



NOTE BY THE DIRECTOR-GENERAL

ANNUAL REPORT OF THE OFFICE OF INTERNAL OVERSIGHT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2018

INTRODUCTION

1. Financial Regulation 12.5 of the OPCW Financial Regulations and Rules requires the Director of the Office of Internal Oversight (OIO) to prepare a summary report on internal oversight activities for each calendar year, “including on the status of implementation” of the OIO’s recommendations. This report is to be transmitted through the Executive Council (hereinafter “the Council”) to the Conference of the States Parties by the Director-General, together with such comments as he and the Council deem appropriate. The requirements and guidelines regarding the contents of the report are detailed in Financial Rule 12.5.01.
2. The Director-General appreciates the added value of the work carried out by the OIO during the year under review, which has contributed significantly to enhancing transparency and accountability throughout the Organisation by strengthening the systems of internal controls, risk management, and governance.

INDEPENDENCE OF THE OFFICE OF INTERNAL OVERSIGHT

3. The Director-General and the Management of the Technical Secretariat (hereinafter “the Secretariat”) are fully committed to ensuring the operational independence of the OIO, in accordance with the OPCW Financial Regulations and Rules, the OIO Charter, and the auditing standards of the Institute of Internal Auditors (IIA). The OIO Charter was revised in November 2018, with the approval of the Conference of States Parties (hereinafter “the Conference”), to keep it up to date in accordance with the International Standards for the Professional Practice of Internal Auditing (issued by the IIA, United States of America).

COMPLIANCE OF THE OFFICE OF INTERNAL OVERSIGHT WITH THE AUDITING STANDARDS PROMULGATED BY THE INSTITUTE OF INTERNAL AUDITORS

4. The Director-General notes that the OIO has worked in accordance with the auditing standards stipulated in Financial Regulation 12.6.
5. The IIA (Netherlands) conducted a quinquennial quality assessment of the OPCW’s internal audit function in 2015 and concluded that the OIO conforms with the generally accepted professional practices regulations that comprise the IIA’s International Professional Practices Framework. This is the highest rating offered by the IIA and means that “the relevant structures, policies and procedures of the



activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects”.

PROGRAMME OF WORK FOR 2018

6. The Director-General notes with appreciation that the OIO carried out its annual programme of work for 2018 diligently and professionally, despite constraints related to staffing and extra work owing to unplanned assignments, the advisory role played by the Office, and other internal Secretariat matters. OIO staff members continued to provide valuable advice through their participation as observers in meetings of various committees, such as the Committee on Contracts, the Investment Committee, the Property Survey Board, the Information Services Steering Committee, the ChemTech Project Board and the Enterprise Resource Planning Project Board. The OIO annual report, included as the Annex to this Note, reflects in a comprehensive and accurate manner the various tasks performed by the Office in 2018.

REPORTS OF THE OFFICE OF INTERNAL OVERSIGHT

7. In accordance with the annual programme of work for 2018, the OIO carried out the following five assignments:
 - (a) Audit of the Management of Sick Leave;
 - (b) Audit of Vendor Management;
 - (c) Spot Check of Cash in the Treasury Section;
 - (d) Audit of Physical Security at the OPCW Headquarters, Laboratory, and Equipment Store; and
 - (e) Review of Strategic Planning in the Technical Secretariat.
8. As a result of these five reports on audits and evaluations, a total of 37 recommendations were issued.

QUALITY MANAGEMENT SYSTEM

9. Four quality audits of activities under the scope of the International Organization for Standardization (ISO) accreditation were conducted in the OPCW Laboratory and the OIO, as follows:
 - (a) Organisation of the OPCW Central Analytical Database and On-Site Databases and Preparation and Testing of Gas Chromatography-Mass Spectrometry Inspection Equipment;
 - (b) Organisation of OPCW Proficiency Tests and Biomedical Proficiency Tests;
 - (c) Certification of the OPCW Central Analytical Database and On-site Databases and Certification of Testing, Preparing, and Packing of Gas Chromatography-Mass Spectrometry Inspection Equipment; and
 - (d) QMS Processes (QMS Internal Audits), Handling of Complaints, Control of Non-Conformities and Related Corrective Actions and Management Review Processes.

10. As a result of these four audits, the whole area of activities subject to accreditation has been audited, with 39 findings aimed at implementing further improvements to the Quality Management System (QMS). All the findings are subject to a dedicated follow-up exercise in line with accredited ISO standards.
11. The last assessment by the Dutch Accreditation Council (RvA) took place in 2017 and, as a consequence, both ISO 17025:2005 and 17043:2010 accreditations were extended until 1 April 2021. In addition, the scope of ISO 17043:2010 now includes the activities of the OPCW Laboratory related to biomedical proficiency tests. The next RvA assessment will be completed in 2019.
12. In 2018 the OIO organised training for Secretariat staff aimed at improving their professional skills and knowledge of the QMS and related standards. In preparation for the implementation of the new ISO 17025:2017, the OIO also organised a one-day course for those staff members of the Secretariat who work in the accredited processes.
13. The Director-General appreciates the work carried out by the OIO in respect of the QMS, noting that the RvA is now applying a less intensive assessment programme for the accredited processes, which represents an exceptional recognition of the OPCW's professionalism.

