,203	2,400
Czech Republic	12,435	9,335	21,770	21,770	-	(11,121)	9,721	20,370
Democratic Republic of the Congo	142	158	300	-	300	(178)	166	288
Denmark	35,813	36,624	72,437	72,437	-	(41,769)	16,701	47,369
Djibouti	46	53	99	-	99	(60)	27	66
Dominica	45	51	96	-	96	(58)	27	65
Dominican Republic	1,098	1,297	2,395	-	2,395	(1,455)	1,233	2,173
Ecuador	995	969	1,964	1,964	-	(1,112)	1,579	2,431
El Salvador	454	1,122	1,576	-	1,576	(1,187)	398	787
Equatorial Guinea	454	102	556	556	-	(167)	271	660
Eritrea	44	51	95	95	-	(58)	27	64
Estonia	685	612	1,297	1,297	-	(710)	1,047	1,634
Ethiopia	454	204	658	658	-	(269)	271	660
Fiji	454	204	658	658	-	(269)	81	470
Finland	30,839	27,187	58,026	58,026	-	(31,617)	12,959	39,368
France	319,332	307,579	626,911	626,911	-	(353,453)	138,722	412,180
Gabon	684	459	1,143	1,143	-	(557)	490	1,076
Gambia	454	51	505	505	-	(116)	27	416
Georgia	5,471	153	5,624	5,624	-	(939)	207	4,892
Germany	450,646	441,833	892,479	892,479	-	(506,571)	180,255	566,163
Ghana	454	204	658	658	-	(269)	412	801
Greece	18,900	27,034	45,934	45,934	-	(29,749)	14,413	30,598
Grenada	46	53	99	99	-	(60)	27	66
Guatemala	1,224	1,530	2,754	2,754	-	(1,706)	747	1,795
Guinea	454	153	607	-	607	(218)	44	433
Guinea-Bissau	45	54	99	-	99	(60)	27	66
Guyana	454	51	505	505	-	(116)	44	433
Haiti	142	158	300	300	-	(178)	81	203
Holy See	46	51	97	97	-	(58)	27	66
Honduras	237	263	500	500	-	(297)	217	420
Hungary	6,964	6,427	13,391	13,391	-	(7,427)	5,409	11,373
Iceland	1,492	1,734	3,226	3,226	-	(1,948)	662	1,940
India	15,419	21,474	36,893	36,893	-	(23,689)	19,204	32,408
Indonesia	6,527	7,243	13,770	13,770	-	(8,181)	12,030	17,619
Iran (Islamic Republic of)	22,383	8,008	30,391	30,391	-	(11,223)	11,572	30,740
Iraq	686	811	1,497	1,497	-	(910)	2,872	3,459
Ireland	10,445	17,853	28,298	28,298	-	(19,354)	9,890	18,834
Italy	261,135	249,175	510,310	510,310	-	(286,689)	108,351	331,972
Jamaica	274	408	682	682	-	(447)	264	499
Japan	778,435	993,029	1,771,464	1,771,464	-	(1,104,856)	273,244	939,852
Jordan	454	561	1,015	1,015	-	(626)	561	950
Kazakhstan	2,189	1,275	3,464	3,464	-	(1,589)	4,457	6,332
Kenya	454	459	913	913	-	(524)	436	825
Kiribati	45	51	96	96	-	(58)	27	65
Kuwait	9,451	8,263	17,714	17,714	-	(9,621)	7,582	15,675
Kyrgyzstan	45	51	96	-	96	(57)	54	93
Lao People's Democratic Republic	454	51	505	505	-	(116)	71	460
Latvia	3,979	765	4,744	4,744	-	(1,337)	1,322	4,729
Lebanon	1,555	1,838	3,393	3,393	-	(2,061)	1,203	2,535
Lesotho	454	51	505	505	-	(116)	27	416
Liberia	46	53	99	99	-	(60)	27	66

Member State	Working Capital Fund Assessment			Receipts	Balance Out-standing	Transfers to Special Account for a New ERP <sup>19</sup>	Transfers from other funds to 20 WCF	WCF After Transfers
	Original	Increment	Total					
Libya	6,061	6,733	12,794	12,794	-	(7,604)	3,550	8,740
Liechtenstein	274	255	529	529	-	(294)	210	445
Lithuania	3,730	1,224	4,954	4,954	-	(1,760)	1,956	5,150
Luxembourg	3,482	3,928	7,410	7,410	-	(4,428)	1,901	4,883
Madagascar	138	153	291	291	-	(173)	81	199
Malawi	454	51	505	505	-	(116)	54	443
Malaysia	8,344	10,355	18,699	18,699	-	(11,554)	8,290	15,435
Maldives	454	51	505	505	-	(116)	44	433
Mali	454	102	556	556	-	(167)	91	480
Malta	454	714	1,168	1,168	-	(779)	432	821
Marshall Islands	45	51	96	96	-	(57)	27	66
Mauritania	454	51	505	505	-	(116)	54	443
Mauritius	454	561	1,015	1,015	-	(626)	334	723
Mexico	39,295	96,048	135,343	135,343	-	(101,693)	42,884	76,534
Micronesia (Federated States of)	46	51	97	97	-	(58)	27	66
Monaco	454	153	607	607	-	(218)	291	680
Mongolia	454	51	505	505	-	(116)	115	504
Montenegro	46	53	99	99	-	(60)	118	157
Morocco	1,492	2,397	3,889	3,889	-	(2,611)	1,540	2,818
Mozambique	45	51	96	96	-	(58)	98	136
Myanmar	419	-	419	419	-	-	170	589
Namibia	454	306	760	760	-	-	271	660
Nauru	45	51	96	96	-	(58)	27	65
Nepal	454	204	658	658	-	(269)	162	551
Netherlands	79,087	86,204	165,291	165,291	-	(97,565)	41,787	109,513
New Zealand	11,938	11,273	23,211	23,211	-	(12,988)	7,092	17,315
Nicaragua	46	51	97	97	-	(58)	98	137
Niger	454	51	505	-	505	(116)	54	443
Nigeria	1,826	2,142	3,968	3,968	-	(2,404)	4,450	6,014
Niue	46	53	99	99	-	(60)	27	66
Norway	27,854	34,635	62,489	62,489	-	(38,636)	22,967	46,820
Oman	1,990	3,571	5,561	5,561	-	(3,857)	2,944	4,648
Pakistan	2,984	2,805	5,789	5,789	-	(3,234)	2,433	4,988
Palau	45	51	96	96	-	(57)	27	66
Panama	454	969	1,423	1,423	-	(1,034)	838	1,227
Papua New Guinea	454	153	607	607	-	(218)	108	497
Paraguay	454	612	1,066	1,066	-	(677)	338	727
Peru	2,984	4,693	7,677	7,677	-	(5,122)	3,485	6,040
Philippines	2,985	4,846	7,831	7,831	-	(5,275)	4,349	6,905
Poland	16,414	23,515	39,929	39,929	-	(25,873)	23,535	37,591
Portugal	13,927	23,974	37,901	37,901	-	(25,975)	11,421	23,347
Qatar	1,990	3,265	5,255	5,255	-	(3,551)	6,666	8,370
Republic of Korea	40,787	91,610	132,397	132,397	-	(97,469)	54,655	89,583
Republic of Moldova	3,979	51	4,030	4,030	-	(623)	98	3,505
Romania	7,461	3,060	10,521	10,521	-	(4,132)	5,396	11,785
Russian Federation	212,391	56,108	268,499	268,499	-	(86,619)	76,912	258,792
Rwanda	45	51	96	96	-	(57)	54	93
Saint Kitts and Nevis	45	51	96	96	-	(57)	27	66
Saint Lucia	454	102	556	556	-	(167)	27	416
Saint Vincent and the Grenadines	45	51	96	-	96	(57)	27	66
Samoa	45	51	96	96	-	(57)	27	66
San Marino	91	153	244	244	-	(166)	81	159

Member State	Working Capital Fund Assessment			Receipts	Balance Out-standing	Transfers to Special Account for a New ERP <sup>19</sup>	Transfers from other funds to WCF	WCF After Transfers
	Original	Increment	Total					
Sao Tome and Principe	45	51	96	-	96	(57)	27	66
Saudi Arabia	35,315	36,369	71,684	71,684	-	(41,442)	28,132	58,374
Senegal	454	255	709	709	-	(320)	145	534
Serbia	1,185	969	2,154	2,154	-	(1,139)	945	1,960
Seychelles	454	102	556	556	-	(167)	27	416
Sierra Leone	45	51	96	-	96	(57)	27	66
Singapore	6,964	19,791	26,755	26,755	-	(20,791)	11,447	17,411
Slovakia	3,979	2,601	6,580	6,580	-	(3,173)	4,435	7,842
Slovenia	3,482	4,183	7,665	7,665	-	(4,683)	2,432	5,414
Solomon Islands	45	51	96	96	-	(57)	27	66
Somalia	45	54	99	-	99	(60)	27	66
South Africa	15,917	14,894	30,811	30,811	-	(17,181)	9,919	23,549
Spain	118,382	128,540	246,922	246,922	-	(145,546)	71,367	172,743
Sri Lanka	454	867	1,321	1,321	-	(932)	778	1,167
Sudan	318	408	726	726	-	(454)	271	543
Suriname	454	51	505	505	-	(116)	142	531
Swaziland	454	102	556	556	-	(167)	64	453
Sweden	61,179	50,906	112,085	112,085	-	(59,695)	25,878	78,268
Switzerland	60,186	61,057	121,243	121,243	-	(69,703)	29,874	81,414
Syrian Arab Republic	1,646	1,945	3,591	3,591	-	(2,181)	770	2,180
Tajikistan	995	51	1,046	1,046	-	(194)	98	950
Thailand	13,333	10,661	23,994	23,994	-	(12,576)	7,341	18,759
The former Yugoslav Republic of Macedonia	454	306	760	760	-	(371)	200	589
Timor-Leste	45	51	96	96	-	(57)	71	110
Togo	454	51	505	505	-	(116)	27	416
Tonga	45	51	96	96	-	(57)	27	66
Trinidad and Tobago	1,492	1,122	2,614	2,614	-	(1,336)	1,019	2,297
Tunisia	1,492	1,632	3,124	3,124	-	(1,846)	838	2,116
Turkey	18,902	18,975	37,877	37,877	-	(21,690)	30,637	46,824
Turkmenistan	1,492	255	1,747	1,747	-	(469)	632	1,910
Tuvalu	45	51	96	96	-	(57)	27	66
Uganda	45	306	351	351	-	(312)	213	252
Ukraine	50,819	1,989	52,808	52,808	-	(9,289)	2,743	46,262
United Arab Emirates	8,115	11,987	20,102	20,102	-	(13,153)	16,234	23,183
United Kingdom of Great Britain and Northern Ireland	264,618	312,527	577,145	577,145	-	(350,541)	127,838	354,442
United Republic of Tanzania	454	306	760	760	-	(371)	261	650
United States of America	1,134,451	1,111,127	2,245,578	2,245,578	-	(1,274,097)	590,219	1,561,700
Uruguay	1,990	2,448	4,438	4,438	-	(2,734)	1,863	3,567
Uzbekistan	6,466	714	7,180	7,180	-	(1,643)	541	6,078
Vanuatu	46	53	99	-	99	(60)	27	66
Venezuela (Bolivarian Republic of)	15,385	8,722	24,107	24,107	-	(10,932)	15,997	29,172
Viet Nam	454	1,071	1,525	1,525	-	(1,136)	1,406	1,795
Yemen	456	306	762	762	-	(372)	271	661
Zambia	91	102	193	193	-	(115)	179	257
Zimbabwe	454	357	811	811	-	(422)	88	477
<b>Total as at 31 December 2017</b>	<b>4,857,693</b>	<b>5,059,305</b>	<b>9,916,998</b>	<b>9,910,241</b>	<b>6,757</b>	<b>(5,757,020)</b>	<b>2,682,809</b>	<b>6,842,787</b>
<b>Total as at 31 December 2016</b>	<b>4,857,693</b>	<b>5,059,305</b>	<b>9,916,998</b>	<b>9,910,241</b>	<b>6,757</b>	<b>(5,757,020)</b>	<b>-</b>	<b>4,159,978</b>

5.8 Budgetary accounts: Statement of expenditure by funding programme and major expenditure category - General Fund  
- (expressed in euros)

(a) For the period ended 31 December 2017:

Funding Programme	Staff Costs	Travel Costs	Contractual Services	Workshops, Seminars and Meetings	General Operating Expenses	Furniture and Equipment	Total Expenditure
Programme 1. Verification	6,541,909	185,248	456,108	-	270,984	846,393	8,300,641
Programme 2. Inspections	14,884,961	3,390,725	1,084,206	-	738,125	616,789	20,714,806
<b>Total verification costs (Chapter 1)</b>	<b>21,426,870</b>	<b>3,575,972</b>	<b>1,540,314</b>	-	<b>1,009,109</b>	<b>1,463,182</b>	<b>29,015,447</b>
Programme 3. International Cooperation and Assistance	2,870,611	3,389,211	481,434	248,358	135,474	456	7,125,544
Programme 4. Support to the Policy-Making Organs	4,042,905	359,234	377,939	-	288,632	-	5,068,711
Programme 5. External Relations	1,538,175	14,598	168,436	-	115,300	4,633	1,841,142
Programme 6. Executive Management	8,168,874	480,105	468,565	-	106,441	229,739	9,453,725
Programme 7. Administration	7,555,934	35,852	1,566,730	-	4,479,239	243,415	13,881,170
<b>Total administrative and other costs (Chapter 2)</b>	<b>24,176,500</b>	<b>4,279,001</b>	<b>3,063,104</b>	<b>248,358</b>	<b>5,125,086</b>	<b>478,242</b>	<b>37,370,291</b>
<b>TOTAL EXPENDITURE</b>	<b>45,603,370</b>	<b>7,854,973</b>	<b>4,603,418</b>	<b>248,358</b>	<b>6,134,195</b>	<b>1,941,424</b>	<b>66,385,738</b>

(b) For the period ended 31 December 2016:

Funding Programme	Staff Costs	Travel Costs	Contractual Services	Workshops, Seminars and Meetings	General Operating Expenses	Furniture and Equipment	Total Expenditure
Programme 1. Verification	6,068,813	115,982	401,088	-	178,556	576,492	7,340,932
Programme 2. Inspections	16,394,695	2,985,261	1,128,298	-	633,008	180,787	21,322,049
<b>Total verification costs (Chapter 1)</b>	<b>22,463,508</b>	<b>3,101,243</b>	<b>1,529,386</b>	-	<b>811,565</b>	<b>757,279</b>	<b>28,662,981</b>
Programme 3. International Cooperation and Assistance	2,908,780	2,792,324	389,322	452,754	118,700	(1,900)	6,659,980
Programme 4. Support to the Policy-Making Organs	3,920,844	256,227	337,489	-	291,900	-	4,806,460
Programme 5. External Relations	1,657,530	14,796	96,156	-	103,943	13,035	1,885,459
Programme 6. Executive Management	7,811,891	393,387	562,722	-	95,847	334,192	9,198,039
Programme 7. Administration	7,361,480	49,958	1,322,774	-	4,417,548	339,585	13,491,345
<b>Total administrative and other costs (Chapter 2)</b>	<b>23,660,525</b>	<b>3,506,692</b>	<b>2,708,463</b>	<b>452,754</b>	<b>5,027,938</b>	<b>684,912</b>	<b>36,041,284</b>
<b>TOTAL EXPENDITURE</b>	<b>46,124,033</b>	<b>6,607,935</b>	<b>4,237,849</b>	<b>452,754</b>	<b>5,839,503</b>	<b>1,442,191</b>	<b>64,704,265</b>

5.9 Budgetary accounts: Statement of budgetary obligations by funding programme and major expenditure category - General Fund  
- (expressed in euros)

(a) For the period ended 31 December 2017:

Funding Programme	Staff Costs	Travel Costs	Contractual Services	Workshops, Seminars and Meetings	General Operating Expenses	Furniture and Equipment	Total Budgetary Obligations
Programme 1. Verification	205,925	22,230	169,805	-	32,305	481,330	911,594
Programme 2. Inspections	215,990	237,816	198,144	-	139,850	429,704	1,221,506
<b>Total verification costs (Chapter 1)</b>	<b>421,915</b>	<b>260,046</b>	<b>367,948</b>	-	<b>172,156</b>	<b>911,034</b>	<b>2,133,100</b>
Programme 3. International Cooperation and Assistance	27,191	555,509	48,097	2,106	56,401	-	689,305
Programme 4. Support to the Policy-Making Organs	60,323	28,728	46,054	-	31,982	-	167,087
Programme 5. External Relations	27,533	-	20,570	-	20,142	-	68,244
Programme 6. Executive Management	179,655	50,722	81,884	-	22,864	108,186	443,310
Programme 7. Administration	201,728	3,543	331,357	-	156,053	173,901	866,583
<b>Total administrative and other costs (Chapter 2)</b>	<b>496,429</b>	<b>638,502</b>	<b>527,963</b>	<b>2,106</b>	<b>287,442</b>	<b>282,087</b>	<b>2,234,530</b>
<b>TOTAL EXPENDITURE</b>	<b>918,345</b>	<b>898,548</b>	<b>895,912</b>	<b>2,106</b>	<b>459,598</b>	<b>1,193,121</b>	<b>4,367,629</b>



(b) For the period ended 31 December 2016:

Funding Programme	Staff Costs	Travel Costs	Contractual Services	Workshops, Seminars and Meetings	General Operating Expenses	Furniture and Equipment	Total Budgetary Obligations
Programme 1. Verification	129,930	6,946	86,078	-	8,910	315,052	546,916
Programme 2. Inspections	476,008	186,108	195,482	-	86,945	7,009	951,551
<b>Total verification costs (Chapter 1)</b>	<b>605,938</b>	<b>193,054</b>	<b>281,560</b>	-	<b>95,855</b>	<b>322,060</b>	<b>1,498,467</b>
Programme 3. International Cooperation and Assistance	77,289	100,947	47,170	41,068	8,264	-	274,738
Programme 4. Support to the Policy-Making Organs	40,590	2,339	7,046	-	36,082	-	86,058
Programme 5. External Relations	44,204	361	10,041	-	1,080	1,936	57,621
Programme 6. Executive Management	105,263	23,879	99,891	-	16,147	300,107	545,286
Programme 7. Administration	102,664	2,587	286,786	-	176,295	226,245	794,576
<b>Total administrative and other costs (Chapter 2)</b>	<b>370,009</b>	<b>130,113</b>	<b>450,933</b>	<b>41,068</b>	<b>237,868</b>	<b>528,288</b>	<b>1,758,279</b>
<b>TOTAL EXPENDITURE</b>	<b>975,947</b>	<b>323,167</b>	<b>732,493</b>	<b>41,068</b>	<b>333,722</b>	<b>850,348</b>	<b>3,256,746</b>