MONITORING THE IMPLEMENTATION OF THE RECOMMENDATIONS OF THE OFFICE OF INTERNAL OVERSIGHT

14. The Director-General closely monitored the status of the implementation of the OIO recommendations during the year and fully supported the work of the Office. The OIO continued to submit periodic follow-up reports on the implementation of recommendations. The Director-General notes that, as at 31 December 2018, the cumulative rate of implementation of the audit and evaluation recommendations issued in the past five years was 59.3%. While re-emphasising the importance of implementing all pending recommendations, it should be noted that a number of pending recommendations present systemic and/or resource dependencies that have attenuated efforts toward their implementation.
15. At meetings of the Management Board, the Director-General, following the guidance of the OIO, advised Directors to prioritise the implementation of pending recommendations. Particular attention was given to critical and long-standing recommendations in order to expedite their implementation. The follow-up of the audit recommendations of both external and internal audit is a standing item on the agenda of every Management Board meeting.
16. The Director-General welcomes the new section in the report on the assessment of the impact of implemented audit and evaluation recommendations, which contributed significantly to adding value to the Organisation by enhancing compliance with existing regulations and procedures, strengthening internal controls, and improving the allocation of resources and the effectiveness of programmes and policies.

Annex: Annual Report of the Office of Internal Oversight for the Period from 1 January to 31 December 2018

Annex

**ORGANISATION FOR THE PROHIBITION
OF CHEMICAL WEAPONS**



Office of Internal Oversight

**ANNUAL REPORT OF THE
OFFICE OF INTERNAL OVERSIGHT
FOR THE PERIOD FROM
1 JANUARY TO 31 DECEMBER 2018**

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1. INTRODUCTION

The Office of Internal Oversight (OIO) is pleased to provide the Conference of the States Parties (hereinafter “the Conference”) with its annual report on the internal oversight activities for 2018. This report is submitted in accordance with OPCW Financial Regulation 12.5, which provides that “the Head of Internal Oversight shall prepare a summary report on the internal oversight activities” for each calendar year, including the status of implementation of recommendations issued. This report is to be transmitted through the Executive Council (hereinafter “the Council”) to the Conference by the Director-General, together with such comments as the Director-General and the Council may deem appropriate. Financial Rule 12.5.01 further elaborates on the content of the summary report. In compliance with those requirements, this report provides an overview of the main activities of the OIO in 2018 and information on the implementation status of the recommendations issued.

2. MANDATE, SCOPE, AND FUNCTIONS OF THE OFFICE OF INTERNAL OVERSIGHT

Mandate, Scope, and Charter of the Office of Internal Oversight

- 2.1 The internal oversight function has been established on the basis of Article 12 of the OPCW Financial Regulations and Rules, which defines its scope and functions. Regulation 12.1 stipulates that “[t]his mechanism will assist the Director-General in the management of the OPCW’s resources, through internal audit, inspection, evaluation, investigation and monitoring in order to enhance the efficiency, and economy of the operations of the OPCW”. According to Regulation 12.2, “[t]he purpose of internal oversight audits shall be to review, evaluate and report on the soundness, adequacy and application of systems, procedures and related internal controls”.
- 2.2 The OIO’s mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The OIO helps the OPCW achieve its objectives by applying a systematic approach to evaluating and enhancing the adequacy and effectiveness of risk management, internal control, and governance processes.
- 2.3 The purpose, scope, responsibilities, and authority of the OPCW internal oversight function are further defined in the OIO Charter approved by the Conference in November 2018. The Charter was revised to keep it up to date, in accordance with the International Standards for the Professional Practice of Internal Auditing (issued by the Institute of Internal Auditors (IIA), United States of America).
- 2.4 While discharging its mandate in accordance with the OIO Charter and the governing rules and regulations relating to internal oversight, the OIO continued to support the OPCW in achieving its objectives. It also continued to enjoy the full support of the Director-General, senior officers, and OPCW staff members.

Confirmation of Office of Internal Oversight independence

- 2.5 As Acting Director of the OIO, I can confirm the organisational independence of the Office in the conduct of its duties in accordance with the relevant standards of the IIA.¹

Compliance with the Auditing Standards of the Institute of Internal Auditors

- 2.6 OPCW Financial Regulation 12.6 stipulates that internal oversight activities “shall be conducted in accordance with best professional practice and, in the case of internal audits, in accordance with the auditing standards promulgated by the Institute of Internal Auditors”. The audits conducted in 2018 were performed in compliance with the International Professional Practices Framework issued by the IIA (United States of America) which consists of the International Standards for the Professional Practice of Internal Auditing of the IIA, the core principles, the code of ethics, and the definition of internal auditing.

Membership of the Institute of Internal Auditors and United Nations Evaluation Group

- 2.7 During the reporting period, the OIO continued to be a member of the IIA (United States of America) and its chapter in the Netherlands. Such membership provides OIO staff with knowledge of the latest professional standards in the conduct of audits, and access to the IIA’s vast resources of auditing materials and guidance.
- 2.8 In 2018, the OIO also continued to be a member of the United Nations Evaluation Group (UNEG). This is an interagency professional network that brings together the evaluation units of the United Nations system, including United Nations departments, specialised agencies, funds and programmes, and affiliated organisations. Such membership provides OIO staff with opportunities to share knowledge about best practices in the United Nations system in respect of evaluation techniques and methodologies.

¹ IIA Standard 1110 (Organizational Independence) reads as follows: “The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity”.

3. RESOURCES

Budget

- 3.1 The OIO managed to carry out its activities with the available budget resources. The total revised budget of the OIO for 2018 was EUR 991,994; the actual expenditure for the year was EUR 988,086.

Staffing

- 3.2 As at 31 December 2018, the OIO had eight budgeted staff positions, consisting of one Director, three professional audit staff, and four general service staff. All staff positions were filled with the exception of the position of Director of OIO, which has been vacant since 27 December 2018.

Capacity building

Capacity building for Office of Internal Oversight staff

- 3.3 In accordance with IIA Standard 1210, staff members of the OIO continued to develop their proficiency by enhancing their professional knowledge, skills, and other competencies needed to perform their responsibilities. OIO staff members attended training programmes on assurance mapping, process management, information technology (IT) audit and controls, and CISA online review courses.

Capacity building for Technical Secretariat staff

- 3.4 The Office organised a Quality Management System (QMS) training course with an external instructor for 15 staff members of the Technical Secretariat (hereinafter “the Secretariat”). The course, which took place in September 2018, focused on two standards for which the Organisation is accredited: the International Organization for Standardization/International Commission (ISO/IEC) 17043:2010 and ISO/IEC 17025:2017, as well as the principles of Standard ISO 9001:2015. The course addressed the latest tools and techniques that will allow future auditors to conduct, report, audit, and follow up on the findings of internal audits. It also included the guidelines for auditing quality systems and qualification criteria for auditors, with reference to ISO 19011:2018. The course met the requirements of the International Register of Certificated Auditors.

Capacity building for Technical Secretariat staff within accredited areas

- 3.5 In preparation for the implementation of the new ISO 17025:2017, the OIO also organised a one-day course for those staff members of the Secretariat who work in the accredited processes. The course, which took place on 14 September 2018, covered all areas of the new ISO, in particular areas subject to significant modifications.

4. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

- 4.1 In accordance with IIA Standard 1300, the OIO has established a quality assurance and improvement programme that covers all aspects of its activity. Internal quality assessments are carried out by ongoing monitoring and periodic assessments conducted through peer reviews of the OIO audit reports; external quality assessments are conducted every five years by the IIA (United States of America), in accordance with its standards. In addition, the performance of the OIO is assessed by the External Auditor and the Dutch Accreditation Council (RvA). The two 2018 sessions of the Advisory Body on Administrative and Financial Matters (ABAF) and the facilitation meetings on the OIO and External Auditor's reports also provided States Parties with an opportunity to assess and comment on the performance of the Office.

External quality assessment by the Institute of Internal Auditors

- 4.2 External quality assessments of the OIO's activity are conducted every five years. These reviews independently validate the quality of its work and ensure that the Office complies with the international standards promulgated by the IIA. Such reviews are performed in accordance with IIA Standard 1312, which states that external assessments "must be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization".
- 4.3 The Netherlands Chapter of the IIA conducted a quality assessment of the OPCW's internal audit function in the last quarter of 2015 in accordance with the said International Standards for the Professional Practice of Internal Auditing and assessed that the OIO "generally conforms" with them and is in compliance with the IIA Code of Ethics. This is the highest rating offered by the IIA and means that "the relevant structures, policies and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects". The next external quality assessment is due to be conducted in 2020.

External Auditor's recommendations

- 4.4 The OIO continued to coordinate its activities and communicate the outcome of its oversight work with the External Auditor. Furthermore, the OIO's annual planning process included consultation with the External Auditor, in order to avoid duplication of effort and to develop mutual synergies.
- 4.5 In the year under review, the OIO implemented one of the External Auditor's recommendations made in its report for 2015 (EC-83/DG.1 C-21/DG.5, dated 8 August 2016). The recommendation stated as follows: "Following the IIA's 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." Accordingly, the OIO updated its Charter in accordance with the revised IIA standards and template, and the Charter was approved by the Conference in November 2018. Accordingly, the OIO proposed to the External Auditor that the recommendation be closed.

- 4.6 Another three recommendations made by the External Auditor in its report for 2015 related to: (1) establishing “a small, independent, objective and expert Audit Committee to enhance the assurances to States Parties, focusing on internal control, risk management, and audit provision” (Recommendation 4/2015); (2) the OIO having “a direct reporting line to an audit committee...” (Recommendation 13/2015); and (3) the risk management processes being “subject to a clear challenge process [...], ideally this could be conducted by the Audit Committee” (Recommendation 6/2015). In this regard, the OIO explored options available for introducing an audit committee in the most efficient and cost-effective manner, given the relative size and budgetary constraints of the OPCW. Accordingly, the OIO prepared several reports and briefings on this subject for the ABAF’s consideration. The ABAF considered this issue at its Forty-Fourth Session and determined that a separate audit committee would not be appropriate for the OPCW at this time. Accordingly, the OIO proposed to the External Auditor that these recommendations be closed.
- 4.7 Two recommendations issued in previous years regarding the operation of the OIO continued to be addressed in 2018:
- (a) The first was that the “OIO should consider its current staffing and resourcing model within its overall level of resources, ensuring that it has the structure, skills, experience, and capacity to deliver a core level of assurance over the key risks to the 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” (Recommendation 2/2016). The OIO will prepare a document and submit it for the consideration of the Management once the new Director joins the Office.
 - (b) In relation to the statement of internal control (SIC), the External Auditor recommended that: “Governance arrangements overseeing the production of the SIC should be strengthened. Senior management need to be more involved in challenging the SIC to ensure that the statements made are supported by assurance work and highlight areas in which control improvements are planned. Furthermore, the SIC should be subject to review by the Director of the OIO and provide some summary which captures the outcomes from their work, and their overall conclusion in respect of internal controls” (Recommendation 14/2015). To this end, the OIO conducted a comprehensive review of the SIC process in 2017 and recommended that a structured and systematic process be set up by Management to support the assertions made in the SIC. Keeping this in view, Management has conducted a two-staged, detailed review of the Secretariat’s internal control framework, management attestations, and self-assessments, which is expected to be finalised in 2019. This recommendation is under implementation by the Administration Division.
- 4.8 The OIO briefed States Parties on its implementation of the External Auditor’s recommendations during two facilitation meetings in 2018. There was an extensive exchange of views and the role of the oversight function was well appreciated.