5.10 Budgetary accounts: Statement of budgetary obligations by funding programme and major expenditure category - Special Accounts, Voluntary Fund for Assistance and Trust Funds - (expressed in euros)

(a) For the period ended 31 December 2017:

Fund	Staff Costs	Travel Costs	Contractual Services	Workshops, Seminars and Meetings	General Operating Expenses	Furniture and Equipment	Total Budgetary Obligations
<b>Special Accounts</b>							
Designated laboratories	-	-	-	-	-	-	-
Implementation of a new ERP system	-	63	1,873,783	-	308,142	-	2,181,988
Special fund for special missions	-	23,064	16,993	-	4,451	-	44,508
<b>Subtotal</b>	-	<b>23,127</b>	<b>1,890,776</b>	-	<b>312,593</b>	-	<b>2,226,496</b>
<b>Trust Funds</b>							
Trust fund for EU Council Decision 2015	-	36,677	26,632	-	4,466	-	67,776
Regional seminars	-	52,289	1,500	-	434	-	54,223
Trust fund for Implementation of Article X	-	15,311	1,590	-	2,525	-	19,426
United States voluntary fund	-	-	-	-	-	-	-
Scientific Advisory Board	-	399	-	-	-	-	399
Trust fund for training	-	6,605	500	-	59	-	7,164
OPCW Nobel Prize trust fund	-	1,709	-	-	17	-	1,726
Trust Fund for Syria Missions	11,087	123,828	1,628,907	-	219,381	-	1,983,203
Syria Trust Fund for the Destruction of Chemical Weapons	-	3,115	685,515	58,151	364,061	-	1,110,842
Trust fund for support to Libya	460	12,194	49,579	-	71,505	-	133,738
<b>Subtotal</b>	<b>11,547</b>	<b>252,127</b>	<b>2,394,223</b>	<b>58,151</b>	<b>662,448</b>	-	<b>3,378,496</b>
<b>Grand total</b>	<b>11,547</b>	<b>275,254</b>	<b>4,284,999</b>	<b>58,151</b>	<b>975,041</b>	-	<b>5,604,992</b>

(b) For the period ended 31 December 2016:

Fund	Staff Costs	Travel Costs	Contractual Services	Workshops, Seminars and Meetings	General Operating Expenses	Furniture and Equipment	Total Budgetary Obligations
<b>Special Accounts</b>							
Designated laboratories	-	-	-	-	-	-	-
Implementation of a new ERP system	-	962	69,292	-	141,615	-	211,869
Special fund for special missions	-	-	12,451	-	-	-	12,451
<b>Subtotal</b>	-	<b>962</b>	<b>81,743</b>	-	<b>141,615</b>	-	<b>224,320</b>
<b>Trust Funds</b>							
Trust fund for programme support costs	-	-	6,554	-	-	-	6,554
Trust fund for EU Council Decision 2015	-	10,081	51,908	-	100	154,396	216,485
Regional seminars	-	80,051	9,764	-	2,460	-	92,275
Trust fund for Implementation of Article X	-	21,706	3,460	-	1,038	-	26,204
United States voluntary fund	-	-	2,874	-	-	-	2,874
Trust fund for Implementation of Article VII	-	-	-	-	111	-	111
Scientific Advisory Board	-	8	-	-	-	-	8
Trust fund of Canada for Libya	-	-	-	-	74,173	-	74,173
Trust Fund for Syria Missions	900,037	198,168	1,741,238	-	439,825	-	3,279,268
Syria Trust Fund for the Destruction of Chemical Weapons	313,330	30,079	443,348	-	680,228	384,443	1,851,428
Trust fund for support to Libya	100	2,017	53,869	-	2,481	-	58,466
<b>Subtotal</b>	<b>1,213,467</b>	<b>342,110</b>	<b>2,313,014</b>	-	<b>1,200,416</b>	<b>538,839</b>	<b>5,607,846</b>
<b>Grand total</b>	<b>1,213,467</b>	<b>343,072</b>	<b>2,394,757</b>	-	<b>1,342,031</b>	<b>538,839</b>	<b>5,832,166</b>

5.11 Budgetary accounts: Statement of savings on prior year's obligations - General Fund  
(expressed in euros)

(a) For the period ended 31 December 2017

<b>Funding Programme</b>	<b>Unliquidated Obligations as at End of 2016</b>	<b>Disbursements During 2017</b>	<b>Savings on Prior Year's Obligations</b>
Programme 1. Verification	546,916	435,468	<b>112,417</b>
Programme 2. Inspections	951,551	603,120	<b>345,845</b>
<b>Total verification costs (Chapter 1)</b>	<b>1,498,467</b>	<b>1,038,588</b>	<b>458,262</b>
Programme 3. International Cooperation and Assistance	274,738	215,202	<b>59,537</b>
Programme 4. Support to the Policy-Making Organs	86,058	46,141	<b>39,916</b>
Programme 5. External Relations	57,621	23,272	<b>34,406</b>
Programme 6. Executive Management	545,286	491,268	<b>54,523</b>
Programme 7. Administration	794,576	574,636	<b>226,332</b>
<b>Total administrative and other costs (Chapter 2)</b>	<b>1,758,279</b>	<b>1,350,519</b>	<b>414,714</b>
<b>TOTAL</b>	<b>3,256,746</b>	<b>2,389,107</b>	<b>872,976</b>

(b) For the period ended 31 December 2016

<b>Funding Programme</b>	<b>Unliquidated Obligations as at End of 2015</b>	<b>Disbursements During 2016</b>	<b>Savings on Prior Year's Obligations</b>
Programme 1. Verification	229,335	182,397	<b>46,939</b>
Programme 2. Inspections	1,189,741	821,564	<b>368,177</b>
<b>Total verification costs (Chapter 1)</b>	<b>1,419,076</b>	<b>1,003,961</b>	<b>415,115</b>
Programme 3. International Cooperation and Assistance	384,080	285,042	<b>99,038</b>
Programme 4. Support to the Policy-Making Organs	135,322	86,079	<b>49,242</b>
Programme 5. External Relations	17,442	10,688	<b>6,755</b>
Programme 6. Executive Management	306,108	233,728	<b>72,380</b>
Programme 7. Administration	425,603	347,949	<b>77,654</b>
<b>Total administrative and other costs (Chapter 2)</b>	<b>1,268,555</b>	<b>963,487</b>	<b>305,068</b>
<b>TOTAL</b>	<b>2,687,631</b>	<b>1,967,448</b>	<b>720,183</b>

5.12 Budgetary accounts: Statement of savings on prior year's obligations - Trust Funds, Special Accounts and Voluntary Fund for Assistance (expressed in euros)

(a) For the period ended 31 December 2017

Funding Programme	Unliquidated Obligations as at End of 2016	Disbursements During 2017	Savings on Prior Year's Obligations
Special account for the implementation of a new ERP system	204,990	92,239	112,751
Special fund for OPCW special missions	12,448	4,408	8,040.52
<b>Total special accounts and Voluntary Fund for Assistance</b>	<b>217,438</b>	<b>96,646</b>	<b>120,791</b>
Trust fund for regional seminars	92,275	77,654	14,621
Trust fund for Implementation of Article X	26,204	22,034	4,169
European Union support for OPCW activities 2015	216,485	59,434	157,051
United States voluntary trust fund	2,874	2,810	63
Trust fund for Implementation of Article VII	111	32	79
Trust Fund of Canada for Libya	74,173	-	74,173
Trust fund for the Scientific Advisory Board	8	5	3
Trust fund for Syria Missions	3,406,501	3,214,870	191,631
Syria Trust Fund for the Destruction of Chemical Weapons	1,851,428	766,009	137,692
Trust fund for support to Libya	58,466	47,336	11,131
Trust fund for programme support costs	6,554	6,084	470
<b>Total trust funds</b>	<b>5,735,079</b>	<b>4,196,269</b>	<b>591,083</b>

(b) For the period ended 31 December 2016

Funding Programme	Unliquidated Obligations as at End of 2015	Disbursements During 2016	Savings on Prior Year's Obligations
OPCW Equipment Store	21,348	-	21,348
Special account for the implementation of a new ERP system	24,767	17,927	(38)
Special fund for OPCW special missions	66,901	9,363	57,534.98
<b>Total special accounts and Voluntary Fund for Assistance</b>	<b>113,016</b>	<b>27,290</b>	<b>78,844</b>
Trust fund for regional seminars	20,011	13,920	6,091
European Union support for OPCW activities 2012	51,366	44,497	6,869
United States voluntary trust fund	45	-	45
Trust Fund of Canada for Libya	1,939,651	1,835,567	29,912
Trust fund for the Scientific Advisory Board	1,928	1,935	(7)
Trust Fund for the International Support Network for Victims of Chemical Weapons	20	19	1
Syria trust fund for the destruction of chemical weapons	24,997,627	23,817,794	70,902
Trust fund for programme support costs	5,963	5,963	-
OPCW Nobel Peace Prize trust fund	2,410	2,262	149
<b>Total trust funds</b>	<b>27,019,021</b>	<b>25,721,957</b>	<b>113,962</b>

5.13 Budgetary accounts: Statement of cash surpluses credited to Member States - General Fund  
 - During the period ended 31 December 2017 (expressed in euros)

Member State	Cash Surpluses Applied During 2017		Total
	2011	1993-2010	
Grenada	-	4	<b>4</b>
Maldives	16	4	<b>20</b>
Micronesia (Federated States of)	-	88	<b>88</b>
Nicaragua	49	-	<b>49</b>
Paraguay	113	354	<b>467</b>
<b>TOTAL</b>	<b>178</b>	<b>450</b>	<b>628</b>

- (a) At its Nineteenth Session, the Conference (C-19/DEC.9, dated 3 December 2014) approved the suspension by States Parties, on an exceptional basis, of the application of Financial Regulation 6.3 of the OPCW with regard to the allocation of the EUR 2,152,063 cash surplus for 2012 among States Parties, and approved the transfer of the cash surplus for 2012 to a special ERP fund to be established for the purpose of implementation of a new ERP system.
- (b) At its Twentieth Session, the Conference (C-20/DEC.11) approved the suspension by States Parties, on an exceptional basis, of the application of Financial Regulation 6.3 of the OPCW with regard to the allocation of the EUR 1,530,991 cash surplus for 2013 among States Parties, and approved the transfer of the cash surplus for 2013 to a special fund for OPCW special missions.
- (c) In the 2015 Financial Statements (EC-83/DG.1 C-21/DG.5, dated 8 August 2016), the OPCW reported a final cash deficit for 2014 of EUR 680,232.
- (d) At its Twenty-Second Session, the Conference (C-22/DEC.7) approved the suspension by States Parties, on an exceptional basis, of the application of OPCW Financial Regulation 6.3 with regard to the allocation of the 2015 cash surplus among States Parties, and approved the use of a portion of the 2015 cash surplus in the amount of EUR 680,232 to liquidate the 2014 cash deficit, another portion in amount of EUR 309,360 to be transferred to the special fund for the Fourth Review Conference in 2018, and the remaining portion of EUR 1,000,309 to be transferred to the Working Capital Fund.
- (e) No cash surpluses relating to 2012, 2013 or 2015 were therefore applied in 2017.

5.14 Budgetary accounts: Reimbursements for inspections invoiced under Articles IV and V of the Chemical Weapons Convention  
- As at 31 December 2017 (expressed in euros)

(a) General Fund:

Member State	Total Outstanding 1997-2016	2017 Article IV and V Contributions			Total Balance Outstanding 1997-2017	Income Accrued	Total	Overpayment	2017 Income	
		Invoiced	Receipts	Balance Outstanding					Invoiced in 2017	Income Accrued
France	-	-	-	-	-	-	-	1,691	-	-
Iraq	-	-	-	-	-	27,422	27,422	-	-	27,422
Libya	466,994	-	-	-	466,994	-	466,994	-	-	-
Russian Federation	-	480,429	308,903	171,526	171,526	-	171,526	-	480,429	-
Syrian Arab Republic	4,012,865	190,181	-	190,181	4,203,046	19,361	4,222,407	-	190,181	209,542
United States of America	-	775,936	150,423	625,513	625,513	87,814	713,327	-	775,936	863,750
<b>Total as at 31 December 2017</b>	<b>4,479,859</b>	<b>1,446,546</b>	<b>459,326</b>	<b>987,220</b>	<b>5,467,079</b>	<b>134,597</b>	<b>5,601,676</b>	<b>1,691</b>	<b>1,446,546</b>	<b>1,581,143</b>
<b>Total as at 31 December 2016</b>	<b>4,423,571</b>	<b>1,085,989</b>	<b>505,820</b>	<b>580,169</b>	<b>5,003,740</b>	<b>48,777</b>	<b>5,052,517</b>	<b>1,691</b>	<b>1,085,989</b>	<b>1,134,766</b>

(b) Trust Funds:

Member State	Total Outstanding 1997-2016	2017 Articles IV and V Contributions			Total Balance Outstanding 1997-2017	Income Accrued	Total	Overpayment	2017 Income	
		Invoiced*	Receipts	Balance Outstanding					Invoiced in 2017	Income Accrued
Libya	465,525	-	-	-	465,525	-	465,525	-	-	-
Syrian Arab Republic	247,869	100,498	-	100,498	348,367	16,697	365,064	-	100,498	117,195
<b>Total as at 31 December 2017</b>	<b>713,394</b>	<b>100,498</b>	<b>-</b>	<b>100,498</b>	<b>813,892</b>	<b>16,697</b>	<b>830,589</b>	<b>-</b>	<b>100,498</b>	<b>117,195</b>
<b>Total as at 31 December 2016</b>	<b>465,525</b>	<b>232,658</b>	<b>-</b>	<b>232,658</b>	<b>698,183</b>	<b>15,211</b>	<b>713,394</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* The amount shown as invoiced under the trust funds table is held as a liability refundable to donors.

5.15 Voluntary contributions by donors (expressed in euros)

<b>Donor</b>	<b>2017<sup>21</sup></b>
<b><u>Regional Seminars</u></b>	
China	37,757
Republic of Korea	77,152
Qatar	62,468
<b>Subtotal</b>	<b>177,377</b>
<b><u>Implementation of Article X</u></b>	
Czech Republic	13,081
Canada	66,000
<b>Subtotal</b>	<b>79,081</b>
<b><u>Trust Fund for EU Council Decision 2015</u></b>	
European Union (EU)	393,180
<b>Subtotal</b>	<b>393,180</b>
<b><u>Trust Fund for the International Support Network for Victims of Chemical Weapons</u></b>	
Andorra	4,983
Republic of Korea	67,509
Spain	10,000
<b>Subtotal</b>	<b>82,492</b>
<b><u>NGO Participation in OPCW Events</u></b>	
Netherlands	26,000
<b>Subtotal</b>	<b>26,000</b>
<b><u>Trust Fund for Syria Missions</u></b>	
Canada	1,689,189
Chile	13,304
France	240,000
Germany	600,000
Monaco	10,000
New Zealand	100,000
United Kingdom of Great Britain and Northern Ireland	57,392
United States of America	5,278,400
<b>Subtotal</b>	<b>7,988,285</b>

<sup>21</sup> The following contributions were received in 2017 and deferred to 2018:

<b>Regional seminars:</b>	
China	EUR 16,880
Qatar	EUR 50,000
<b>Total</b>	<b>EUR 66,880</b>
<b>Trust Fund for Syria Missions:</b>	
France	EUR 240,000
Sweden	EUR 99,913
United Kingdom	EUR 123,876
<b>Total</b>	<b>EUR 463,789</b>



<b>Donor</b>	<b>2017</b>
<b><u>Trust Fund for Support to Iraq</u></b>	
Canada	119,984
<b>Subtotal</b>	<b>119,984</b>
<b><u>Trust Fund for Support to Libya</u></b>	
Spain	20,000
<b>Subtotal</b>	<b>20,000</b>
<b><u>Syria trust fund for the destruction of chemical weapons</u></b>	
Germany	735,000
<b>Subtotal</b>	<b>735,000</b>
<b>Total Trust Funds</b>	<b>9,771,399</b>

## 6. EX-GRATIA PAYMENTS

No ex-gratia payments were made by the OPCW during the reporting period (2016: EUR 5,000).

## 7. STATEMENT OF LOSSES (FINANCIAL REGULATION 11.1(E))

During the 2017 financial year the following items have been written off based on proposals by the Secretariat approved by the Conference (C-22/DEC.9, dated 30 November 2017):

- (a) irrecoverable accounts receivables of EUR 4,551;
- (b) irrecoverable foreign VAT of EUR 8,689; and
- (c) five items of non-expendable assets totalling EUR 1,588.

In addition, the OPCW Property Survey Board recommended during 2017 the write-off of further assets as losses.

**Annex 2**

**FINANCIAL STATEMENTS  
OF THE PROVIDENT FUND  
OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS  
(OPCW)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**Statement by the Management Board of the Provident Fund of the OPCW**

The Management Board of the Provident Fund believes that the attached financial statements of the Provident Fund of the OPCW for the year ended 31 December 2017 are presented according to the requirements of:

- the *Charter and Administrative Rules of the Provident Fund of the OPCW*, including Article 11;
- the *OPCW Financial Regulations and Rules*, as applicable; and
- the *International Public Sector Accounting Standards (IPSAS)*.

It is the Board's opinion that the financial statements present a view that is consistent with its understanding of the Provident Fund's financial position as at 31 December 2017, financial performance, and cash flows for the year then ended.