Reporting to the Advisory Body on Administrative and Financial Matters and the Executive Council

- 4.9 The Director of the OIO made two presentations to the ABAF, one on the Annual Report of the OIO for 2017 (EC-88/DG.6 C-23/DG.6, dated 16 May 2018) and the other on the revision of the OIO Charter. In the presentation on the OIO Annual Report for 2017, made to ABAF at its Forty-Fourth Session, the OIO briefed the ABAF on its risk assessment process and the ABAF expressed its appreciation for the fact that the annual audit plan had been developed based on a comprehensive assessment and prioritisation of organisational risks. The OIO also shared with the ABAF the list of management processes which formed the audit universe for its risk assessment. The ABAF welcomed the new section in the Annual Report for 2017 on the assessment of the impact of implemented audit and evaluation recommendations, which showed the added value of these recommendations in strengthening the internal control, risk management, and governance systems in the Organisation. In the second presentation to the ABAF at its Forty-Fifth Session, the Director of the OIO briefed the ABAF on the proposed revisions to the OIO Charter to keep it up to date with the international standards and template issued by the IIA (United States of America).
- 4.10 Further, in 2018, one Council facilitation meeting was held with States Parties, wherein the Director of the OIO presented the Annual Report of the OIO for 2017 (EC-88/DG.6 C-23/DG.6). During the meeting, the OIO also highlighted its programme of work for 2018, the status of implementation of audit recommendations, and other activities being carried out during the year.

Customer satisfaction survey

- 4.11 As part of the requirements to maintain the Secretariat's ISO accreditation, the OIO conducted an annual satisfaction survey. Six percent of the responses received identified potential areas for improvement in the OIO's performance. The survey will be further updated in 2019 by incorporating the suggestions received.

Key performance indicators

- 4.12 The OIO reviewed and updated its key performance indicators (KPIs) in 2018, in line with best international practices and the guidance provided by the IIA. As a result, the "implementation of the annual programme of work of OIO" was included as a KPI in lieu of "ratio of coverage of identified risks". The OIO's performance with respect to the KPIs for 2018 is provided in Appendix 1.

5. OFFICE OF INTERNAL OVERSIGHT PROGRAMME OF WORK FOR 2018

Key tasks of the programme of work for 2018

- 5.1 The OIO carried out various tasks in the course of 2018. Besides the conduct of internal audits, confidentiality audits, evaluations, and QMS audits, the OIO devoted its time and budget resources to following up on the action taken by the Management to implement the audit recommendations; providing various advisory services to strengthen management processes; participating in several management meetings in an observer capacity; providing certification of inspection equipment; participating in meetings of the Representatives of Internal Audit Services of the United Nations Organizations (RIAS), UNEG, and other international organisations; training; updating of internal policies and procedures; budget management; staff and administration; and preparing various reports and presentations to governing bodies.

Status of audit/evaluation reports

- 5.2 The subjects of audits and evaluations for 2018 were identified using the OIO Risk Assessment Framework, which was updated applying the methodology of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In addition, the Office took into account requests and concerns expressed by OPCW stakeholders during official meetings, as well as risk assessments made by the Management and the risks identified in the OPCW Risk Register. In accordance with Financial Rule 12.3.01, the Director-General requested the OIO to address specific issues and concerns that were also considered when drafting the annual programme of work for 2018.
- 5.3 The internal audits, confidentiality audits, evaluations, and QMS assignments for 2018 were as follows:
- (a) Audit of the Management of Sick Leave;
 - (b) Audit of Vendor Management;
 - (c) Spot Check of Cash in the Treasury Section;
 - (d) Audit of Management of Staff Recruitments (to be taken up in the work plan for 2019 after implementation of the new IT system for recruitment, as requested by Management);
 - (e) Audit of Physical Security at the OPCW Headquarters, Laboratory, and Equipment Store;
 - (f) Review of Strategic Planning in the Technical Secretariat;
 - (g) Audit of User Access Rights in the Unit4 Business World Enterprise resource Planning (ERP) System (to be taken up in the work plan for 2019 after the ERP system is implemented);

- (h) Audit of Information Systems Security (was replaced by the audit of Strategic Planning, as the Secretariat sourced funds for the enhancement of information systems security in 2019);
- (i) Evaluation of the Management of Staff Training Activities (as training activities were under re-organisation in 2018, this evaluation will be taken up in the work plan for 2019)
- (j) Organisation of the OPCW Central Analytical Database and On-Site Databases and Preparation and Testing of Gas Chromatography-Mass Spectrometry Inspection Equipment;
- (k) Organisation of OPCW Proficiency Tests and Biomedical Proficiency Tests;
- (l) Certification of the OPCW Central Analytical Database and On-Site Databases and Certification of Testing, Preparing, and Packing of Gas Chromatography-Mass Spectrometry Inspection Equipment;
- (m) Management Requirements: Handling of Complaints, Control of Non-Conformities and Related Corrective Actions, and Management Review Process; and
- (n) Audit of the Financial Statements of the OPCW Staff Association.

Management acceptance of Office of Internal Oversight recommendations

- 5.4 In 2018, the OIO issued 37 recommendations, 23 of which were issued up to December 2018 have become due for implementation. These have been included in the database for the follow-up exercise.
- 5.5 According to Financial Rule 12.5.01 (d), the annual report may contain “a description of all recommendations not approved by the Director-General and his/her reasons for not doing so”. In 2018, the Director-General accepted all of the OIO recommendations issued in the above-mentioned reports and instructed the relevant programme managers to take appropriate action, in accordance with Financial Rule 12.3.04.

Quality Management System

- 5.6 The OIO reviews the quality assurance policy and strategy in order to maintain a comprehensive programme aimed at meeting the requirements of the following international standards, which are subject to the assessment of the RvA:
 - (a) ISO/IEC 17025:2005 (General requirements for the competence of testing and calibration laboratories); and
 - (b) ISO/IEC 17043:2010 (Conformity assessment—General requirements for proficiency testing).