The Hague, 22 May 2018

[Signed]

Hamid Ali Rao  
Chairperson, Management  
Board of the Provident Fund

**FINANCIAL STATEMENTS  
OF THE PROVIDENT FUND  
OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**THE PROVIDENT FUND OF THE OPCW**

**STATEMENT I**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**  
(expressed in euro '000s)

	Notes	2017	2016
<b>Assets</b>			
<b>Current assets</b>			
Investments	6	447	455
Accounts receivable	7	-	-
Cash and cash equivalents	8	57,943	55,730
<b>Total current assets</b>		<b>58,390</b>	<b>56,185</b>
<b>Total assets</b>		<b>58,390</b>	<b>56,185</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	9	2,993	4,940
<b>Total current liabilities</b>		<b>2,993</b>	<b>4,940</b>
<b>Total liabilities</b>		<b>2,993</b>	<b>4,940</b>
<b>Net assets</b>		<b>55,397</b>	<b>51,245</b>
<b>Net assets/equity</b>			
Participants' capital accounts	11.1	55,306	51,154
Special reserves	11.2	80	80
Accumulated surplus/(deficit)	11.3	11	11
<b>Total net assets/equity</b>		<b>55,397</b>	<b>51,245</b>

**THE PROVIDENT FUND OF THE OPCW**

**STATEMENT II**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**  
(expressed in euro '000s)

	Notes	2017	2016
<b>Revenue</b>			
Interest income on Participants' capital accounts	12	423	621
Gain on changes in fair value of investments	6, 13	43	22
<b>Total revenue</b>		<b>466</b>	<b>643</b>
<b>Expenses</b>			
Bank charges	14.1	-	-
Loss on changes in fair value of investments	14.2	-	3
<b>Total expenses</b>		<b>-</b>	<b>3</b>
<b>Net finance income/(cost)</b>	15	<b>(23)</b>	<b>9</b>
<b>Net surplus/(deficit) for the period</b>		<b>443</b>	<b>649</b>
<b>Net surplus/(deficit) for the period</b>			
Attributable to Participants of the Provident Fund		443	649
Attributable to special reserve		-	-
Accumulated surplus/(deficit)		-	-
		<b>443</b>	<b>649</b>

**THE PROVIDENT FUND OF THE OPCW**  
**STATEMENT III**  
**STATEMENT OF CHANGES IN NET ASSETS/EQUITY**  
(expressed in euro '000s)

	For the Year Ended 31 December 2017			For the Year Ended 31 December 2016				
	Participants' Capital Accounts	Special Reserve	Accumulated Surplus/ (Deficit)	Total Net Assets/ Equity	Participants' Capital Accounts	Special Reserve	Accumulated Surplus/ (Deficit)	Total Net Assets/ Equity
<b>Balance at 1 January</b>	<b>51,154</b>	<b>80</b>	<b>11</b>	<b>51,245</b>	<b>52,226</b>	<b>63</b>	<b>11</b>	<b>52,300</b>
Changes recognised in net assets/equity:								
Add: Current year contributions <sup>22</sup>	10,586	-	-	10,586	10,349	-	-	10,349
Deduct: Payouts <sup>23</sup>	(6,877)	-	-	(6,877)	(12,070)	-	-	(12,070)
Other adjustments to net assets/equity:								
Transfer balances underpaid leavers to Special Reserve	-	-	-	-	-	17	-	17
<b>Subtotal</b>	<b>3,709</b>	<b>-</b>	<b>-</b>	<b>3,709</b>	<b>(1,721)</b>	<b>17</b>	<b>-</b>	<b>(1,704)</b>
Surplus/(deficit) for the period	443	-	-	443	649	-	-	649
<b>Total recognised revenue and expense for the period</b>	<b>443</b>	<b>-</b>	<b>-</b>	<b>443</b>	<b>649</b>	<b>-</b>	<b>-</b>	<b>649</b>
<b>Balance at 31 December</b>	<b>55,306</b>	<b>80</b>	<b>11</b>	<b>55,397</b>	<b>51,154</b>	<b>80</b>	<b>11</b>	<b>51,245</b>

<sup>22</sup>

Contributions include transfers from the United Nations Joint Staff Pension Fund (UNJSPF). In 2017 there were no transfers from the UNJSPF (2016: 1).

<sup>23</sup>

Payouts include payout requests outstanding at 31 December and transfers to the UNJSPF. In 2017 there were three transfers to the UNJSPF (2016: 1).

**THE PROVIDENT FUND OF THE OPCW**

**STATEMENT IV**

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

(expressed in euro '000s)

	Notes	2017	2016
<b>Cash from operating activities</b>			
Net surplus/(deficit) for the period		443	649
<b>Non-cash movements</b>			
Increase / (decrease) in accounts payable	9	(1,947)	(1,590)
Reclassification of net assets/equity to liability	9	1,947	1,590
Unrealised currency exchange loss/gain on cash and cash equivalents		11	(4)
Currency exchange gain/loss on investments		13	(5)
(Gain)/loss on changes in fair value of investments	6, 13, 14.2	(43)	(19)
<b>Net cash flows from operating activities</b>		<b>424</b>	<b>621</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments	6	38	105
<b>Net cash flows from investing activities</b>		<b>38</b>	<b>105</b>
<b>Cash flows from financing activities</b>			
Participants' contributions		10,586	10,349
Payouts to separated Participants		(8,824)	(13,643)
<b>Net cash flows from financing activities</b>		<b>1,762</b>	<b>(3,294)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>2,224</b>	<b>(2,568)</b>
Unrealised currency exchange loss/gain on cash and cash equivalents		(11)	4
Cash and cash equivalents at beginning of the period		55,730	58,294
<b>Cash and cash equivalents at end of the period</b>		<b>57,943</b>	<b>55,730</b>

**ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS  
OF THE PROVIDENT FUND OF  
THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS  
(OPCW)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**1. REPORTING ENTITY**

- 1.1 The Provident Fund of the Organisation for the Prohibition of Chemical Weapons (hereinafter “the Provident Fund”) was established in June 1997 under the authority of the Director-General of the OPCW for the staff members of the Secretariat of the OPCW, and as provided for in Article VI of the Staff Regulations. The Provident Fund Management Board comprises six members and is chaired by the Deputy Director-General of the OPCW. The Board meets at least quarterly.
- 1.2 The object and purpose of the Provident Fund is to be an instrument of social security for staff members of the OPCW holding a fixed-term appointment. The Board administers resources, which are entrusted to the Provident Fund by eligible staff members and by the OPCW for the benefit of the participating eligible staff members (hereinafter “Participants”). This involves investing the resources as shall be determined from time to time in accordance with established investment policies and guidelines, and returning resources and income earned thereon to such Participants upon the termination of their employment with the OPCW.
- 1.3 The continued existence of the Provident Fund in its present form is dependent on the existence of the OPCW.
- 1.4 There are no controlling or controlled entities to the Provident Fund.
- 1.5 The accounts of the Provident Fund are maintained in accordance with the Charter and Administrative Rules of the Provident Fund, and the relevant OPCW Financial Regulations and Rules.
- 1.6 Upon separation from the OPCW, Participants’ accumulated Provident Fund balances become due for payment. Upon Participants’ requests and approval of the Board the Provident Fund balances of the separating Participants can be retained with the Provident Fund up to a period of one year unless they join a United Nations Joint Staff Pension Fund (UNJSPF) member organisation and opt to transfer their contribution to the UNJSPF, in which case their Provident Fund can be retained for up to two years. Once the Provident Fund balances become due for payment, (following receipt of a valid payout request from Participants), they are recognised as a liability (note 9).

**2. BASIS OF PREPARATION**

- 2.1 The financial statements of the Provident Fund have been prepared on an accrual and going-concern basis and comply with the requirements of IPSAS. Where IPSAS is silent concerning any specific standard, the appropriate International Financial Reporting Standards (IFRS) have been applied.



2.2 The accounting policies set out below have been applied consistently in the preparation and presentation of these financial statements.

2.3 The financial statements are presented in euros, rounded to the nearest thousand euros, and cover the calendar year ended 31 December 2017.

### 3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The objective of these financial statements is to provide information about the financial position, performance and cash flows of the Provident Fund to demonstrate the accountability of the Provident Fund for the resources entrusted to it by Participants and the OPCW and to facilitate decision making by Participants and the Board.

#### Foreign currency translation

3.2 The following exchange rates have the most significant impact on the preparation of these financial statements:

Period	USD/EUR	Period	USD/EUR
31 December 2017	0.837	31 December 2016	0.956
Average 12 months	0.891	Average 12 months	0.903

(a) Functional and presentation currency:

Items included in the financial statements are measured using the currency of the primary economic environment in which the Provident Fund operates, the functional currency, which is euros. Assets held in US dollars are converted to euros at the exchange rate of 31 December 2017. Currency gains/losses are recognised in the statement of financial performance throughout the year at the exchange rate applicable at the time of the transactions.

(b) Transactions and balances:

Foreign currency transactions are translated into the functional currency using the United Nations Operational Rate of Exchange (UNORE) prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance. Year-end balances of monetary assets and liabilities denominated in foreign currencies are converted into euros on the basis of the exchange rates applicable on 31 December 2017.

### **Cash and cash equivalents**

- 3.3 Cash and cash equivalents include current and savings deposits held at call with the ABN AMRO Bank. The Provident Fund is prohibited from having any bank overdrafts and accordingly does not have any bank overdrafts.

### **Financial assets**

#### Classification

- 3.4 The Provident Fund classifies its financial assets into the following categories: financial assets at fair value through surplus or deficit (such as investments in UBS units), and receivables. The classification depends on the purpose for which the financial assets were acquired. The classification of the financial assets is determined at initial recognition and re-evaluated at each reporting date.

#### Recognition and measurement

- 3.5 Purchases and sales of financial assets at fair value through surplus or deficit are recognised on the trade date and are initially recognised at fair value (usually the transaction price). Transaction costs are expensed in the statement of financial performance. Receivables are initially recognised at fair value plus transaction costs.

#### Subsequent measurement

- 3.6 Financial assets at fair value through surplus or deficit are subsequently carried at fair value. Receivables are carried at amortised cost using the effective interest method.
- 3.7 Gains and losses arising from changes in the fair value of the financial assets at fair value through surplus or deficit are included in the statement of financial performance in the period in which they arise.
- 3.8 Translation differences arising on monetary items are recognised in the statement of financial performance.

#### Impairment

- 3.9 All financial assets except those measured at fair value through surplus or deficit are subject to review for impairment. If there is objective evidence of an impairment loss on receivables, the carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of financial performance.

### **Financial liabilities**

- 3.10 Financial liabilities are recognised initially at fair value. Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## **Tax**

- 3.11 The Provident Fund as an affiliate of the OPCW enjoys the same privileged tax-exemption as the OPCW. As such, all contributions to the Participants' Provident Fund and interest income and gains on investments are exempt from all direct taxation. Any tax obligations of the Participants upon final settlement of their accumulated Provident Fund balances are borne by Participants themselves.

## **Revenue recognition**

### Revenue from exchange transactions

- 3.12 The Provident Fund's major categories of exchange revenue are interest income and gains on changes in fair value of the UBS investments.
- 3.13 Revenue for interest income is recognised on a time-proportion basis using the effective interest method.

### Revenue from non-exchange transactions

- 3.14 The Provident Fund's sole source of non-exchange revenue is the OPCW's contribution to the Provident Fund of employees who separate from the OPCW, for reasons other than health, before completing the minimum three months of service. The Provident Fund recognises full amounts of such inflows as revenue since no corresponding liabilities exist and the Provident Fund gains control of the received cash resources for its own use (see also note 11.2).
- 3.15 Non-exchange revenue represents transactions in which the Provident Fund receives value from another entity without providing approximately equal value to another entity in exchange, and is measured at the amount of the increase in net assets recognised by the Provident Fund. Services in kind are not recognised (see note 16).

## **Expenses**

- 3.16 Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets/equity, other than those relating to distributions to owners. Expenses are aggregated on the face of the statement of financial performance according to their nature.

## **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

- 4.1 In accordance with IPSAS and generally accepted accounting principles, the financial statements include amounts based on estimates and assumptions. The Provident Fund Management Board is responsible for estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

### **Receivables: Determination of impairment**

- 4.2 The Provident Fund's receivables are required to be reviewed at the end of each reporting period for impairment and indications of uncollectibility. The Provident Fund makes an estimate of the amount of receivables that it is not able to recover based on prior payment history and expectations of future amounts it expects to recover from these receivables. No impairment has been recognised in the financial statements of the Provident Fund as at 31 December 2017.

## **5. FINANCIAL RISK MANAGEMENT**

### **Financial risk factors**

- 5.1 The Provident Fund's activities expose it to a variety of financial risks such as market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Provident Fund's overall risk management programme is carried out pursuant to its investment policy proposed by the Board and approved by the Participants. The major objectives that the investment policy of the Provident Fund targets, are capital preservation, minimum risk, sufficient liquidity, and simplicity. The investment policy also identifies the Pension Services Division of the ABN AMRO Bank (hereinafter "ABN AMRO") as the party designated to provide investment and administration services to the Provident Fund.
- 5.2 The Provident Fund Management Board monitors the performance of ABN AMRO in respect of the stated investment and administrative services based on a Service Level Agreement setting out specific parameters to gauge the performance. The Annual General Meetings of Participants also receive reports on the overall performance of the Provident Fund's financial resources under ABN AMRO's administration. The Annual General Meeting takes important decisions on any changes to the investment policies of the Provident Fund. Special General Meetings may also take place to deal with specific issues. The Provident Fund does not enter into hedging activities and does not use derivative financial instruments.

### **Market risk: Foreign exchange risk**

- 5.3 Foreign exchange risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Provident Fund operates mainly in euros. Portions of the Provident Fund of some Participants are held in US dollars. Therefore, exposure to foreign exchange risk also exists to the extent of these US dollars holdings. Foreign exchange risk of the Provident Fund is attributed to the specific Participants that are party to the transaction embodying the risk and any ensuing loss is borne by these Participants.
- 5.4 US-dollar denominated balances represent a low proportion of total assets of the Provident Fund, and hence the foreign exchange risk is deemed to be low. At 31 December 2017, if the euro had weakened/strengthened by 10% against the US dollar, the net deficit for the year would have been EUR 16 thousand higher/lower mainly as a result of foreign exchange gains/losses on revaluation of Participants'

US dollar denominated Provident Fund balances (including UBS units) and other US dollars cash accounts of the Provident Fund.

**Market risk: Interest-rate risk**

- 5.5 Interest-rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- 5.6 The Provident Fund does not guarantee an interest rate to Participants and hence does not bear the interest rate risk. Interest rates applicable in the reporting period are as follows:

	2017		2016	
	for EUR accounts	for USD accounts	for EUR accounts	for USD accounts
Average interest rate	0.74%	0.15%	1.18%	0.00%
Interest rate at 31 December	0.65%	0.36%	0.85%	0.00%

**Market risk: Other price risk**

- 5.7 Other price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. Some Participants of the Provident Fund currently have portions of their Provident Fund balances in UBS investments. The values of these investments fluctuate depending on the movement in the market price of the relevant UBS investment units.

**Credit risk**

- 5.8 Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents with banks and financial institutions. The Provident Fund Management Board, with the agreement of the Participants, determines the financial institutions with which the responsibilities for maintaining and administering the Provident Fund's resources are to be entrusted based on the investment policy of capital preservation. The majority of the Participants' Provident Fund balances (99%) as at the reporting date are maintained in ABN AMRO savings accounts. As at 31 December 2017, ABN AMRO was 56.3% owned by the Dutch Government (2016: 70%). The Provident Fund and other account balances are covered by Deposit Guarantee Scheme, which provides for reimbursement of EUR 100 thousand against the cumulative balance of an individual Participant in all ABN AMRO accounts held by her/him. The Deposit Guarantee Scheme enters into force once a bank facing problems is no longer able to pay customer's credit balances. Information regarding the credit quality of the banks and financial institutions in which the Provident Fund's cash and cash equivalents and investments are held as of the reporting date is as follows (Moody's Global Short-Term Treasury ratings referenced):

#### ABN AMRO

Moody's Investors Service Ratings	Rating*
Short-term credit rating	P-1

#### UBS AG

Moody's Investors Service Ratings	Rating*
Short-term issuer level rating	P-1

\*Issuers (or supporting institutions) rated Prime-1 (P-1) have a superior ability to repay short-term debt obligations.

#### Liquidity risk

- 5.9 Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Provident Fund's obligations to make payments predominantly relates to settlement of accumulated Provident Fund balances of outgoing Participants. Liquidity risk arises in that the Provident Fund may encounter difficulties in meeting these obligations. Since the Provident Fund's cash resources are held in savings accounts and UBS investments that are readily convertible into cash, the liquidity risk faced by the Provident Fund is almost nil.
- 5.10 The table below analyses the Provident Fund's financial liabilities into relevant maturity groupings based on their contractual undiscounted cash flows:

(expressed in euro '000s)	Less than 1 Year	1 to 5 Years	5 to 10 Years	Beyond 10 Years	Undefined Maturity	Total
Accounts payable	2,993	-	-	-	-	2,993
<b>Total financial liabilities</b>	<b>2,993</b>	-	-	-	-	<b>2,993</b>

- 5.11 As detailed in Note 9, accounts payable represent payouts requested by Participants that remain unpaid as at the reporting date. Furthermore, payouts to the majority of Professional and higher staff who have not yet requested a payout will be made over a period of one to seven years, due to the tenure policy of the OPCW. Payouts to General Service staff may be made over a longer time period.

#### Capital risk management

- 5.12 The majority of the Provident Fund's resources flow to the entity in the form of Provident Fund contributions by Participants and the OPCW and these resources are held in separate accounts for each Participant. The OPCW provides the necessary facilities and human resources for the internal management and administration of the Provident Fund. Therefore, it does not incur costs requiring continuous flow of resources for the day-to-day administrative operations. Although any unforeseen resource requirements of amounts are to be met from the existing 'Special Reserve' balance, which is sourced from inflows relating to matching contributions of the OPCW against Participants who are separated from the Organisation before completing the minimum service period of three months, the timing and amount of such inflows are not under the control of the Provident Fund. The Provident Fund is prohibited from obtaining debt financing.

### **Fair value estimation**

- 5.13 The determination of the fair value of the Provident Fund's financial instruments matches the carrying value except for the UBS investments that are valued based on market prices. The Provident Fund's receivables are recognised at net recoverable amount and the cash and cash equivalents are recognised at fair value. Financial liabilities of the Provident Fund generally do not extend for a significant period beyond one year and are not discounted.

## **6. INVESTMENTS**

- 6.1 The Provident Fund has investments with UBS and these are designated as financial assets at fair value through surplus or deficit since such designation is deemed to result in more relevant information. The UBS investments are managed and their performances are evaluated on a fair value basis, in accordance with the risk management on investment strategy as stipulated in the Provident Fund's investment policies. Information about the performance of the investments is provided internally to the Board and to Participants.
- 6.2 Participants' Provident Fund balances held in UBS units are recognised as investments at fair value based on the market price. The movements in these investments during the financial year are shown in the table below.

Investments (expressed in euro '000s)	Yield (USD)		Balanced (USD)		Growth (USD)		Yield (EUR)		Balanced (EUR)		Growth (EUR)		Total	
	Units Held	In EUR	Units Held	In EUR	Units Held	In EUR	Units Held	In EUR	Units Held	In EUR	Units Held	In EUR	Units Held	In EUR
<b>Balance as at 31 December 2016</b>	179	20	689	74	145	16	234	26	2,290	261	495	58	455	
Total gains/loss in surplus/(deficit)														
- realised capital gain	-	-	-	-	-	1	-	-	-	-	-	-	1	
- realised capital loss	-	-	-	-	-	-	-	-	-	-	-	-	-	
- unrealised capital gain	-	2	-	8	-	1	-	2	-	23	-	6	42	
- unrealised capital loss	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Subtotal</b>	-	2	-	8	-	2	-	2	-	23	-	6	43	
- realised currency exchange gain	-	-	-	-	-	-	-	-	-	-	-	-	-	
- unrealised currency exchange loss	-	(3)	-	(9)	-	(1)	-	-	-	-	-	-	(13)	
<b>Total</b>	-	(1)	-	(1)	-	1	-	2	-	23	-	6	30	
Add: Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-	
Deduct: Redemptions	-	-	99	11	85	9	-	-	80	9	70	9	38	
<b>Balance as at 31 December 2017</b>	179	19	590	62	60	8	234	28	2,210	275	425	55	447	



## 7. ACCOUNTS RECEIVABLE

The receivable amount of EUR 0.1 thousand as at 31 December 2017 (2016: EUR 0.1 thousand) represents an amount due to the Provident Fund from the OPCW.

## 8. CASH AND CASH EQUIVALENTS

8.1 The breakdown of cash and cash equivalents into unrestricted and restricted categories is presented as follows:

	<b>(expressed in euro '000s)</b>	
	<b>2017</b>	<b>2016</b>
<b>Unrestricted</b>		
Interest-bearing current accounts in EUR	89	1,385
Interest-bearing current accounts in USD	1	1
<b>Total unrestricted</b>	<b>90</b>	<b>1,386</b>
<b>Restricted</b>		
Interest-bearing current and savings accounts in EUR	57,781	54,255
Interest-bearing current and savings accounts in USD	72	89
<b>Total restricted</b>	<b>57,853</b>	<b>54,344</b>
<b>Total cash and cash equivalents</b>	<b>57,943</b>	<b>55,730</b>

8.2 Participants' capital represent accumulated Provident Fund balances of Participants maintained in Provident Fund accounts designated as A, B and C for Participants' own contributions, OPCW matching contributions and Participants' voluntary contributions. These contributions are payable only to Participants and are not available for use by the Provident Fund for any other purpose. In case of Participants' capital held in A and B accounts, payments are made to Participants only upon their separation from the OPCW. In case of Participants' capital held in C accounts, payments can be made only to Participants in June and December upon their requests. The breakdown of cash and cash equivalents into these categories is presented as follows:

	<b>(expressed in euro</b>	
<b>Interest-bearing current and savings accounts in EUR</b>	<b>2017</b>	<b>2016</b>
Participants' contributions (A accounts)	15,506	14,260
OPCW's contributions (B accounts)	31,012	28,521
Participants' contributions (A+B) before 17 December	9,603	9,940
Participants' voluntary contributions (C accounts)	1,660	1,534
<b>Total</b>	<b>57,781</b>	<b>54,255</b>

## 9. ACCOUNTS PAYABLE

9.1 The breakdown of accounts payable between amounts payable to separating and former Participants is as follows:

	<b>(expressed in euro '000s)</b>	
	<b>2017</b>	<b>2016</b>
Amounts payable to separating Participants	2,993	4,940
Amounts payable to former Participants	-	-
<b>Total</b>	<b>2,993</b>	<b>4,940</b>

### Amounts payable to separating Participants

9.2 Participants may request payout from the Provident Fund up to three months prior to separation. Amounts payable to separating Participants represent payouts requested by Participants that remain unpaid as at the reporting date.

### Amounts payable to former Participants

9.3 Amounts payable to former Participants represent amounts, including compound interest, payable to underpaid former Participants who left the Organisation in the years 2001 to 2009. In 2016 the Board approved the transfer of the balances payable to the remaining underpaid former Participants to the Special Reserve, as attempts to contact these former Participants had been unsuccessful.

	<b>(expressed in euro '000s)</b>	
	<b>2017</b>	<b>2016</b>
<b>Accounts payable to former Participants</b>		
<b>Opening balance</b>	-	<b>18</b>
Amounts paid to former Participants in 2017	-	(1)
Balance transferred to Special Reserve in 2017	-	(17)
<b>Closing balance</b>	-	-

## 10. OTHER FINANCIAL LIABILITIES/PROVISIONS

### Legal claims

There are no legal cases involving the Provident Fund as at 31 December 2017 (2016: nil).

## 11. NET ASSETS/EQUITY

11.1 Participants' capital (EUR 55,306 thousand) represents the accumulated Provident Fund balances of Participants including their contributions (A accounts), the OPCW's matching contribution (B accounts), voluntary contributions by Participants (C accounts), and accumulated income earned (or losses incurred) on these resources as at 31 December 2017.

- 11.2 Special reserves (EUR 80 thousand) include the OPCW's matching contributions to Provident Fund accounts of Participants (B accounts) who cease to serve the OPCW for other than health reasons before serving the Organisation for a total period of more than three calendar months as noted in 3.14. There were no such new cases during 2017.
- 11.3 Accumulated surplus/(deficit) (EUR 11 thousand) represents the cumulative gain/(loss) that is not attributable to specific Participants' accounts. The Board will decide how to use the surplus. The movement in 2017 is reflected in the statement of changes in net assets/equity.

## 12. INTEREST INCOME ON PARTICIPANTS' CAPITAL ACCOUNTS

Interest on Participants' accounts with ABN AMRO for the year ended 31 December 2017 was as follows:

	<b>(expressed in euro '000s)</b>	
	<b>2017</b>	<b>2016</b>
Interest on Participants' contributions (A accounts)	113	161
Interest on OPCW's contributions (B accounts)	226	323
Interest on contributions (A+B) before 17 December 2007	12	17
Interest on voluntary contributions (C accounts)	72	120
<b>Total</b>	<b>423</b>	<b>621</b>

## 13. GAIN ON FINANCIAL ASSETS

The Provident Fund classifies investments in UBS units as financial assets at fair value through surplus or deficit. It recognises realised and unrealised gains arising from changes in the fair value of these financial assets as revenue. In 2017, there is a gain of EUR 43 thousand (see note 6) due to changes in fair value of the UBS units (2016: EUR 22 thousand/gain).

## 14. EXPENSES

### General operating expenses

- 14.1 The Provident Fund incurred minor operating expenses in the year 2017 of EUR 0.1 thousand (2016: EUR 0.3 thousand) relating to bank charges. The OPCW provides the necessary facilities and human resources for the internal management and administration of the Provident Fund. Therefore, it does not incur operating expenses for day-to-day administration.

### Loss on financial assets

- 14.2 The Provident Fund classifies investments in UBS units as financial assets at fair value through surplus or deficit. In 2017, no loss was incurred due to changes in fair value of UBS investments (2016: EUR 3 thousand).

## 15. FINANCE INCOME AND FINANCE COST

The Provident Fund recognises interest earned on capital accounts of the Provident Fund's Participants as part of its finance income. Exchange gain and loss are recognised as finance income and finance cost respectively.

	<b>(expressed in euro '000s)</b>	
	<b>2017</b>	<b>2016</b>
<b>Finance income</b>		
Foreign currency revaluation gains	-	10
<b>Total finance income</b>	-	<b>10</b>
<b>Finance costs</b>		
Foreign currency revaluation losses	(23)	(1)
<b>Total finance costs</b>	<b>(23)</b>	<b>(1)</b>
<b>Net finance income/(cost)</b>	<b>(23)</b>	<b>9</b>

## 16. SERVICES IN KIND

16.1 Services in kind are services provided by individuals to the Provident Fund in a non-exchange transaction. The major classes of services in kind received by the Provident Fund include the following:

### **Management Board**

16.2 The Provident Fund Management Board's membership is composed of six staff members of the OPCW. The Provident Fund does not pay any remuneration to the members of the Board for their services. The Provident Fund also does not reimburse the OPCW for the time spent by its staff members in managing the Provident Fund.

### **Administrative support by the OPCW**

16.3 The staff of the OPCW Budget and Finance Branch handles the Provident Fund's disbursements, accounting, reporting, and other administrative services. The OPCW provides necessary materials and facilities needed for the running of the Provident Fund's operations. The Provident Fund does not compensate the staff or the OPCW for such administrative support.

## 17. CONTINGENT LIABILITIES

The Provident Fund does not have any contingent liabilities as at 31 December 2017.

## 18. RELATED PARTY TRANSACTIONS

18.1 The Provident Fund is not controlled by another entity; however the OPCW is considered a related party of the Provident Fund as it shares key management personnel and provides the principal source of Participants' contributions.

- 18.2 The OPCW provides administrative support to the Provident Fund free of charge (note 16.3). All other transactions between the Provident Fund and the OPCW are conducted at arm's length.
- 18.3 The Provident Fund is not party to any further arrangements that could be considered as related parties.

## **19. KEY MANAGEMENT REMUNERATION**

- 19.1 Members of the Provident Fund Management Board play the key management role as regards to the Provident Fund. The six members of the Board include the Deputy Director-General and Principal Financial Officer of the OPCW, and four members elected by Provident Fund Participants.
- 19.2 The members of the Board are not compensated for their services to the Provident Fund. The Provident Fund does not have employees of its own.

## **20. EVENTS AFTER THE REPORTING PERIOD**

No significant event is reported after the reporting date. The date of authorisation for issue is the date at which the financial statements are certified by the external auditor.

### Annex 3



## National Audit Office

Comptroller and Auditor General  
Sir Amyas Morse KCB

Executive Council of the  
Organisation for the Prohibition of Chemical Weapons  
Johan de Wittlaan 32  
2517 JR – The Hague  
The Netherlands

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Date 31 May 2018

I have the honour to transmit the Financial Statements of the Organisation for the Prohibition of Chemical Weapons for the year ended 31 December 2017, which were submitted to me by the Director-General in accordance with Financial Rule 11.1.02. I have audited these statements and have expressed my opinion thereon.

Further, in accordance with Financial Regulation 13.9 and the Annex thereto, I have the honour to present my report on the accounts of the Organisation for the Prohibition of Chemical Weapons for the year ended 31 December 2017.

[signed]

**AMYAS C E MORSE**



## **INDEPENDENT AUDITOR'S REPORT TO THE CONFERENCE OF THE STATES PARTIES OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS**

### **Opinion on financial statements**

I have audited the financial statements of the Organisation for the Prohibition of Chemical Weapons for the year ended 31 December 2017, which comprise the Statement of Financial Position, the Statement of Financial Performance, Statement of Changes in Net Assets, Cash Flow Statement and Statement of Comparison of Budget and Actual Amounts for the year ending 31 December 2017 and the related notes.

In my opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Organisation for Prohibition of Chemical Weapons as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

### **Opinion on regularity**

In my opinion, in all material respects, the revenue and expenses have been applied to the purposes intended by the Conference of the States Parties and the financial transactions conform to the Financial Regulations and Rules and the Staff Regulations and Interim Staff Rules.

### **Basis for opinion(s)**

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Organisation for the Prohibition of Chemical Weapons in accordance with the ethical requirements that are relevant to my audit of the financial statements. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **The Director-General's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organisation for the Prohibition of Chemical Weapons ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organisation for the Prohibition of Chemical Weapons or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organisation for the Prohibition of Chemical Weapons financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My responsibilities are to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organisation for the Prohibition of Chemical Weapons internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organisation for the Prohibition of Chemical Weapons' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Organisation for the Prohibition of Chemical Weapons to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### **Other Information**

Management is responsible for the other information. The other information comprises information included in the financial statements and Director-General's Report, other than the parts described in that report as having been audited, the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **External Auditor's Report**

In accordance with the Financial Regulations, I have also issued an External Auditor's Report on my audit of the Organisation for the Prohibition of Chemical Weapons 2017 financial statements.

[Signed]

**Sir Amyas C E Morse**

Comptroller and Auditor General, United Kingdom  
National Audit Office, London

**Date 31 May 2018**



## National Audit Office

Comptroller and Auditor General  
Sir Amyas Morse KCB

Organisation for the Prohibition of Chemical Weapons  
Johan de Wittlaan 32  
2517 JR – The Hague  
The Netherlands

and

Annual General Meeting of the Provident Fund of the  
Organisation for the Prohibition of Chemical Weapons  
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Date 31 May 2018

I have the honour to report, in accordance with Article 11 of the Charter of the Provident Fund of the Organisation for the Prohibition of Chemical Weapons, on my audit of the Financial Statements of the Provident Fund of the Organisation for the Prohibition of Chemical Weapons for the year ended 31 December 2017 which were submitted to me by the Chairperson of the Management Board of the Provident Fund. The Financial Statements are attached to my report.

[signed]

**AMYAS C E MORSE**

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Cert No. 8835  
ISO 14001

## **INDEPENDENT AUDITOR'S REPORT TO THE PROVIDENT FUND OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS 2017**

### **Opinion on financial statements**

I have audited the financial statements of the Provident Fund for the year ended 31 December 2017, which comprise the Statement of Financial Position, the Statement of Financial Performance, Statement of Changes in Net Assets/Equity, and Statement of Cash Flows for the year then ended 31 December 2017, and the related notes.

In my opinion, the accompanying financial statements present fairly, in all material respects the Financial position of the Provident Fund as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

### **Opinion on regularity**

In my opinion, in all material respects, the revenue and expenses have been applied to the purposes intended by the Conference of the States Parties and the financial transactions conform to the Financial Regulations and Rules and the Staff Regulations and Interim Staff Rules.

### **Basis for opinion(s)**

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Provident Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Responsibilities of the Chair of the Management Board of the Provident Fund for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Provident Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Provident Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Provident Fund financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My responsibilities are to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Provident Fund's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Provident Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Provident Fund to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## **Other Information**

Management is responsible for the other information. The other information comprises information included in the Financial Statements other than the parts described in that report as having been audited, the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

[Signed]

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP  
United Kingdom

Date 31 May 2018

May 2018

---

**Organisation for the Prohibition of Chemical Weapons**

**External Auditor's Report on the 2017 OPCW  
and OPCW Provident Fund Financial  
Statements**

The aim of the audit is to provide independent assurance to States Parties; to add value to the OPCW's financial management and governance; and to support your objectives through the external audit process.

---

The Comptroller and Auditor General is the head of the National Audit Office (NAO), the United Kingdom's Supreme Audit Institution. The Comptroller and Auditor General and the NAO are independent of the United Kingdom Government and ensure the proper and efficient spending of public funds and accountability to the United Kingdom's Parliament. We audit the accounts of all central public sector bodies as well as a number of international organizations. The NAO provides external audit services to a number of international organizations, working independently of its role as the Supreme Audit Institution of the United Kingdom.

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For further information about the National Audit Office  
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## INTRODUCTION

1. The Organisation for the Prohibition of Chemical Weapons is the implementing body of the Chemical Weapons Convention, which entered into force in 1997. The Organisation has some 192 States Parties who share the collective goal of preventing chemistry being utilised for warfare, thereby strengthening international security. Its profile has increased in recent years with weapons inspection activities and it has received additional funding to undertake these missions. As the 2018 Review Conference approaches, the Organisation is looking to the future to how best it can deliver its objectives for States Parties.
2. In addition to our opinion on the financial statements of the OPCW and OPCW Provident Fund, this report presents the key findings and recommendations arising from our work, including our observations on financial management and the Enterprise Resource Planning project, building on our previous observations. In 2016 we looked at how the Organisation managed its human resources, this year our focus has turned to the procurement of goods and services to support the delivery of its mandate. We have also considered the progress made in the implementation of the Enterprise Resource Planning project, and followed up on our previous recommendations. There were no specific recommendations in respect of the OPCW Provident Fund.

### **Key observations**

#### Audit opinion on Financial Statements

3. Our audit comprised the examination of the financial statements and underlying transactions for both the OPCW and OPCW Provident Fund financial statements for 2017, and was conducted in accordance with International Standards on Auditing and the financial regulations. We provided an unqualified audit opinion on both sets of financial statements and found the quality of financial reporting to be good.
4. The production of the financial statements remains a highly complicated and manual process due to the complex audit trails associated with the Smartstream IT system. The Secretariat has further streamlined elements of the financial statements, to enable States Parties to better focus on the significant elements of the accounts. This has been further complemented by the initiation of the Director-General's Report summarising the key movements within the accounts. Together with improvements in the processes underpinning the Statement on Internal Control these are welcome developments in enhancing transparency.

#### Financial management

5. Overall net assets of the Organisation in 2017 were €8.6 million, representing a decrease of €1.3 million from 2016. The net asset position of the Organisation remains positive, but this is due to the impact of trust fund balances. It remains a concern that the General Fund continues to show a deficit in 2017 of €5.3 million (2016: €5.1 million). There is also an overall deficit in the Statement of Financial Performance, with expenses exceeding revenue in 2017 by €1.8 million.

6. The Organisation has delivered its budget effectively, with a budget utilisation of 99 per cent (2016: 96 per cent). The full implementation of a budget demonstrates both a commitment to implement the plans of States Parties and demonstrates the Organisation's ability to tightly manage to budget parameters. Our previous reports highlighted difficulties in the cash flow position of the Organisation, particularly towards the end of the financial year, which required utilisation of the Working Capital Fund and temporary loans from the Enterprise Resource Planning (ERP) funds. The Organisation has mitigated cash flow risks by the authorised increase in the Working Capital Fund to €7.3 million.
7. As part of preparations for the Review Conference, the Secretariat has prepared a paper for the Advisory Body on Administration and Finance (ABAF) on strategic financing. This gives consideration to important long-term financing issues, considering the reserve position, longer term budgeting and a more strategic focus on areas such as capital investment funding. These developments are important, and echo themes in our previous reporting, where we emphasised the benefits of longer term financial planning. It remains important for the Organisation to confirm its funding strategy for long term liabilities and to ensure that planned financial resources are aligned with the strategic aims and priorities.

#### Procurement and Contract Management

8. In 2017, the Organisation procured €15.2 million in goods and services, equivalent to 20 per cent of total expenditure in that year. Since OIO reviewed the procurement function in early 2017, and the arrival of a new Head of Procurement, good progress has been made in improving the Organisation's approach to procurement. However, pending the development and implementation of a procurement strategy and the improved functionality of a new ERP system, the procurement function remains largely transactional. A more strategic approach would offer a real opportunity to align the procurement approach with the Organisation's objectives and to enhance the efficiency and delivery of procurement.
9. A key development during 2017 has been a more proportionate approach to the approval levels for procurement. This has freed up the time of the Committee on Contracts and the Office of the Legal Advisor. There is scope for the Committee to take a greater overall oversight role, to monitor a more meaningful range of performance indicators, procurement trends, compliance and the overall effectiveness of the function. This will provide greater assurance and create better information on procurement performance, trends and risks, informing improved decision making.
10. Building on the work of OIO we identified scope for the Committee on Contracts to monitor the level of contract extensions, to ensure an appropriate cost benefit between savings made through contract extension and a more regular testing of the market. There is also scope to minimise the need for variation in contract terms, which occurs in around 25 per cent of cases, this creates delay and in some cases the standard terms may act as a disincentive to potential suppliers, restricting the benefits of competition.