- 5.7 To maintain both certificates, three units of the OPCW are accredited, namely, the OPCW Laboratory, the OIO, and the Documents, Registration and Archiving Section (DRA) in the Verification Division (VER).
- 5.8 The last RvA regular assessment visit took place in April 2017 to evaluate the efficiency and effectiveness of the Secretariat's QMS and its capacity to perform the accredited activities. The latest RvA regular assessment was on 26 March 2019.
- 5.9 The OIO organised two meetings of the QMS Technical Committee (QMSTC). Topics discussed included management review of accredited activities; presentation of the final draft of the Secretariat's Quality Manual, including the updated Quality Policy Statement; mapping of key processes documented in QDOCs and standard operating procedures (SOPs); and assisting Directors with identifying the critical QMS processes, their possible improvements, and the possible application of other ISO standards.
- 5.10 The OIO issued certificates for the OPCW Central Analytical Database (OCAD) and the on-site analytical databases, as well as certificates for the gas chromatography-mass spectrometry (GC-MS) inspection equipment in accordance with the mandate given by the Council.
- 5.11 The OIO established a Working Group on the Quality Management System (WGQMS) to review and prepare a new version of the Technical Secretariat Quality Manual (TSQM). As a result of the WGQMS meetings held, the Secretariat's TSQM and Quality Policy Statement have been revised by the group and reviewed by the QMS Technical Committee and all Directors. The final document was published on 18 December 2018.
- 5.12 The new Quality Manual, as approved by the Director-General, constitutes a breakthrough in the way processes will be managed within the Secretariat in the future, as they will be required to provide information related to: results-based management, strategy and policy, risk management, organisational knowledge, information management, and process monitoring and evaluation. Once implemented, the document will be mandatory for the most important processes within the Secretariat, enabling their mapping and effective monitoring.

Results-based management

- 5.13 The OIO continued using a results-based management (RBM) approach to enhance the achievement of its outputs, outcomes, and impacts in 2018.
- 5.14 In 2018, 71 tasks were performed by the OIO through the completion of 225 activities covering the following nine sections: audits, evaluations, and certifications; follow up of implementation of recommendations; consulting services; OIO documentation; training; participation in international events; reporting to States Parties and other activities; budget, staff, and administration; and quality assurance and improvement. These tasks and activities generated 19 outputs which resulted in the achievement of nine outcomes, which were intended to be consistent with two expected impacts: the continued credibility and trust of the OIO vis-à-vis States Parties by securing the

highest standards of efficiency, competence, and integrity; and strengthened oversight practices to enable the OIO to achieve its mandate and goals with the necessary skilled staff and budgetary resources. Thus, the Office contributed to the achievement of OPCW core objectives 1, 2, and 7. The RBM tool will also be used to prepare a results-based budget for 2019. The OIO's RBM framework was presented to the QMSTC meeting in November 2018 and a presentation was shared with all Directors/Branch Heads for further consideration. The OIO RBM conceptual framework is available in Appendix 2.

Oversight texts

- 5.15 In order to promote knowledge management in the OIO and ensure business continuity, the Office has finalised the compilation of all major documents related to its functioning within the OPCW. The OIO has assembled eight volumes of the oversight texts, which include: the regulatory framework that guides the OIO; professional standards and guidance in the fields of internal audit; IT and confidentiality audit; evaluation; QMS; OIO annual reports (two volumes); and a glossary of terms, definitions, and concepts of technical expressions used in the audit profession.

6. KEY RECOMMENDATIONS OF AUDIT AND EVALUATION REPORTS

Internal audits

Audit of the Management of Sick Leave (2018/IA/01)

- 6.1 The audit of the system for the management of sick leave sought to evaluate the adequacy and effectiveness of the process that has been set up to meet the objectives mentioned in Staff Regulation 6.2, namely the establishment of a “cost-effective and administratively efficient scheme of social security for the staff, which includes adequate provisions for health protection, sick leave...”, and to determine whether sick leave (certified and uncertified) has been managed in accordance with the OPCW regulations, rules, and administrative instructions.
- 6.2 Six audit recommendations were issued in the report, all of which were of standard priority. The following recommendations were made: to regularly prepare the quarterly report on sick leave (on parameters suggested in the report) to effectively monitor the absence due to sick leave, the cost of which is estimated to have increased from EUR 1.18 million in 2015 to EUR 1.27 million in 2017; to upload the documentary evidence to support the certified sick leave application in the leave management system; to improve the IT system to provide information to supervisors on the type of leave taken as well as sick leave taken outside the Netherlands and annual leave converted to sick leave; to consider the viability of introducing flexible working arrangements in order to promote work-life balance; to develop a preventive health care awareness programme for staff, based on an analysis of the most common causes of sick leave; and to provide training to increase the awareness and sensitivity of supervisors and managers for staff who may have medical issues.

- 6.3 While most of the requested documents were made available for audit, some documents could not be made available by the Health and Safety Branch on grounds of medical confidentiality. As a result, the audit was completed and recommendations were made, as indicated in paragraph 6.2 above, by reviewing the adequacy and effectiveness of internal controls related to other risk areas.

Audit of Vendor Management (2018/IA/02)

- 6.4 The audit objective was to evaluate the adequacy and effectiveness of the internal controls in the vendor management process, as well as the reliability and integrity of the due diligence carried out in the vendor background checking process.
- 6.5 Four recommendations were issued in this report: two were of critical priority and the other two of standard priority. The recommendations made were: to ensure that sufficient guidance is available on exercising checks against various sanctions lists, the responsible official, the documentation of the results of the checks exercised, and the mandatory nature of these checks prior to the awarding of a contract; to formalise a tiered risk-based approach to vendor due diligence based on categorising vendor risks as high, medium, or low, and to prescribe the required documentation, the checklist for the conduct of due diligence in vendor background checking, and confirmation of the due diligence check for the proposed supplier at the time of submission to Committee on Contracts (CoC); to issue guidance to ensure systematic clean-up of the vendor database as well as its periodicity, as well as the archiving of inactive vendors as “closed” vendors; and to set up a formal vendor review process for vendor sanctions.