11. Our work, and the observations of OIO, have highlighted the need for a more systematic and risk based approach to contract management. There is scope for the Organisation to operate a central contract management system which records key contract data to support improved, proportionate and systematic contract management. This could include categorising suppliers according to their strategic significance, the scale of cumulative contract activity to monitor progress and risks from a portfolio perspective.
12. It is important that the final ERP design solution incorporates functionality to ensure more effective and systematic contract management. It will additionally be important for the Organisation to assess the skills, capabilities and training needs of staff appointed to perform contract manager roles. This will drive improved compliance and better commercial skills to exploit contracts, deliver better value and help hold contractors to account.

#### Enterprise Resource Planning implementation

13. The Organisation has continued with its project to implement a new Enterprise Resource Planning (ERP) solution to replace existing systems, with €3.3 million utilised from ERP Fund of €7.9 million in 2017. Project implementation has been slower than anticipated and a number of significant risks to the project have now materialised.
14. Following the appointment of the Implementing Partner in May 2017, which was later than initially anticipated, progress with the build of the new solution has experienced a number of delays and problems. These culminated in November 2017 where User Acceptance Testing identified significant build issues with the new solution. At that time it became clear that the go-live date of January 2018 would no longer be attainable. As at April there has been no agreement of a final plan or revised date for implementation. As such, there are significant risks to the delivery of the project.
15. Given these project risks, it is important for the Organisation to consider the robustness of its governance processes, to ensure risks are highlighted and mitigated and, where appropriate, escalated. The adequacy of third party assurance and challenge of project progress is a vital component of this oversight, and these processes have only latterly been strengthened. There is also risk around the data migration plan as this will require work to align with the final design solution.
16. The consequence of project delays will impact on the cost of the project and assumed future savings reported to States Parties. There is also a significant operational impact arising from the additional time required from Business Process Owners to support ongoing design activity and the future acceptance testing. Meantime, the benefits of the implementation will be delayed, giving rise to risks associated with using old, legacy systems. There are risks that opportunities to drive business process improvements may be lost, given the focus of implementing partner engagement and the timetable pressures. It is important for the Project Board and senior management to ensure these benefits are realised and tracked to obtain a return on the resources invested.

17. The significant projects risks will place a premium on the Organisation strengthening its management of the Implementing Partner's performance; this will be through the utilisation of third party assurances, and it is important that adequate resources are available to monitor the quality of delivery. Some of these mechanisms have been strengthened in 2018, but as part of the project governance the effectiveness of these assurances and the degree of challenge need to be kept under review. This will be especially important when the discussions with the Implementing Partner conclude, with the provision of their design and implementation plans. Additionally, the risks of a delayed implementation on the timetable for preparation for the 2018 Financial Statements needs to be appropriately considered.

## **PART ONE**

### **Financial management**

#### Overall audit results

- 1.1 Our audits of the OPCW financial statements revealed no weaknesses or errors which we considered material to their accuracy, completeness or validity. The audit opinion confirms that the financial statements present fairly, in all material respects, the financial position of the Organisation as at 31 December 2017 and of its financial performance and cash flows for the year then ended. It also confirms their preparation in accordance with International Public Sector Accounting Standards and that, in all material respects, the transactions underlying the financial statements have been made in accordance with the Financial Regulations and applied to the purposes intended by States Parties.
- 1.2 The audit included a general review of the Organisation's accounting procedures, an assessment of internal controls that impact on our audit opinion; and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. Our audit procedures were designed primarily for the purpose of forming an audit opinion. The audit did not involve a detailed review of all aspects of the budgetary and financial information systems, and the results should not be regarded as a comprehensive statement on them. Finally, an examination was carried out to ensure that the financial statements accurately reflected the accounting records and were fairly presented.

#### Financial Statements

- 1.3 Building on the track record of good quality financial statements, the Secretariat has made a number of welcome improvements to the usability and relevance of the financial statements this year. It has undertaken an innovative approach in engaging in a peer review process, sharing its financial statements with four other international institutions, which has helped support the process of streamlining the statements and exchange of improved practices.
- 1.4 2017 has also seen the introduction of the Director-General's report. This has provided commentary on the key movements and trends in the financial statements, providing greater transparency to States Parties about the use of financial resources. There has also been further development in the Statement on Internal Control, with some enhancement to the assurance processes and the transparency of disclosures. Further improvements to this process are planned for 2018. Both these developments provide richer analysis and commentary to aid the States Parties in holding the Organisation to account for the use of its resources.

Financial commentary

- 1.5 The Organisation recognised revenues of some €74.0 million in 2017 (2016: €76.1 million), which primarily consisted of assessed (€33.5 million) and voluntary contributions (€42.5 million) from States Parties. Expenses in 2017 were €75.5 million (2016: €74.1 million), primarily comprising of a €1.6 million increase arising from travel costs and €800 thousand increase in employee expenses, offset by a reduction in operating expenses of €1.2 million as a result of one-off charges for a change in asset thresholds in 2016.
- 1.6 There was an overall deficit for the period, with expenses exceeding revenue by €1.8 million. This is largely due to increased travel costs in relation to missions during 2017, as well as small drop in the number of voluntary contributions, resulting in the receipt of less revenue. Cash balances decreased by €1.2 million over the period, mainly as a result of the lower receipts of assessed contributions and a higher budget implementation rate. In 2016 there were €7.1 million of Assessed Contributions received in advance, compared with €4.3 million in 2017. The decline from 2016 was largely due to States Parties responding to the severe cash pressures experienced in 2015 by their earlier remittance of contributions. The Organisation continues to manage its cash in a well-controlled manner.
- 1.7 Overall net assets of the Organisation were €8.6 million, representing the impact of the overall deficit in 2017. The overall net asset position of the Organisation remains positive, but this is due to the surplus trust fund balances. The General Fund continues to run at a deficit, which in 2017 was €5.3 million (2016: €5.1 million). This is primarily due to the long term employee liabilities which, in common with many other international organisations, remain unfunded and paid only when due. The Organisation should continue to monitor this position and seek to have a clear and approved plan for these liabilities, whether this is to confirm the current 'pay as you go approach' or to move towards a more funded model.

**Recommendation 1: The Organisation should agree a clear funding strategy for the employee benefit deficit to ensure the adopted approach has been specifically approved.**

- 1.8 As Figure 1 shows, the current ratio of the Organisation, demonstrating the short term assets available to fund short term liabilities remains high, but the ratio measuring longer term liabilities shows that the Organisation would be less able to meet these liabilities.

**FIGURE 1:**

Financial ratios for overall OPCW funds

Ratio	2017	2016	2015	2014
<b>Current ratio<sup>1</sup></b>				
Current assets:	1.79	1.80	1.50	1.30
Current liabilities				
<b>Total assets:</b>				
<b>Total liabilities<sup>2</sup></b>				
Assets: Liabilities	1.20	1.25	1.24	0.99
<b>Cash ratio<sup>3</sup></b>				
Cash and deposits:				
Current liabilities	1.08	1.16	0.76	0.67

<sup>1</sup> A high current ratio indicates an entity's ability to pay off its short-term liabilities.

<sup>2</sup> A high assets to liability ratio is a good indicator of solvency.

<sup>3</sup> The cash ratio is an indicator of an entity's liquidity by measuring the amount of cash, cash equivalents or deposited funds there are in current assets to cover current liabilities.

Source: Audited Financial Statements of OPCW

- 1.9 Non-payment of assessed contributions and verification reimbursements by Syria and Libya have continued to create significant resource pressures on the General Fund. We noted that while these liabilities continue to remain outstanding obligations of the relevant States Parties, the Organisation has continued to correctly recognise that these assets are not imminently receivable. Further write downs have taken place in 2017 as a result of further inspection activity in respect of Syria totalling €28 thousand. These adjustments, under accounting standards, more fairly represent the fair value of the assets at the reporting date. Overall the level of outstanding State Party assessed contributions on a gross basis was €8.5 million (2016: €6.1 million) and on Article IV and V €6.4 million (2016: €5.8 million). The net receivables for these contributions were €8.0 million (2016: €5.3 million) and €12 thousand (2016: €573 thousand) respectively.
- 1.10 It remains important for State Parties to ensure timely remittance of their Convention obligations. The levels of outstanding receivables constitutes a significant financial burden on the available cash resources of the Organisation.

#### Working Capital Fund

- 1.11 The Working Capital Fund (WCF) has grown in 2017 from €4.1 million to €7.3 million. This is as a result of transferring some 2017 budget into the Working Capital Fund (€0.8 million), a transfer of a lease incentive provided by the landlord of the Organisation's headquarters following contract extension (€1.4 million) and the transfer of a portion of the 2015 cash surplus (€1.0 million), approved by the 22<sup>nd</sup> Conference of the States Parties. States Parties have approved additional funding for the WCF as a means to mitigate short-term cash pressures and provide greater temporary liquidity when required. Of itself an increase in the WCF does not address underlying structural reasons for the cash deficit which stem from largely from delays

in payment of contributions. The level of the WCF should be kept under regular review to ensure it remains appropriate to meet the needs of the Organisation.

#### Strategic Financing

- 1.12 As part of the 2018 Review Conference preparations the Secretariat has prepared a Strategic Financing Paper, to address issues of future funding for the Organisation. The paper considers the following areas:
- Approach to funding the general fund deficit;
  - Funding of long term liabilities;
  - Ensuring an adequate level of funding for the WCF;
  - Budgetary controls; and
  - Integrating strategic and financial planning.
- 1.13 As part of the Conference's work, States Parties have formed the Open Ended Working Group on the Future Priorities of the Organisation, which will consider the issues raised in the Paper. Specific focus is being given to biennial budgeting and setting up a major capital investment fund. Many of these considerations are aligned to our earlier recommendations to give greater attention to longer term financial planning, and to ensure that planned resources are aligned to longer term objectives. There is scope to streamline the budget-setting process to create efficiency in financial planning, to provide greater certainty around funding priorities and to more closely align the longer term financial and strategic plans, informed by the linkage to the longer term strategic programme for Organisation. A longer term planning focus may reduce the considerable effort and resources which are devoted to the annual budget process which, excluding staff reductions, is generally not subject to significant change.
- 1.14 The development of a long-term investment programme to plan equipment purchases is a key recommendation of the Strategic Financing Paper. This planned approach will enable better scheduling of both capital investment and the procurement activity. A clear investment plan offers the opportunity for greater transparency and a clearer alignment of objectives. It will also enable a more consistent funding strategy to avoid spikes in the annual funding required from States Parties. However, it remains important that, taken together with the WCF, the level of overall cash resources do not exceed the operational needs.
- 1.15 In respect of future priorities, we would encourage consideration of the Organisation's strategy in respect of extra-budgetary contributions as a means of supporting the delivery of objectives alongside the Regular Budget. Many international organisations are dedicating resources to being proactive in seeking and managing these resources more effectively to support the delivery of overall objectives. The Organisation does not currently have a clear strategy in respect of this funding, which may offer an opportunity to ease some of the increasing operational pressures which would otherwise fall to the General Fund.



**Recommendation 2: As part of the approach to longer term financial planning the Organisation should consider its strategy on Extra-budgetary Funding and how this can complement the Regular Budget in enhancing the delivery of objectives.**

OPCW Provident Fund

- 1.16 During 2017 the OPCW Provident Fund has again returned a surplus, totalling some €443 thousand (2016: €649 thousand). Overall assets of the Provident Fund increased slightly to €55.4 million (2016: €51.2 million), reflecting lower cash outflows made to separated participants in 2017 (as a result of fewer separations). The financial obligations to Participants notifying their intention to separate before 31 December are included as liabilities of the Provident Fund, in line with IPSAS.
- 1.17 The nature of fund liabilities is such that risk is limited to the payment of funds accumulated from the investments made. Overall, the Provident Fund had sufficient assets to cover its liabilities and a free reserve of €1 thousand. (2016: €1 thousand). The reserve is available to the Provident Fund Board to meet the costs of operations and any unforeseen liabilities in accordance with the Regulations.

## **PART TWO**

### **Procurement and Contract Management**

#### Background

- 2.1 To ensure the Organisation delivers its objectives in an efficient and effective manner it needs to purchase goods and services of the right quality, at the right time, at the most cost effective price. In 2017, the Organisation procured €15.2 million in goods and services, equivalent to 20 per cent of total expenditure in that year<sup>24</sup>.
- 2.2 Procurement services in the Organisation are delivered by the Procurement Section, whose Head reports to the Director of Administration. In 2017, the Section spent €0.47 million and comprised four posts with an additional staff member joining the team in 2018. The performance of the procurement function—which combines the roles of the Procurement Section and requisitioning units from across the Secretariat—is reported to States Parties through the Annual Programme and Budget Plan.
- 2.3 In early 2017 OIO undertook an audit of the Procurement System, which has informed the production of a new Administrative Directive which became applicable from January 2018. We support the compliance recommendations identified in OIOs report. Given the importance of procurement to the Organisation we have considered the main issues facing procurement, reflected on progress since the OIO report and highlighted issues around contract management, which we feel will support the further development and refinement of procurement processes.

#### Strategy and guidance

- 2.4 The most effective procurement functions are those which have a strategic approach, drawing on an understanding of the Organisation's priorities to identify and categorise procurement needs. Procurement functions must also assess whether the market can supply these needs and tailor buying solutions to fit them. Within publically funded bodies there is a presumption that most goods and services will be acquired through competition to obtain the lowest cost, with efficient procurement being proportionate to the type and value of the items to be acquired.
- 2.5 As OIO has highlighted, procurement in the Organisation is currently largely a transaction-based activity<sup>25</sup>, and does not currently have a formal strategy. A strategic approach creates confidence that business objectives are clearly linked to medium term procurement needs, that markets have been assessed for their capacity to deliver quality and timely services and that the most effective buying strategies have been developed and identified. The Administrative Directive for procurement,<sup>26</sup> establishes a requirement to develop a procurement strategy and provides an initial framework. It

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<sup>24</sup> Expenditure relating to these procurements will be incurred over a number of years, not just in 2017.

<sup>25</sup> See conclusion of internal audit review of procurement conducted by Office of Internal Oversight in 2017.

<sup>26</sup> AD-Fin-1-Rev 4

does not however provide a detailed timeframe for implementation. We understand that the Head of Procurement has planned work for early 2019 - once the new ERP system is functional, this timeline should be formalised. It is also important to ensure sufficient resource is made available to develop this strategy and to consider how the final ERP design will be used to fully exploit data to inform it.

- 2.6 The Administrative Directive on procurement strengthens procedures and has refined the approval process. Alongside the Directive there are other documents, and going forward the Strategy, which will provide a suite of material to support and inform procurement activity. There is scope to aggregate these documents within a single end-to-end procurement guide to support line teams. This could help the Organisation focus on the outcomes and behaviours it wants to encourage from line management and provide clarity on responsibilities and the tools available to support staff.

**Recommendation 3: The Organisation should formalise its plan for delivering the procurement strategy, supported by the consolidation of procurement guidance to form an end-to-end procurement user guide.**

#### Oversight and Monitoring

- 2.7 A key part of procurement governance is the Organisation's Committee on Contracts, which makes its recommendations to the Director-General. It acts as the principal forum through which more significant planned procurement activity is reviewed and challenged. In 2017, the Committee reviewed all planned procurements where contractual agreements were expected to exceed €35,000. The updated Administrative Directive increased that threshold to €100,000 from January 2018. Contractual commitments of less than €100,000 will now be approved by the Director of Administration and amounts less than €50,000 by the Head of Procurement.
- 2.8 The Committee on Contracts will receive specific case approvals but there is currently no regular monitoring and reporting of wider procurement performance to senior management. A lack of routine data analysis, largely due to the inability to easily extract and report procurement data, reduces opportunities for evaluating performance and identifying process improvement. The Procurement Section currently has only one reportable target, namely that 97 per cent of purchase orders should comply with administrative procedures (achieving 91 per cent in 2017); the process for compilation had not been previously documented.
- 2.9 Changes to the thresholds for procurement approval should allow the Committee's work to be risk focused on higher profile procurements. It is important that, as well as the standard review of the contracts, the Committee takes account of wider procurement risks as part of its oversight. In this way the Committee can add further value by drawing together common risks to inform the procurement strategy and provide greater oversight through the review of procurement performance data and trends. The Committee should also have a role in regularly holding other Procurement Authorities to account for their contracting decisions in response to requests from line teams.

- 2.10 The Administrative Directive included a requirement to develop procurement plans. We see this as important to drive best value, support better budgeting, improve procurement workflow management and prompt earlier consideration of commercial options. Internal Secretariat analysis showed that progress in implementing annual procurement plans by line teams was not being tracked, reducing the benefits and accountability of a more planned procurement process. Arrangements for monitoring quality and compliance with procurement plans are not currently well developed.

**Recommendation 4: The Organisation should exploit the potential of the ERP to develop better data analysis and reporting against a more comprehensive set of performance and compliance measures to evaluate the performance of the procurement function.**

**Recommendation 5: The Organisation should strengthen procurement governance by revising the Terms of Reference of the Committee on Contracts, to enable it to take a more strategic and risk-based approach to its work. This should incorporate oversight of both the procurement strategy and the status of procurement plans and improved performance monitoring. It should also review the operation of the revised delegation limits.**

#### Contract renewal

- 2.11 OIO reported on a number of compliance issues relating to the approval of contract extensions in their work. In 2017 the Committee considered just six competitively tendered procurements with most of its time allocated to reviewing extensions of existing agreements with suppliers, some of which will have been first and second extensions. Our review of Committee meeting minutes in 2017 found that it received 87 cases for renewal approval in 2017, of which 68 (78 per cent) were below €100,000. Over a quarter (29 per cent) of these cases related to contract extension decisions that should have been presented to the Committee before the contract expired.<sup>27</sup> The new Administrative Directive changed procedures for these extensions and where allowed as part of the standard contract terms,<sup>28</sup> these cases will no longer be submitted for further review by the Committee.
- 2.12 Given the size of the Organisation, contract extensions can be important in minimising the cost of more extensive re-procurement. Earlier identification of pending contract end dates would facilitate consideration of re-competition, which could drive better opportunity to extract more value from the procurement. While we support a more proportionate and risk based approach, further monitoring and analysis of the nature of contract extensions would provide greater assurance around best

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<sup>27</sup> In 2017, the Organisation referred to these as 'regularisation' cases in which until such time as the commissioning branch could submit a procurement request belatedly for review by the Committee on Contracts, the commissioning branch could submit an exception report explaining the breach of rules to the Principal Financial Officer who may then approve the 'regularisation' of the procurement request (see Section 11 of AD/Fin/1/Rev.3). The revised Administrative Directive on procurement (version 4) adopted in January 2018 changes this procedure. In 2017, 37% of the 87 cases reviewed by the Committee on Contracts were regularisation cases - most (29% of the 87 cases) related to contract extensions as described above.