Spot Check of Cash in the Treasury Section (2018/IA/03)

- 6.6 A spot check is a limited-scope audit designed to check the operation of specific controls to manage particular risks related to the operations in the reviewed area.
- 6.7 The objective of the spot check was to verify the physical existence and accuracy of cash in the treasury and to evaluate the adequacy and effectiveness of the process that has been set up for this purpose in accordance with the OPCW Regulations, Rules, and administrative directives.
- 6.8 The audit report contained one recommendation which was of standard priority. The recommendation made was to issue guidelines on the internal controls required for the management of cash in the Treasury Section on: the closing of the cash ledger at the end of every month, as well as providing a certificate of physical verification of cash; ensuring surprise physical verification of cash to be carried out periodically (at a frequency deemed appropriate); providing limits that should be placed on the amount of coins provided to petty cash holders; and maintaining a permanent file for the cash ledger and certificates by the custodian.

Staff Association Audit

- 6.9 The audit of the financial statements of the Staff Association is a courtesy audit carried out by the Internal Auditor. Besides certifying the financial statements, the

audit sought to evaluate the adequacy and effectiveness of the internal controls that have been set up by the Staff Association for the management of its financial and operational affairs.

- 6.10 The audit opinion on the financial statements of the Association stated that they present fairly, in all material respects, the financial position of the Staff Association as at 31 December 2018, and of the related revenues, expenses and change in the fund balance for the year then ended, subject to the comments made in the detailed report. In the detailed report, two recommendations were made to strengthen internal controls and ensure transparency and accountability in the use of funds of the Staff Association. Audit recommendations were made as follows: to ensure that claims for a refund of value-added tax (VAT) in the amount of EUR 6,209.41 are processed immediately and amounts received are reflected in the financial statements; to set up internal controls for seeking legal advice, such as written procedures for submission and acceptance of request to seek legal advice; to take up the recovery of EUR 12,947 with the insurer CAP for expenditure incurred on obtaining legal advice in 2018 in accordance with the contract; and to obtain legal services from firms with which written contracts had been entered into. As a result of this, income and balance of funds were understated by an amount of EUR 19,156.41

Confidentiality audits

Review of Strategic Planning in the Technical Secretariat (2018/CA/01)

- 6.11 The objective of the review was to assess the adequacy and effectiveness of governance, risk management, and control processes. The review covered the period January 2013 to April 2018. The scope included strategic planning frameworks, governance, Review Conferences, and medium-term planning.
- 6.12 The OIO made 12 recommendations, of which seven were “critical” and five were “standard”. The recommendations made were: to support the review of the core objectives of the OPCW by States Parties; to consider strategic risks when updating each medium-term plan (MTP); to align MTPs with the five-year cycles of Review Conferences; to expeditiously update the MTP after a Review Conference; to clarify links between programme objectives and medium-term goals; to align KPIs in programmes and budgets with the KPIs in the MTP; to link allocated resources with expected results; to articulate each Division and/or Branch’s contributions to the medium-term goals and core objectives of the OPCW; to coordinate divisional and/or branch strategic planning; to formalise mechanisms for developing the MTP and divisional/branch strategies; to coordinate periodic evaluation of MTP implementation progress; and to harmonise job responsibilities in the Office of Strategy and Policy.

Audit of Physical Security at the OPCW Headquarters, Laboratory, and Equipment Store (2018/CA/02)

- 6.13 The objective of the audit was to assess the adequacy and effectiveness of governance, risk management, and control processes over physical security at the OPCW Headquarters in The Hague and at the Rijswijk facility, which houses the

Laboratory and Equipment Store. The audit covered the period January 2016 to June 2018.

- 6.14 The OIO made 14 recommendations, of which five were “critical” and nine were “standard”. Action plans for implementing the recommendations were finalised and implementation of some recommendations began immediately.

QMS audits

Organisation of the OPCW Central Analytical Database and On-site Databases and Preparation and Testing of Gas Chromatography-Mass Spectrometry Inspection Equipment (QS/18/01)

- 6.15 The objective of the audit was to verify whether the existing formalised procedures sufficiently cover the requirements of Standard ISO/IEC 17025:2005 and whether these processes are adequate, efficient and effective in providing the required results.
- 6.16 Both processes of the organisation of the OCAD and on-site databases and the preparation and testing of GC-MS inspection equipment are well established, with strong controls in place, working adequately and efficiently. The auditors also followed up on previous findings and recommended reviewing the annexes of the Laboratory Quality Manual, taking into consideration changes already implemented to the QMS.
- 6.17 The audit team had three suggestions for improvement, which were related to the quality records, to management review process, and to validation of methods used by the OPCW Laboratory. In addition, the audit team accepted corrective actions taken by the Laboratory to address the audit findings from previous engagement.

Organisation of OPCW Proficiency Tests and Biomedical Proficiency Tests (QS/18/02)

- 6.18 The aim of the audit was to verify compliance of the existing system for conducting proficiency tests with the requirements of the dedicated ISO Standard 17043:2010 and to identify opportunities for improving the effectiveness and efficiency of procedures.
- 6.19 Based on the sample analysis (activities conducted by the OPCW Laboratory related to the Forty-Second Proficiency Test and the Third Biomedical Proficiency Test), the auditors confirmed the maturity of the audited processes. The quality of existing controls in place guarantee compliance with the requirements described in the relevant QMS documents and ISO/IEC 17043:2010, that the processes of the organisation of the proficiency and biomedical proficiency tests were adequate and efficient. The Secretariat successfully conducted both the proficiency and biomedical proficiency tests and achieved its objectives to create a network of designated laboratories for the analysis of samples for off-site analysis. In addition, 16 laboratories (nominated by 12 Member States) participated in the Forty-Second proficiency test and 19 laboratories (nominated by 14 member states) participated in the third biomedical proficiency test.