<sup>28</sup> Standard OPCW terms include an initial term of 3 years, with up to two extensions of 1 year each.

value. In particular, consideration should be given to the extent to which contract extensions exceed the typical 5 year term (3 years + 2 extension years) and whether decision-making adequately considers the potential benefits (and costs) of an alternative competitive procurement option. Approving authorities need to exercise robust challenge and should encourage line teams to engage with them early when considering contract extensions to ensure the case offers value for money.

**Recommendation 6: The scope of the Committee on Contracts should be expanded to encompass oversight of the assessment of renewal requests by the other Procurement Authorities, to ensure an appropriate cost benefit between extension and market tested procurements, in advance of the contract expiry.**

#### Contract management in OPCW

- 2.13 Contract management is the process by which the Organisation monitors and ensures the delivery of goods and services in line with agreed specifications and planned outcomes. Once awarded, the way a supplier contract is managed is important in determining whether a procurement exercise has achieved its objectives<sup>29</sup>. Good contract management depends on efficient and effective governance, quality management information; well maintained and searchable administrative systems and clear responsibilities. We looked at how the Organisation approaches contract preparation; builds in appropriate monitoring mechanisms; and manages delivery.

#### Contract preparation

- 2.14 The Organisation uses standard terms and conditions for its contracts with suppliers. Feedback received by the Organisation has suggested that suppliers can view its standard liability and security terms as being disproportionate, acting as a barrier to greater market interest, and consequently reducing the potential to obtain best value. In practice, the Procurement Section estimates that around a quarter of standard contract terms are amended in negotiations involving the Organisation's Office of the Legal Advisor and suppliers. This degree of change to terms adds additional cost and delay to procurement activities. There may be merit in the Organisation looking at the trends in areas where terms are changed, as part of a review of the standard contract, it may be possible to differentiate between standard and more technical procurements. This could minimise the extent to which terms are subsequently amended at the post-award stage.

**Recommendation 7: A review of the standard contract terms should take place to evaluate the common causes of contract amendment. This should ensure operational, financial, commercial, legal and security considerations are applied proportionately.**

#### Contract approval

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<sup>29</sup> See Joint Inspection Unit (2014) Contract Management and Administration in the UN System, JIU/REP/2014/9 at: <http://undocs.org/JIU/REP/2014/9>

- 2.15 As we have outlined, the new Administrative Directive reduced the levels of approval removing the requirement for all contracts worth over €35,000 to be signed by the Director-General. This has reduced the burden on the Office of the Legal Advisor, except where amendments to standard terms are proposed. This should free-up legal and commercial resources to focus on a balanced approach to risk in larger contracts, ultimately leading to better competition and improved focus of contract management effort.
- 2.16 Our review of cases presented to the Committee on Contracts in 2017 identified six occasions where the Director of Administration had signed contracts above his delegated limit. The Secretariat told us that this was partly due to poor data quality, resulting in incomplete information on the cumulative value of contract awards.<sup>30</sup> The absence of a central record of the cumulative value of contract awards increases risk that contracts might be split to avoid scrutiny by the Committee on Contracts. The ERP solution would be expected to deliver more functionality to report such data in future and should form part of the suite of reports reviewed by the Committee on Contracts.

**Recommendation 8: The Organisation should undertake a review of the changes to the approval levels and the extent to which delegations have been exceeded and consider the risk of cumulative contracts exceeding these limits.**

Managing contracts

- 2.17 Responsibility for managing supplier delivery, once contracts are signed, rests with operational teams. Documented policy and guidance to teams on contract management is limited, and contract management roles and responsibilities of operational teams are not prescribed in detail. Our discussion with four operational areas showed that the Organisation's approach is inconsistent. There is also no central record of contracts or a systematic approach to monitoring contract management and implementation.
- 2.18 In one case a procuring team had operated without a record of the values, terms and performance of the contractors it was responsible for until a staff separation prompted documentation. Contract management can rest with a single individual and reduce the possibility for review and oversight. In another of the four cases we reviewed we identified an absence of clarity around the accountability for a strategically significant contract, which led to a failure to seek appropriate approval from the Committee on Contracts for a contract extension.
- 2.19 To support more effective contract management, there is scope for the Organisation to operate a central contract management system which records all current suppliers, contract milestones and delivery schedules, contract length and prices, payment terms and performance data and records the responsible contract manager. A management system would also make it easier for the Organisation to categorise suppliers according to their strategic significance and to monitor progress and risks from a

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<sup>30</sup> The limitations of current systems were also evident when, following our inquiry, it became clear that the total value of OPCW procurements had been incorrectly reported in 2016.

portfolio perspective. It is important for the final ERP design solution to incorporate these concepts, to ensure more effective and systematic contract management.

- 2.20 More generally, our analysis highlights that the Procurement Section can work with operational teams to implement a more structured and risk-based approach to managing the performance of contractors.<sup>31</sup> As well as taking steps to clarify responsibilities for contract management - and using ERP tools to support that - it will be important for the Organisation to assess the skills, capabilities and training needs of staff appointed to perform contract manager roles, proportionate to contract risks. This will drive improved compliance and better commercial skills to exploit contracts, deliver better value and help hold contractors to account.

**Recommendation 9: The Organisation should strengthen its approach to contract management by having a more consistent, proportionate and documented approach to the identification and management of contracts, informed by clearer guidance and training for contract managers. Contract management should be subject to regular oversight by the Committee on Contracts, and for lesser procurements, by the Procurement Authorities.**

**Recommendation 10: The ERP design needs to have functionality to provide data to support contract management disciplines, which need to be enforced proportionate to the risks of the contract and to assess the level of exposure to single suppliers across the contract portfolio.**

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<sup>31</sup> See also 2017 procurement review conducted by the Office for Internal Oversight.

## **PART THREE**

### **Enterprise Resource Planning (ERP) system**

#### Background

- 3.1 The Organisation recognised the need to replace its legacy IT systems to enhance business reporting and improve business processes in its Medium-Term Plan for 2015 to 2019. The primary motive for ERP implementation, as set out for the Executive Council <sup>32</sup>, was to "enhance the effectiveness and efficiency of the Organisation's operations". It is anticipated that the preferred solution will transform internal business systems into a smarter, more agile, and better integrated set of processes. It also seeks to address the risks around the sustainability and complexity of the current systems, the need for manual interventions and the inability to easily extract and analyse data.
- 3.2 States Parties have approved a total ERP Fund of €7.9 million to cover the development and implementation costs of the project. In 2017 €1.1 million has been dispersed and a further €2.2 million has been committed to the project. The year end fund balance is €3.2 million. This is a lower rate of spend than expected, reflecting the delays to project implementation.
- 3.3 The Organisation purchased licences, software support and hosting for an ERP solution called Unit4 Business World (U4BW) in September 2016. For the most part, the Organisation expected to implement an 'off-the-shelf' U4BW solution for what it calls its 'system of record' to avoid expensive customisation, with the objective of delivery in the most cost effective manner. However, the Organisation has concluded that it will need more tailored arrangements for asset, travel and talent management—so-called 'systems of differentiation'. The new ERP solution was originally expected to be implemented and go-live in January 2018.

#### Developments during 2017

- 3.4 The Organisation procured the services of an Implementing Partner in 2017 to help it deliver its U4BW solution. It made clear in its terms of reference to potential partners that it would use the standard U4BW solution for its systems of record and would change its business processes to meet the requirements of that standard solution. In limited cases, where customisation was required, this would follow change control processes. The Organisation also stated that it would give its Implementing Partner solution design documents and supporting business process mapping, based on U4BW functionality to speed up implementation.<sup>33</sup> The Organisation received just two bids from potential implementing partners and agreed terms with one in May 2017. Implementation began shortly afterwards.

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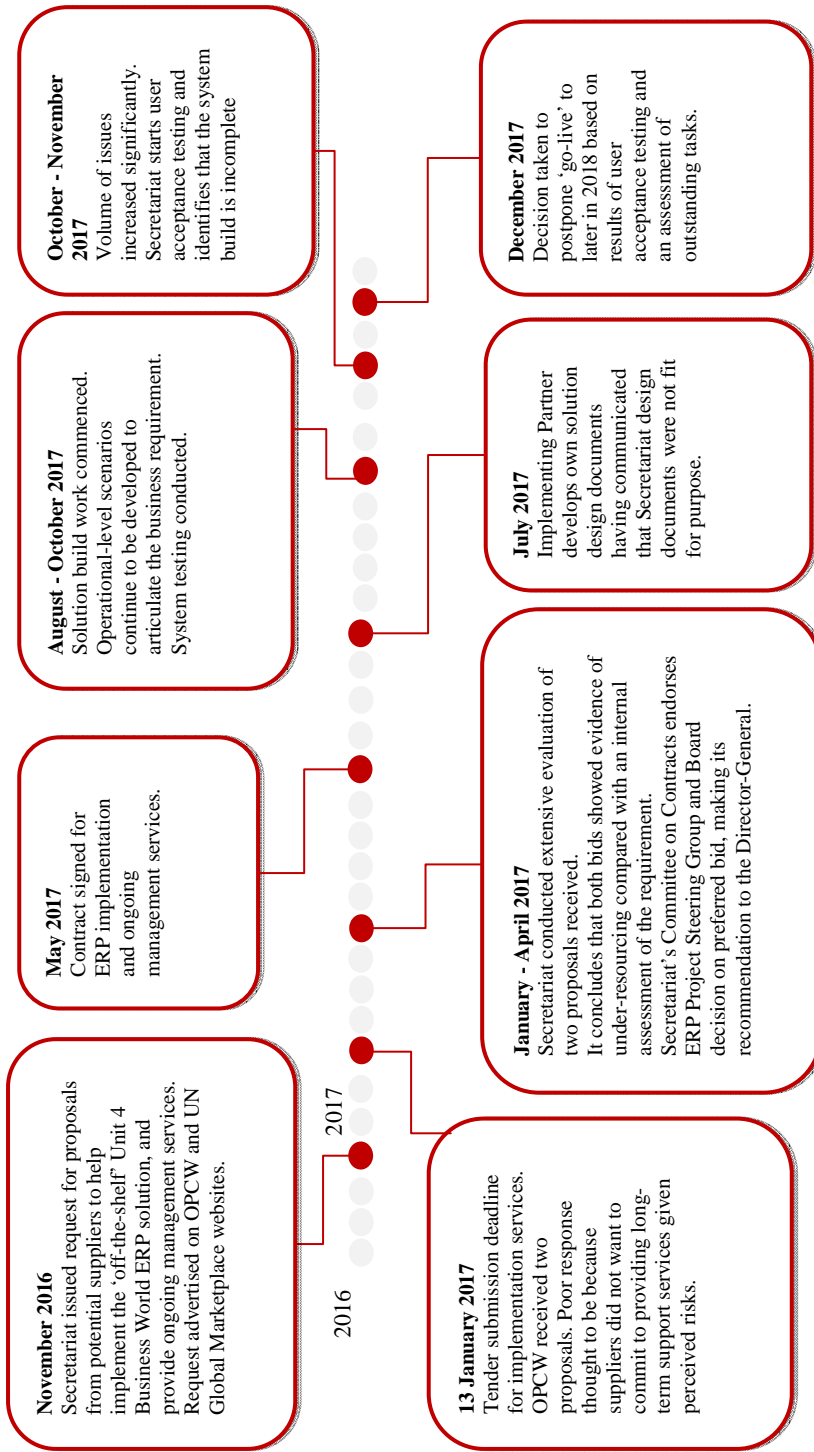
<sup>32</sup> *Enterprise Resource Planning Strategy of the OPCW* presented to the Executive Council, Seventy-Seventh Session, 7-10 October 2014.

<sup>33</sup> Paragraphs 28, 29 and 34 of the Terms of Reference.



- 3.5 As a result of the User Acceptance Testing in late October and November 2017, it became clear to the Organisation that the January 2018 go-live would not be met. Work is continuing on the system build to meet the Organisation's requirements and the Organisation is currently in consultation with its Implementing Partner regarding the next steps. The Organisation has asked for an updated project and resourcing plan from its Implementing Partner, but at this stage the Implementing Partner has been unable to provide a final plan or implementation date for the new system.
- 3.6 In our previous reports we highlighted that the Organisation should develop an effective plan of assurance to validate the system security and design before implementation. Once the Organisation identified the build weaknesses during User Acceptance Testing, it requested the Implementing Partner to provide a gap analysis of the defined business requirements against its build. In the absence of an appropriate analysis, the Organisation commissioned an independent review of build quality. It reported some four months after initial User Acceptance Testing was stopped, in late March 2018, that of 41 modules, 26 had no configuration or were not sufficiently configured to meet the defined business requirements. The review made a number of general recommendations for improvements, including inviting the Organisation to ensure that it receives the latest functionality provided by U4BW on implementation, as well as recommending a review of workflow development progress. Both of these are key to delivering increased automation and improved business controls. We understand that the Organisation is considering further options to address such concerns with the performance of the Implementing Partner.
- 3.7 Work on the asset and travel management systems of differentiation is also delayed, as this is reliant upon the finalisation of the solution design for the systems of record. The Organisation had invited the Implementing Partner to develop and cost a solution for these systems. Based upon the current estimates of cost and duration provided, the Organisation will be considering obtaining comparative market quotes before proceeding with these customised elements. The talent management solution is based upon software from a separate supplier who has also been appointed to implement the solution.

**FIGURE 2**  
 Timeline of events leading to postponing of ERP 'go-live'



Source: NAO analysis of OPCW documentation

### Project Governance

- 3.8 An ERP implementation is a significant change for an organisation, which requires appropriate governance, resourcing and relevant expertise. The project had both a Project Steering Committee and Project Board attended by relevant business users to oversee the implementation. The Project Board was configured to provide oversight of the delivery of the project as a whole, and was headed by the Director of Administration. The aim of the Project Steering Committee was to engage the business users in the project on a regular basis. The Project Board met unevenly across the last three years, with meetings held as follows:
- Four times in 2015;
  - Once in 2016; and
  - Five times in 2017.
- 3.9 During 2017 the Project Board received project updates from the Project Team. The risk ratings for the project varied during the year from a red assessment in May, based upon the delay in appointment of the Implementing Partner to the early November meeting which assessed project risks as amber, highlighting issues in relation to the Solution Design Documents. The meeting minutes of the 3 November 2017 Project Board noted "there were no show stoppers" in respect of User Acceptance Testing.
- 3.10 During 2017 the Project Steering Committee met on a more regular basis and covered the more detailed aspects of the project implementation and its associated risks. In our review it was not clear how the two groups interfaced and how the overall project risk rating was derived from the issues identified by the Steering Committee. On 22 November 2017 the Steering Committee reported a change to the assessment of project risks, noting that the project status was now red, as User Acceptance Testing had progressed slower than planned and highlighted the missing build elements. This was subsequently reflected at the Project Board level. The Secretariat tell us that the assurances given to the Project Board were based upon status presentations to the Steering Committee by the Implementing Partner.
- 3.11 Looking at the project governance documents there was optimism bias in respect of the project timeline and of the capacity and capability of the Implementing Partner. These issues were not escalated until the failure of the User Acceptance Testing in late November 2017. Earlier engagement of more detailed third party assurance around the project build could have surfaced issues earlier and senior management should have been alerted to the emerging risks at an earlier point.

**Recommendation 11: The Organisation should consider the robustness of the governance processes in place around the project to ensure that it has appropriate assurances around the risks of the project and the progress of implementation.**

### Project Design

- 3.12 As noted above, at the inception of the project, the intention was to provide the Implementing Partner with solution design documents to expedite implementation. The Implementing Partner engaged with the business with a focus on the delivery of its standard design solution. Business Users identified concerns around this approach and the extent to which the standard design solution would meet the business's requirements.
- 3.13 Over the summer it became apparent that the approach was not suitable for the Organisation's requirements and the Implementing Partner suggested the adoption of an agile implementation approach in order to make the January 2018 go-live date achievable. An agile approach - a popular means of delivering modern IT systems - is associated with a more iterative and incremental development method which involves users from the start of the project, with controlled gateways which require sign off before proceeding to the next iteration.
- 3.14 From our discussions with the Organisation, they highlighted a number of concerns in respect of the lack of dedicated resources provided by the Implementing Partner. The ERP Project Manager also identified concerns regarding the application of the agile framework to the project. The Organisation is seeking to confirm the current overall plan and approach of the Implementing Partner, which decided to move away from the application of the agile framework. We understand that these issues have been escalated to senior levels within the Implementing Partner and remain under discussion. These outstanding matters give rise to major project risks.
- 3.15 In 2016 we recommended that the Organisation develop an effective audit trail and quality review arrangements to support data migration, while ensuring adequate plans are in place to validate the operation of system controls and delegations prior to go-live. This is increasingly important given the issues arising in respect of the build process and quality. A recent OIO report on data migration, which recommends use of more sophisticated checks of migrated data (e.g. using data analytics techniques, data profiling tools, data quality monitoring tools and proactive data quality monitoring following migration to the new ERP), has also highlighted this point. A data migration plan has been developed and Organisation has stated that this will be subject to validation against the final build configuration, to ensure it remains appropriate and adequately documented. A data analysis tool is being procured to provide data validation recommended by OIO. However, it is important that the exercise is able to demonstrate that the audit trails are visible and understood by all relevant business users. The data migration plan and validation process should be signed off by one of the Organisation's project assurance partners to provide independent challenge.

**We reiterate the recommendations we made in 2016 around the importance of planning and documenting data migration and system assurance, but emphasise the need for the plan to be assured by one of the project assurance partners.**

### Business Impact

- 3.16 As a result of the project delays, Business Process Owners are having to respond by dedicating further resources, over a longer and more sustained period, to support the design and application of the new system. They are also contending with the challenges of the existing inefficient legacy systems for a longer period of time. Business Users have raised concerns about the operational impact that the delays to the project have had. The Project Team has also operated for longer than anticipated and will need to continue through the extended implementation period. The Organisation has not yet fully assessed the additional costs of the delay, including the extension of licences on current systems. These will inevitably impact the cost of the project and the assumptions around future savings.
- 3.17 The Organisation's legacy systems and associated processes have operated for a long-time and are firmly embedded. A key aim of any new ERP system is to drive cultural change and deliver more efficient processes. The Organisation has raised concerns regarding the engagement it has received from the Implementing Partner in understanding the businesses processes. To drive the full benefit from the investment by States Parties the design solution must deliver more efficient processes for the Organisation.
- 3.18 In respect of the cultural change that the ERP is aiming to deliver, there is still more to do. For some staff more closely involved in ERP planning, there is a disconnection between the ERP solution presented to date and their concepts of a reformed business process. For some staff ERP implementation may be negatively associated with transition and post reduction. There is scope for senior management to proactively address these perceptions with improved training and demonstration of the ERP benefits.

**Recommendation 12: The Organisation needs a clear plan to secure the benefits of the system changes in driving improved processes and business culture. This plan should include a clear strategy for communication with the business to ensure appropriate user engagement. It is important that the Implementing Partner retains a focus on driving the benefits in the design solution.**

### Contract management

- 3.19 During the course of the implementation the Organisation identified various areas where it had concerns regarding the Implementing Partner's performance against the contract. The Organisation had opportunities to identify and escalate some of these deficiencies earlier in the process, to enable earlier remediation. Escalations actions were taken as a result of the failures in the User Acceptance Testing in November 2017. It is important for the Organisation to dedicate adequate resources to managing key contractors, including, where appropriate, buying in external, expert support to help hold its contractors to account. Actions in this respect have been taken in 2018, but should be kept under review.
- 3.20 The Secretariat has acknowledged that it did not have specific U4BW knowledge, hence were reliant on the Implementing Partner's experience and assurances

throughout the implementation. This has placed the Organisation in a weak position. In 2018 the Organisation brought in a third party to undertake analysis of the current build status against the Organisation's requirements. This review has provided a sound basis for discussion on Implementing Partner performance. However it is important that this type of expert challenge is maintained at appropriate delivery points to provide clear evidence of contractor performance. This information should be used to escalate as appropriate or to inform future decisions about the delivery of the project.

**Recommendation 13: The Organisation needs to conclude its considerations on the approach to finalisation of the ERP implementation by establishing a clear and time-bound plan with appropriate monitoring milestones. This should include consideration of the level of resources necessary to conclude the project, as well as mechanisms to monitor contractor performance including escalation measures. The plan should also build in sufficient independent challenge and assurance over the build design.**

Next steps

- 3.21 The implementation of a new system mid-year will create additional risks in respect of the preparation of the financial statements, as the Organisation will have to ensure that information from both systems are available. These risks need to be fully considered as part of the implementation, and reflected in a final data migration strategy.
- 3.22 We understand that at the time of our report that consultations are taking place with the Implementing Partner but that there is no clear plan or timeline for implementing the new systems. It is therefore difficult to predict the impact this might have both financially, operationally and on the Organisation's ability to provide fully supported financial statements by 31 March 2019. Our experience suggests that there can be significant burdens on finance staff following a new implementation. Time is needed to understand the reporting functionality necessary to provide supporting data for financial statements. It is important therefore, for the Organisation to take a prudent approach in managing these tensions and to consider the impact on the normal timeline for provision of certified financial statements.

**Recommendation 14: The Organisation should consider the operational impact of the final go-live date and, if necessary, approach States Parties to agree a one-off amendment to the normal timeline for accounts submission at an early point.**

## **PART FOUR**

### **Prior Year Recommendations**

- 4.1 As at April 2018, of the 31 recommendations outstanding for 2016 and previous years, we consider that one recommendation has been implemented in full during the year. Seven recommendations have been superseded by more recent recommendations and 24 recommendations remained under implementation. The **Appendix** contains a detailed commentary on the status of previous recommendations.
- 4.2 The Organisation reports twice each year to the Executive Council on the status of implementation. In our view much more needs to be done to progress the recommendations at a faster pace, and to provide a clearer plan in respect of the actions, timetable and accountability for implementation. Without these it is difficult to track management's progress and to secure accountability for the implementation of the recommendations. We have noted a similar decline in the progress in implementing OIO recommendations.

**Recommendation 15: The Organisation should establish a process internally to engage management in the follow up to External and Internal Audit recommendations to ensure that implementation rates are improved and that recommendations are kept under review for their continued relevance.**

### **Acknowledgments**

- 4.3 We would like to thank the Director-General, Deputy Director-General and their staff for their co-operation in facilitating the third year of our audit engagement and to thank States Parties for their confidence in us by appointing us for a final three year mandate.

[signed]

**Sir Amyas C E Morse**  
**Comptroller and Auditor General, United Kingdom - External Auditor**

**31 May 2018**

Appendix

FOLLOW-UP OF PRIOR YEAR RECOMMENDATIONS

Ref	Area	Recommendation	OPCW Response	External Auditor Comment
1/2016	Financial Management	<p>OPCW should consider its approach to funding the general fund deficit, including considering the need to fund long term liabilities and to ensure an adequate level for the WCF to meet the Organisation's needs. Furthermore, analysis should be undertaken to ensure that the budgetary controls form a suitable balance to enable cash flow management and a suitable rate of budget implementation.</p>	<p>The Secretariat has been making efforts to build its Working Capital Fund (WCF) through arrangements such as the Tenancy Agreement, which will add a further €1.4 million to the WCF and through Conference decision C-22/DEC.7 (dated 30 November 2017) for the transfer in 2017 of €1.0 million from the final cash surplus of 2015 to the WCF. The Secretariat will continue to review other sources of funding for the WCF (e.g. using future cash surpluses) and seeking the relevant approvals where necessary.</p> <p>Through the course of the year, the Secretariat has made and will continue to make efforts to urge States Parties to pay their past and current assessed contributions as well as Article IV and V reimbursements.</p> <p>The Secretariat also conducts an annual mid-year implementation review to assess programmatic implementation against allotments and the full year budget to determine where budgetary controls can be balanced against projected spending and the forecasted cash position. Furthermore, a draft paper on strategic financing has been prepared to seek comprehensive ways to ensure the</p>	<p>In progress- the Organisation has secured an increase in the Working Capital Fund to a value of €7.3 million in order to mitigate cash-flow pressures.</p> <p>This year's budget implementation has also been at 99%, higher than in prior years but a level which could be contained within the available cash resource. We continue to emphasize the importance of financial sustainability and will monitor progress against this recommendation in future years as outcomes from the Review Conference are secured, a key area to consider is the approval of a formal approach to the funding of the longer term liabilities, which may be to continue approval of the current pay as you go basis.</p> <p>The Secretariat has also produced a paper considering Strategic Financing which has started the conversation about how the Organisation may focus its efforts to achieve its objectives. There is further detail on this in the main part of our report.</p>



Ref	Area	Recommendation	OPCW Response	External Auditor Comment
2/2016	Governance and Internal Control	<p>OIO should consider its current staffing and resourcing model within its overall level of resources, ensuring it has the structure, skills, experience and capacity to deliver a core level of assurance over the key risks to OPCW. Furthermore, OIO should review current activities to ensure they focus on assurance provision rather than attendance in OPCW working groups and ensure appropriate independence from management functions and activities.</p>	<p>OPCW is financially sound. The concepts in the paper were presented in 2017 to the Open-Ended Working Group on the Future Priorities of the OPCW, as well as to the Advisory Body on Administrative and Financial Matters (ABAF). The paper will be further considered by the ABAF at its Forty-Fourth Session, in June 2018.</p> <p>The OIO will prepare a document that will be submitted for management consideration.</p>	<p>In progress - we understand that OIO will prepare a document and submit it for management's consideration in the fourth quarter of 2018. We continue to highlight the importance of a review of OIO's staffing and activities to ensure that OIO can provide effective assurance to States Parties.</p>
3/2016	Governance and Internal Control	<p>The OIO should ensure that its internal audit work programme is risk based and focused on the key areas of the business where internal control may fail. This means that the programme should continue to be varied year on year in accordance with the risks the Organisation faces. The programme should be sufficient to provide reasonable assurance to management, and the assertions made in the Statement on Internal Control.</p>	<p>The OIO has revisited its risk assessment methodology for its annual work plan for 2018. High-risk processes have been identified through a robust risk assessment model that takes into account several risk parameters and weightages, based on best international practices. The OIO has developed an audit strategy that will continue to provide assurance to management regarding its significant risks in accordance with its staff and budget resources by auditing all the high and high-medium risk processes over a</p>	<p>Closed- OIO have undertaken a top-down review of the business processes that the Organisation has. This has enabled it to provide risk based assurance to the DG and States Parties and in turn improve the processes within the Organisation. We will continue to monitor developments in this area. Further work does need to be undertaken to better align the assurances to support the Statement on Internal Control.</p>

Ref	Area	Recommendation	OPCW Response	External Auditor Comment
4/2016	Governance and Internal Control	<p>The Secretariat should consider reviewing the governance around the implementation of recommendations and develop a greater impetus on either implementing recommendations or agreeing where recommendations are no longer relevant.</p>	<p>period of three years. A review of the Statement of Internal Control process was included in the OIO annual work plan for 2017 and the final report was issued in February 2018.</p> <p>The Secretariat prepares a formal response to recommendations raised by the OIO on an annual basis (EC-85/DG.12, dated 26 May 2017), and will seek to strengthen the implementation of these recommendations going forward.</p>	<p>In progress - we note that the implementation rate for OIO recommendations has fallen to 77.1% as at 31 December 2017, compared to 84.2% as at 31 December 2016. We continue to highlight the importance of the Governance around the implementation of recommendations, ensuring that the responses to recommendations are focussed and time-bound, allowing for effective follow up.</p>
05/2016	ERP	<p>The Organisation should ensure that the training strategy for the ERP is finalised before the end of quarter three to ensure sufficient time to implement and embed. Following implementation there should be an early evaluation of the roll-out of training to ensure any newly identified needs can be addressed through revised training plans.</p>	<p>The Secretariat can confirm that the training strategy has been finalised and was implemented at the end of the third quarter of 2017. The Secretariat can further confirm that the training plans form part of the overall implementation plan of the new ERP solution. To ensure that users are fully capable of using the new ERP solution at go-live and to ensure sustainable training material post go-live, the Secretariat is engaging the services of an external training provider to deliver training based upon the final configuration of the new ERP Solution.</p>	<p>In progress - we understand that the Organisation agreed a training plan in October 2017. Participant feedback on initial training completed in autumn 2017 was not favourable and a revised approach to further training is planned and an additional external provider is being commissioned. The Organisation's work on developing an effective training approach is therefore ongoing and needs to reflect the final build solution and any change processes.</p>

Ref	Area	Recommendation	OPCW Response	External Auditor Comment
06/2016	ERP	<p>The Organisation should ensure that it retains the audit trail to support timely data migration and that this is subject to review by OIO. Migrated data should be subject to a review process to cleanse information to ensure that only accurate and necessary data is migrated to the new ERP system.</p>	<p>The Secretariat accepts this recommendation and can confirm that the data migration strategy is following an extract, transform, load, and reconcile protocol with a full audit trail, and that only data that is necessary for the operation of the new ERP solution will be migrated.</p> <p>The OIO reviewed the ERP data migration strategy and will continue to monitor and evaluate the data migration into the new ERP system during and after go-live. A first report on the subject was issued in Q1 2018. The subject will remain under OIO consideration until its finalisation.</p> <p>The Secretariat can further confirm that it has taken the considerations of the OIO review into account and is acquiring data analytical software to assist in the validation of the data during the migration process and to provide data validation during the post go-live stabilisation period.</p>	<p>In progress - we understand the recently published OIO report recommends use of more sophisticated checks of migrated data (e.g. using data analytics techniques, data profiling tools, data quality monitoring tools and proactive data quality monitoring following migration to the new ERP). We await evidence of the approach the Organisation have taken to data migration.</p>
07/2016	ERP	<p>The Organisation should ensure that it has an appropriate assurance plan for validating the operation of system controls and delegations within the new system and a clear plan to manage the impact of implementation on the preparation of the 2017 accounts.</p>	<p>The Secretariat can confirm that assurance plans to validate the system configuration, access controls, roles and responsibilities, segregation of duties, and approval limits and delegations have been put in place. The results of the assurance activities will be continually monitored to ensure the successful implementation of the ERP solution.</p>	<p>In progress - this matter will remain under review until implementation of the new system, noting that a mid-year implementation will heighten the risks in respect of the preparation of the 2018 financial statements.</p>

Ref	Area	Recommendation	OPCW Response	External Auditor Comment
08/2016	ERP	<p>The Secretariat should develop, in conjunction with OIO and Gartner, an appropriate plan of assurance to validate the system security and design prior to implementation. This should be developed on a timely basis to support successful implementation of the ERP solution.</p>	<p>See OPCW response to Recommendation 7/2016.</p>	<p>In progress - we note where the Organisation have already utilised the support of Gartner and recommend that external assurance should be sought at regular intervals throughout the remaining stages of the project.</p>
09/2016	HR	<p>The Secretariat should strengthen the governance around HR by:</p> <ul style="list-style-type: none"> <li>(a) improving reporting to States Parties on HR and other programme areas that use the phrase ‘within benchmarked timelines’ to show benchmarked timelines over time;</li> <li>(b) developing a systematic suite of HR management information and cost data for reporting to all Management Board meetings;</li> <li>(c) prioritising the people survey so that response rates are improved and issues highlighted are owned and systematically addressed;</li> <li>(d) formally considering - and reporting to States Parties on - whether the use of dedicated HR resources best meets future business need, taking account of the current high level of unfilled HR posts, OPCW’s changing business operating model and different models of HR support;</li> </ul>	<ul style="list-style-type: none"> <li>(a) Standard reports to States Parties quoting benchmarked figures and their attainment will be amended to include the evolution of benchmarks over time as well as the performance against these and identification of trends. Benchmarks will be revised to include more substantive targets as well as transactional outputs. Although this recommendation has been incorporated into the plan for the ERP solution, its implementation has been delayed due to the delay in implementation of ERP.</li> <li>(b) The establishment of a new HR analytics function in the restructured Human Resources Branch (HRB) will allow for the discovery of trends and pressure points, with the ability to make predictions on the OPCW’s human resources and their management based on probability and evidence. This will facilitate the systematic transfer of HR management information to</li> </ul>	<ul style="list-style-type: none"> <li>(a) In progress. The steps referred to should address the accountability underpinnings of this recommendation.</li> <li>(b) In progress. The creation of a new HR analytics function appears promising. We would encourage the Organisation to prioritise development of a core set of MI combining performance and financial information as a first step and ensure that this is routinely reported to Management Board meetings.</li> <li>(c) In progress. The Organisation describes a number of measures taken in 2017 - with further steps planned in 2018 - designed to improve staff engagement and address previous staff survey findings. For example a new staff engagement tool intended to measure and promote organisational trust is being purchased, new Administrative</li> </ul>

Ref	Area	Recommendation	OPCW Response	External Auditor Comment
		<p>and  (e) review the need for a more strategic role for HR in the delivery of change.</p>	<p>Management Board meetings. The recruitment component has almost been completed.  (c) The HRB will continue to build upon the efforts made in response to the staff surveys including additional follow-up surveys and feedback to staff on the endeavours already made. Follow-up survey results will be reviewed with the Staff Council. The HRB is also addressing staff engagement issues with a specific engagement assessment tool, and has conducted a pilot exercise together with a specialist provider.  (d) The HRB has already assessed and restructured as a result of analysis of best practice in similar organisations and the requirements of the OPCW. The restructuring concentrates resources on strategic objectives as well as transactional obligations.  (e) The abovementioned restructuring, coupled with the development of a new HR strategy for the Organisation, will endeavour to place the HRB in a position to be strategically effective in the management and delivery of organisational change. The first draft of the new HR strategy has been circulated for review.</p>	<p>Directives covering harassment and mediation have been implemented and more training is being provided. Further training is also planned (e.g. well-being and resilience training, stress management, leadership training including 360 degrees feedback and branch head peer learning).  The Organisation should monitor the combined impact of these initiatives through the nature of responses to individual longitudinal questions in, and overall response rates to, people surveys and other engagement tools.  (d) Implemented. Documentary evidence provided of the review of the HR function in the Organisation undertaken in 2017. The objective of changes resulting from this review was for the Human Resources Branch "to become a key partner in driving the formulation and achievement of the Organisation's strategic objectives."  (e) In progress. Work on a new organisation-wide 'People Strategy' is continuing.</p>

Ref	Area	Recommendation	OPCW Response	External Auditor Comment
10/2016	HR	<p>The Technical Secretariat, supported by HR Branch, should strengthen workforce planning by:</p> <p>(a) developing and documenting a specific action plan addressing high-level workforce planning objectives set out in the Mid- To Long-Term Staffing Plan (June 2015); and providing a regular and consistent report to analyse progress against the plan to the Management Board;</p> <p>(b) completing a skills survey of its personnel and - in light of the results of this analysis - considering steps to further address priorities in its Staffing Plan;</p> <p>(c) implementing measures to improve recruitment processing performance in those areas over which it has control; and considering establishing targets and plans to improve gender balance at all levels;</p> <p>(d) analysing the costs and the benefits of the tenure policy and considering alternatives to inform future decision-making by States Parties especially in the light of known skills and experience deficiencies; and</p> <p>(e) differentiating staff performance</p>	<p>(a) The new ERP will have succession planning capability, which will allow the opportunity to improve on the current workforce planning framework including developing a long-term succession planning approach. These developments will take into account any conclusions from the outcomes of the upcoming Fourth Review Conference, scheduled to take place in 2018.</p> <p>(b) This aspect forms part of the draft HR strategy.</p> <p>(c) The ERP is anticipated to assist with the streamlining of internal processes. This will be supplemented by the integration of alternative staffing modalities (UNV/JPO/STA) to allow more efficient utilisation of resources. A new sourcing and branding strategy to be implemented in Talent Management will address options for the improvement of gender balance at all levels. Aspects of these changes have been applied in Q4/2017, with further changes planned for the ERP implementation go-live.</p> <p>(d) An ongoing review of the impact of the tenure policy is in place, led by State Parties. The implementation of the knowledge management task force will address the impact of this</p>	<p>(a) In progress. The Review Conference in 2018 will provide an opportunity to confirm organisational direction and, in turn, to update workforce planning as part of business planning. The Talent Management tool in the new ERP may also present additional opportunities to strengthen workforce planning techniques. We would expect more significant progress on this recommendation in 2018.</p> <p>(b) In progress. We look forward to hearing results from the planned skills survey and, importantly, the concrete steps proposed to address those results in due course.</p> <p>(c) In progress. We note proposals to use the new ERP to support improved administrative efficiency - delivery of these efficiencies should be tracked as part of the wider organisational benefits realisation strategy for the ERP. The role of the new Talent Management function with the HR Branch in supporting improved gender balance (e.g. branding considering advertising strategy, checking adverts for</p>