- 6.20 As a result of the audit, a number of findings were identified in the areas of control of records, stability studies, sample integrity, and variety of sample scenarios. The audit team also positively assessed changes in the Laboratory's QMS, while identifying six good practices.

Certification of the OPCW Central Analytical Database and On-Site Databases and Certification of Testing, Preparing, and Packing of Gas Chromatography-Mass Spectrometry Inspection Equipment (QS/18/03)

- 6.21 The objective of this audit was to determine whether the certification processes of the testing, preparation, and packing of GC-MS inspection equipment and the OCAD comply with the requirement of the related legal framework and those of Standard ISO/IEC 17025:2005.
- 6.22 Overall, the audit team was satisfied that the audited processes provided reasonable assurance of the quality of products/services. The six recommendations relate to sampling methodology for OCAD updates, the participation of observers in functionality tests, reporting on lessons learned, and the availability of certification services.

Management Requirements: Handling of Complaints, Control of Non-Conformities and Related Corrective Actions and Management Review Process (QS/18/04)

- 6.23 As part of the accredited areas, the objective of the audit was to determine whether managerial arrangements in place sufficiently address requirements of the two ISO standards and whether quality processes are adequate and effective in providing the intended results
- 6.24 The audit team noted that the OIO had succeeded in maintaining RvA accreditation and that it maintains several processes, which are part of the management system of the Laboratory. A number of findings included minor non-conformities related to audit areas, follow-up, and the need for updating procedures, as well as suggestions to improve the audit process and strengthen the complaints procedure.
- 6.25 While implementing the requirements of the new version of ISO:17025:2017, the OIO plans to update all of its existing procedures for the accredited processes before the next RvA audit in 2019.

7. STATUS OF IMPLEMENTATION OF AUDIT AND EVALUATION RECOMMENDATIONS

- 7.1 The International Professional Practices Framework for internal auditing, issued by the IIA (United States of America), requires "a follow-up process to monitor and ensure that management actions have been effectively implemented". The annual programme of work of the OIO includes provision for such follow-up. The OIO has set up an Excel-based tool designed to enable programme managers to report action taken on the status of implementation of audit recommendations, and desk reviews are performed by the OIO in consultation with managers on actions taken to address them.

- 7.2 In addition, the OIO maintains regular contact with Directors and Branch Heads to assist them in finding the best way to implement pending recommendations. The Office has included in the follow-up exercise a clear description of what is expected from units and managers to address each recommendation.
- 7.3 In 2018, 27 recommendations (including eight critical recommendations) were implemented by the Secretariat. Of the 243 audit and evaluation recommendations issued between 2013 and 2018, 144 were implemented, bringing the cumulative rate of implementation of OIO recommendations to 59.3% as at 31 December 2018. It should be noted that a number of pending recommendations present systemic and/or resource dependencies that have attenuated efforts toward their implementation, such as those related to strategic planning and programming, strengthening of the monitoring and evaluation system, improving IT business continuity, etc. It should also be noted that such recommendations require a longer timeline to be implemented.
- 7.4 The total number of recommendations for which implementation was pending as at 31 December 2018 was 99. A yearly breakdown is provided in Appendix 3.
- 7.5 Reports on the status of implementation of recommendations were submitted to the Director-General periodically. As in previous years, the Director-General paid close attention to this matter and instructed the programme managers concerned to expedite the implementation of pending recommendations. In accordance with the recommendation of External Auditor, the “update by Directors on progress delivery against the External Auditor’s and OIO’s recommendations” has become a standing item on the agenda of every Management Board Meeting.

8. IMPACT OF IMPLEMENTED AUDIT AND EVALUATION RECOMMENDATIONS

- 8.1 Of the 27 recommendations closed in 2018, eight related to internal audit reports, 15 to confidentiality audit reports, and four to evaluation reports.
- 8.2 The OIO conducted an assessment of the impact of its recommendations implemented during the year. They contributed significantly to adding value to the Organisation by enhancing compliance with existing regulations and procedures, strengthening internal controls, and improving the allocation of resources and the effectiveness of programmes and policies.

Internal audits

- 8.3 In 2018 the OIO closed eight internal audit recommendations, which had been issued in the past five years. As a result of the implementation of a recommendation in the report on risk management (OIO/15/05), the Secretariat conducted a comprehensive review of risks and updated the risk register with a view to identifying the significant risks facing the Organisation. Implementation of this recommendation has enhanced the OPCW risk management process.
- 8.4 Further, six audit recommendations contained in the report on procurement systems (OIO/17/02), which have strengthened the internal controls in the management of the

procurement process in the Organisation, were also closed. As a result, in the revised Administrative Directive AD/FIN/1/Rev.4, instructions have now been issued for the preparation and implementation of annual procurement plans and the terms of reference (TOR) of the Procurement Section, and the responsibilities of the certifying officer and the requisitioning units have been clarified. Delegation of authority has been defined separately for the awarding and approving of contracts to only one authority, i.e. to the staff member formally designated as acting in the concerned capacity. Thresholds for the awarding of contracts have been revised, the composition of the Committee on Contracts (CoC) has been reviewed, and alternate members have been designated. The CoC submission form has been revised to incorporate the chronology of events for each case as well as the supplier performance evaluation report to facilitate due diligence by the CoC in carrying out its role of providing independent and objective review and advice. The file management system has been strengthened by making it standardised in SharePoint with document sets containing folders based on the standard index for the different stages of the procurement process. Implementation of procurement plans is now being monitored in the online planning tool developed on SharePoint, which has also facilitated its consolidation and regular updates.