Ref	Area	Recommendation	OPCW Response	External Auditor Comment
		<p>more clearly through performance appraisal; and strengthening underlying systems for identifying and addressing under-performance through the appraisal process.</p>	<p>review and will in itself mitigate negative impacts of high staff turnover.</p> <p>(e) The new ERP system will allow more effective performance management records, which will be assisted by the introduction of a leadership development programme placing emphasis on management skills. Training for all Secretariat staff on the proper of performance management will be provided in 2018. Performance management is a key priority and part of the new Talent Management function of the restructured HRB in order to manage the talent life-cycle of employees holistically. A report on progress made and recommendations will be provided through the performance management and appraisal committee (PMAS Committee). Decisions will then be expected on future development to the performance management system.</p>	<p>gender neutrality etc., challenging 'regional distribution' emphasis) sounds promising and its impact should be carefully monitored. In the meantime, we understand that the gender balance among senior personnel deteriorated in 2017.</p> <p>(d) In progress. The 2018 4th Review Conference is expected to review the tenure policy. A States Parties-commissioned evaluation of the tenure policy was started in early 2018 to inform Review Conference discussions. This review is also considering skills needs for the Organisation more generally.</p> <p>(e) In progress. The Organisation has described early plans to implement more general reform of its approach to performance management. Implementation of the new ERP tool may support performance management changes but the key will be managerial commitment and in this context, proposals for a leadership development programme and further performance management training appear positive.</p>

Ref	Area	Recommendation	OPCW Response	External Auditor Comment
02/2015	Financial Management	<p>The Secretariat should evaluate the potential options for cost reduction and efficiency to further alleviate financial pressures and plan for structured cost reductions as the Organisation downsizes to 2025.</p>	<p>The Secretariat operates on an annual budget cycle and is continually assessing options to address the Organisation's immediate and medium-term financial situation. In this regard, a number of the options suggested by the External Auditor are already in place. For example, programme implementation is currently being limited by the application of a contingency margin that will potentially produce savings in operational (non-staff) spending. Trust funds are also being utilised, whenever possible, to supplement costs currently charged to the regular budget and the Organisation is constantly reviewing ways to improve its efficiency and cost effectiveness. Looking to the longer term, the Secretariat has prepared a draft paper on strategic financing, which includes the notion of negative asset balance arising from unfunded long-term liabilities. The concepts in the paper were presented in 2017 to the Open-Ended Working Group on the Future Priorities of the OPCW as well as to the ABAF, with initial ABAF comments integrated into the draft paper. The paper will be further considered by the ABAF at its Forty-Fourth Session, in June 2018.</p>	<p>Closed - this has been superseded by recommendation 01/2016</p>



<b>Ref</b>	<b>Area</b>	<b>Recommendation</b>	<b>OPCW Response</b>	<b>External Auditor Comment</b>
03/2015	Financial Management	The Secretariat should integrate strategic and financial planning within a longer-term financial planning horizon, and identify resource assumptions used to support the medium and long term financial plans.	As noted in the response to Recommendation 2/2015 above, the Secretariat has prepared a comprehensive draft paper on strategic financing, which will be under further consideration by the ABAF at its Forty-Fourth Session, in June 2018.	Closed - this has been superseded by recommendation 01/2016.
04/2015	Governance and Internal Control	The OPCW should establish a small, independent, objective and expert Audit Committee to enhance the assurances to States Parties, focusing on internal control, risk management and audit provision.	As requested, the OIO has prepared several reports and briefings for the ABAF's information. This issue remains under ABAF consideration.	In progress - we reiterate our recommendation that the Organisation will benefit from having an Audit Committee to provide further scrutiny of the Organisation to enhance the assurances available to States Parties. As the External Auditor we remain available to support ABAF and States Parties in these deliberations. To avoid wasted effort in deliberation the Organisation needs to conclude these considerations, it being three years since the issue was first raised.
05/2015	Governance and Internal Control	The Secretariat should maintain and regularly update the risk register and ensure that it is used in the business decision making processes.	The Secretariat accepts this recommendation and continued to maintain and update the risk register in 2017; this will also be the case in 2018. Senior Management is embedding use of the risk register as a key tool in the business decision-making processes, and training was provided to staff members regarding risk management in late 2016. Such work will continue in 2018. The Secretariat proposes to close this recommendation.	In progress - we understand that progress has been made in respect of risk management in 2017 and that a new risk register is being created at present, focussing on key risks for the Organisation at an overall level. This new risk register will be considered by the Risk Management Committee which has recently restarted. We support the Organisation's efforts to revise the risk management process focusing on key risks to the Organisation at a top level.

Ref	Area	Recommendation	OPCW Response	External Auditor Comment
06/2015	Governance and Internal Control	Risk management processes should be subject to a clear challenge process to support the embedding of risk management and to improve the quality of identified mitigations, ideally this could be conducted by an Audit Committee.	This issue remains under ABAF consideration.	Once new arrangements are in place we will review the status of this recommendation.  In progress- we encourage the Organisation to continue its thinking in terms of risk management and in the event an Audit Committee is not adopted consider other effective means of securing challenge on risk mitigation.
07/2015	Governance and Internal Control	We recommend that the Organisation conducts a comprehensive fraud risk assessment to determine the Organisation's potential vulnerabilities and exposure to risks of fraud. The Organisation should use the results of this assessment to prepare a fraud and corruption risk strategy.	The Secretariat accepts these recommendations and is currently reviewing the arrangements in place relating to fraud, with a view to establishing internal roles and responsibilities, conducting a fraud risk assessment, examining training requirements, and developing a whistleblowing policy. A Whistleblowing Policy is under consideration as a priority and parallel revisions to the Administrative Directive regarding the Procedure to Provide for Direct Confidential Access of Staff Members or Others to the Office of Internal Oversight (AD/ADM/9) are also planned in the medium-term.	In progress - we note the steps that the Organisation has taken and continue to monitor the progress. However, we believe the Organisation have failed to address these important issues in a timely manner and that urgent action is required to resolve these weaknesses after two years. Failure to address these recommendations exposes the Organisation to the potential for reputational damage and loss if policies are not in place.
08/2015	Governance and Internal Control	The Organisation should raise awareness of fraud risks through regular communication of fraud issues and through mandatory training courses for all staff on their induction to the Organisation.		

Ref	Area	Recommendation	OPCW Response	External Auditor Comment
09/2015	Governance and Internal Control	<p>The Organisation should develop a whistleblowing policy to set out how staff can raise valid concerns which will be appropriately and independently investigated and provide assurance over the protection it offers to staff. Such policies should be clearly accessible and promoted.</p> <p>The Organisation should provide greater clarity over responsibilities and arrangements for the response to an identified fraud by means of an approved fraud response plan. This should include establishing clear independence processes to determine the approach and staffing required to appropriately investigate any fraud allegations.</p>		
10/2015	Governance and Internal Control			
11/2015	Governance and Internal Control	<p>As the Organisation takes steps to develop its risk management processes, we would expect OIO to play a greater role in providing management with assurance over its significant risks within its annual programme.</p>	See OPCW response to Recommendation 3/2016.	Closed - this has been superseded by recommendation 03/2016.
13/2015	Governance and Internal Control	<p>OIO should have a direct reporting line to an audit committee which has full view of the planned range and scope of activities and can ensure these are sufficient to enable the assurances contained in the Statement on Internal Control (SIC).</p>	This issue remains under ABAF consideration.	In progress - we continue to support the Organisation's effort to introduce an Audit Committee.

Ref	Area	Recommendation	OPCW Response	External Auditor Comment
14/2015	Governance and Internal Control	<p>Governance arrangements overseeing the production of the SIC should be strengthened. Senior management need to be more involved in challenging the SIC to ensure the statements made are supported by assurance work and highlight areas where control improvements are planned. Furthermore, the SIC should be subject to review by the Director of OIO and provide some summary which captures the outcomes from their work, and their overall conclusion in respect of internal controls.</p>	<p>The process underpinning the preparation of the SIC is currently under way as part of a detailed review of the Secretariat's internal control framework, starting in the third quarter of 2017. A review of the Statement of Internal Control process was included in the OIO annual work plan for 2017. A final report was issued in early January 2018.</p>	<p>In progress - the report that has been prepared by OIO on the Statement on Internal Control is a positive step. The recommendations within the report, particularly the recommendation to Develop an Internal Control framework and developing a self-assessment methodology for senior managers (which will support the attestation each Director produces), should serve to improve the basis of the Statement of Internal Control and provide greater assurance to the Director-General and States Parties. We understand that the Organisation is reconsidering its approach to the Statement of Internal Control, and will be implementing a two-staged approach to this process going forward. This will be starting in June 2018, with further developments of the approach in January 2019. We would encourage these developments to be in place to support the preparation of the SIC for the 2018 Financial Statements.</p>

Ref	Area	Recommendation	OPCW Response	External Auditor Comment
15/2015	ERP System	<p>The Secretariat should ensure it completes its recent exercise to estimate the level of savings arising from the ERP implementation. Sufficient data should be collated to enable an auditable measurement of realised cost benefits on completion of the implementation.</p> <p>The Organisation should formalise its plan to measure benefits and efficiencies over time with a formal benefits realisation plan.</p>	<p>The ERP BRP has been completed and has been reviewed and accepted by the Project Steering Committee and the Project Board. The ERP BRP will be monitored and reported on throughout the lifecycle of the new ERP solution.</p>	<p>In progress - the Organisation should revisit its benefits realisation plan and associated savings in light of the issues and the delays in implementation as fundamental assumptions will have changed.</p>
16/2015	ERP System	<p>The Organisation should plan to give sufficient emphasis and resource to implementing new business processes and new ways of working and providing high-quality training for staff. It should create a clear plan to support the business change process alongside the schedule for the system implementation, supported by adequate training plans and post implementation support.</p>	<p>See OPCW response to Recommendation 15/2015 above.</p>	<p>In progress- as above</p>
18/2015	ERP System	<p>The Organisation should plan to give sufficient emphasis and resource to implementing new business processes and new ways of working and providing high-quality training for staff. It should create a clear plan to support the business change process alongside the schedule for the system implementation, supported by adequate training plans and post implementation support.</p>	<p>The training strategy, including a training plan, has been delivered. Please refer to the response to Recommendation 5/2016 above.</p>	<p>Closed- this has been superseded by recommendation 05/16. As we have reported this year, the delivery of training was ineffective. The training plan needs to be revisited to improve its effectiveness and to reflect changes to the design build. It needs to be seen in the context of the ERP being a change programme.</p>
19/2015	Prior Year Recommendations	<p>The Secretariat should review the way in which it responds to assurance recommendations and provide more specific and measurable plans for implementation; these should be supported by a suitable governance process to consider the appropriateness of management responses.</p>	<p>The Secretariat is actively addressing assurance recommendations, and the appropriate governance role will be considered as a key function of an OPCW audit committee</p>	<p>In progress - more specific action needs to be taken to improve the timeliness and accountability for implementation.</p>

<b>Reference: Report EA Chapter, Year</b>	<b>Original Recommendation</b>	<b>External Auditor's Comments in 2016</b>	<b>OPCW Response</b>	<b>External Auditor Response in 2017</b>
4.1.1/2014	Following the IIA's <sup>34</sup> standards, the "Internal Audit Charter" provides a recognised statement for review and acceptance by management and for approval by the board. Applied to the OPCW, the "board" corresponds to the Conference of the States Parties (CSP). However, the current OIO Charter was approved by the Director-General. The Secretariat states that it will study further whether the OIO Charter should be approved by the CSP.	In progress. We note that the Organisation is in the process of considering the new OIO Charter and we will continue to monitor this matter.	This issue is awaiting an ABAF decision on the establishment of an audit committee. The Secretariat has drafted a new OIO Charter. Further consultations will take place in due course to request approval from the Conference.	In progress - regardless of the decision on an audit committee, urgent action needs to be taken to secure an appropriate and independent reporting line for OIO to meet the requirements of professional standards.

<b>Reference: Report EA Chapter, Year</b>	<b>Original Recommendation</b>	<b>External Auditor's Comments in 2016</b>	<b>OPCW Response</b>	<b>External Auditor Response in 2017</b>
4.1.1/2014	<p>The governance body that is charged with the oversight of the organisation's audit and control functions is the audit committee as defined by the IIA. These fiduciary duties are often delegated to an audit committee of the board of directors. In the OPCW, the Advisory Body on Administrative and Financial Matters (ABAF) has OIO-related responsibilities. However, the OIO Charter does not explicitly refer to the role of the ABAF as audit committee. While this may be current practice, in my view OIO's independence should be strengthened as a first step by ABAF taking over the role of audit committee but moreover by establishing an Audit Committee.</p>	<p>In progress. We note that discussions in respect of setting up an audit committee are ongoing with a paper on this matter going to the June 2017 ABAF.</p>	<p>This recommendation was superseded by similar Recommendation 4/2015 and, thus, should be closed.</p>	<p>Closed - this has been superseded by recommendation 04/2015</p>

Reference: Report EA Chapter, Year	Original Recommendation	External Auditor's Comments in 2016	OPCW Response	External Auditor Response in 2017
3.4.1/2012 3.4.1/2013 3.4.1/2014	<p>Net assets/equity and unfunded liabilities: As at 31 December 2014, total liabilities exceeded total assets by €0.7 million. Although the Secretariat is of the view that there is no need of additional funding as long as States Parties continue to support the OPCW, I still recommend that States Parties should start considering how future liabilities could be funded, as a negative balance should not be maintained over a longer period.</p>	<p>In progress. We note the 2016 position and look forward the Secretariat's paper on strategic financing.</p>	<p>This recommendation was superseded by similar Recommendation 1/2016 and, thus, should be closed.</p>	<p>Closed - this has been superseded by recommendation 01/2016</p>
4.5/2013 4.6/2013 6.1/2014	<p>Restructuring the Secretariat not yet completed: The Secretariat is working in close co-operation with the States Parties to develop a long-term strategy for a necessary adaptation of the OPCW to the challenges of the future. For that purpose, the Secretariat engaged an external consultant in April 2011. Two years later, the final plan to restructure the Secretariat had not been completed due to the fact that discussions on the future mission and direction of the Organisation are still ongoing among the States Parties. In the meantime, the Secretariat continued its work to develop a long-</p>	<p>In progress. We have continued to make observations on the need for longer term planning for financial and staffing matters.</p>	<p>The Medium-Term Plan of the OPCW (EC-83/S/1 C-21/S/1, dated 8 April 2016) was recently updated to cover the period from 2017 to 2021, and core activities such as verification, inspections, and international cooperation and assistance will continue to receive primary focus. Moving forward, the Secretariat will seek to enhance contingency operations capability, promote education and outreach initiatives, enhance capacity-building, promote national implementation of the Chemical Weapons Convention, and raise awareness of the potential threats</p>	<p>Closed - this has been superseded by recommendation 10/2016</p>



Reference: Report EA Chapter, Year	Original Recommendation	External Auditor's Comments in 2016	OPCW Response	External Auditor Response in 2017
	<p>term strategy. The Executive Council incorporated the new strategic focus in the Medium-Term Plan for the period from 2015 to 2019. Nevertheless, I reiterate my recommendation to bring this issue forward. Particularly, I encourage all managers in the Secretariat seeking direct and continuous communication with their staff on all relevant issues.</p>		<p>posed by non-State actors. Furthermore, the Secretariat has started to address medium- and long-term staffing considerations through the mid- to long-term staffing plan (S/1292/2015, dated 30 June 2015). The Secretariat is also strengthening workforce planning as noted in the response to Recommendation 10/2016.</p>	
<p>4.2/2011          6.1/2012          6.3/2013          6.3/2014</p>	<p>Risk management and the Statement of Internal Control (SIC): The Secretariat put into effect a risk management policy in February 2013 and stated its intention to develop a control framework that would allow the Director-General to issue a Statement of Internal Control. Together with the 2014 Financial Statements the Director-General issued a Statement of Internal Control (SIC). We are grateful for the progress made, but it appears that the implementation of all features of an SIC takes longer than initially expected. I still do not see the clear distribution of duties down through the Organisation and the assurances of the relevant managers and OIO.</p>	<p>In progress. SIC we consider that its value is diminished by the absence of clear processes of assurance to support the underlying statement and have identified that risk processes in 2016 have not been fully effective.</p>	<p>This recommendation was superseded by similar Recommendation 3/2016 and, thus, should be closed.</p>	<p>Closed - this has been superseded by recommendation 03/2016</p>

**Annex 4**

**RESPONSE OF THE DIRECTOR-GENERAL  
TO THE  
REPORT OF THE EXTERNAL AUDITOR ON THE FINANCIAL STATEMENTS  
OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

1. The Director-General wishes to express his appreciation for the observations and recommendations received from the Comptroller and Auditor General and his staff, on the occasion of the external audit of the financial statements of the OPCW for the period ended 31 December 2017.
2. The Director-General notes that, in the External Auditor's opinion, the financial statements present fairly the financial position as at 31 December 2017 and that they were prepared in accordance with the OPCW's stated accounting policies (applied on a basis consistent with the previous period); and that the transactions were in accordance with the Financial Regulations and legislative authority.
3. The Director-General notes the observations and recommendations made by the External Auditor, and action has been initiated to implement these recommendations as appropriate.

**Annex 5**

**RESPONSE OF THE CHAIRPERSON OF THE PROVIDENT FUND  
MANAGEMENT BOARD  
TO THE  
REPORT OF THE EXTERNAL AUDITOR ON THE FINANCIAL STATEMENTS  
OF THE PROVIDENT FUND OF THE  
ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

The Chairperson of the Provident Fund Management Board would like to thank the External Auditor for the very useful work done in respect of the audit of the Provident Fund of the OPCW. The Chairperson notes with satisfaction that, in the External Auditor's opinion, the financial statements present fairly the financial position as at 31 December 2017 and that they were prepared in accordance with the stated accounting policies (applied as far as possible on a basis consistent with the previous period), and that the transactions were in accordance with the Charter and the Administrative Rules and with the OPCW's Financial Regulations (as far as applicable).

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