- 8.5 As a result of the implementation of one recommendation in the audit report on vendor management (2018/IA/01), guidance is now available on exercising checks against various sanctions lists and on the responsible official, the documentation of the results of the checks exercised, and the mandatory nature of these checks prior to the awarding of contracts, by attaching a screenshot of the checks exercised on the United Nations Global Marketplace (UNGM), with the submission of the form to the CoC.

Confidentiality audits

- 8.6 The OIO closed 15 audit recommendations arising from confidentiality audits, of which three were rated “critical” and 12 were rated “standard”.
- 8.7 Following the audit of the process of mission logistical planning (OIO/11/10), it was recommended that an electronic workflow be implemented for the preparation, authorisation, and distribution of mission warning orders (MWOs). Subsequently, the implementation of the electronic workflow was completed in January 2018. This addressed risks associated with potentially insecure distribution and storage of MWOs, particularly in the periods prior to notification of States Parties to be inspected. Other benefits include greater visibility and, hence, efficiency in the processing of MWOs to concerned staff members.
- 8.8 Arising from the audit of IT business continuity (OIO/15/01), it was recommended that the Information Services Branch (ISB) should ensure that the Security Critical Network data written on backup media is properly encrypted. A solution for backup encryption was developed and tested successfully at the OPCW Headquarters. This enhanced the protection of the confidentiality of information stored on the backup media. In case backup media were to be acquired by unauthorised individuals, encryption ensures that the confidentiality of its contents would still be preserved.

- 8.9 One recommendation from the audit of IT infrastructure in the OPCW Laboratory (OIO/16/01) required the ISB to enhance its efficiency in transporting monthly backup tapes from the OPCW Laboratory to the Headquarters. Following this, backup tapes were being transferred in timely fashion—this would reduce the amount of actual data loss in the event that the Laboratory was impacted by a disruptive event. Furthermore, it was recommended that the ISB update the registers of backups with full details of the descriptions of the monthly tape backups that were being withdrawn from the Laboratory for transport to Headquarters, as well as create an equivalent register at the OPCW Headquarters. This was addressed by the ISB. As a result, it is now possible to efficiently monitor and confirm when tape backups have been taken.
- 8.10 During the audit of manpower planning in the inspectorate division (OIO/15/07), the OIO recommended an enhancement to the Quintiq application’s capability to view or extract reports on inspector replacement days. Subsequently, reports on inspector replacement days were enriched during the enhancement of the Quintiq application. Details of replacement days earned, used, and unused for all inspectors individually and collectively may now be retrieved more efficiently.
- 8.11 Two recommendations arising from the audit of the developed selection methods for Schedule 3 plant sites (OIO/15/08) were closed in 2018. In the first instance, a recommendation was made to finalise documentation of business process requirements relating to transferring an accurate inspection history from a parent plant site to all offshoot sites in cases where a parent site is split, and to a merged plant site retaining an inspection history of “inspected” if at least one of the original plant sites had been inspected before. In response, the Data Analytics, Reporting and Quality Control Section in the Verification Division developed and implemented an additional functionality to enable accurate tracking of inspection histories. Secondly, it was recommended that the Verification Division should implement in full a data quality management framework. The data quality management framework was subsequently finalised, and now has a direct impact on the quality of data used in the selection of plant sites and on the fairness of the results generated from the process.
- 8.12 Three recommendations from the audit of the implementation of the Secure Information Exchange (SIX) system for the electronic transmission of declarations (OIO/17/03) were closed in 2018. A recommendation for the Office of Confidentiality and Security to commission a technical risk assessment exercise of the SIX system in 2018 was deemed completed after a penetration test and procedure review were carried out at the United Nations International Computing Centre, and risk assessments were updated. A second recommendation required the ISB to conduct a review of the architecture of the SIX system, with a view to incorporating redundancy into the system. The review was performed and the SIX architecture was changed in 2018, with redundancy incorporated in the system. This addressed the risk of a single point of failure, thereby minimising potential downtimes. A third recommendation was for the ISB to identify the cause of delays in the responsiveness of the SIX Internet portal and encryption/decryption portal. The change in the SIX system architecture also addressed this issue. SIX users confirmed improvements in the responsiveness of the SIX system, thereby improving efficiency while users are engaged with the system.

- 8.13 In 2018, five recommendations that arose from the advisory review of the design of the established data migration process for the Unit4 Business World Enterprise Resource Planning System Project (OIO/17/05) were closed. The OIO recommended an update and finalisation of the Data Migration Strategy document, which was subsequently completed. This ensured that data migration risks were fully considered and deliberate steps taken to ensure the success of data migration. It was also recommended that business process owners be required to sign off on the validity, completeness, and accuracy of data profiling, validation, and migration. In this regard, the revised Data Migration Strategy document specified a mandatory requirement for business process owners to sign off after each validation stage. This would also be enforced during the data migration process. The OIO also recommended regular review, updating, and monitoring of data migration risks within the main project risk register. Following this, the ERP Project Risk Register was reviewed and is subject to regular updates. The fourth recommendation involved the use of a data analytics tool to verify the completeness and accuracy of the source data loaded into the production environment of the ERP system. In this regard, an analytics tool was purchased and was being used to validate the integrity of data to be migrated. This improved the effectiveness and completeness of data validation. In response to the recommendation that the timing of decommissioning legacy systems relative to the go-live date should be worked out and specified, taking into account assurances of completeness and accuracy of migrated data and any required license renewals, the updated Data Migration Strategy and Data Migration Plans took into account the decommissioning of the legacy systems and the timing of the decommissioning activities. Legacy systems will be decommissioned after successfully archiving relevant legacy data.
- 8.14 One recommendation from the audit of physical security at the OPCW Headquarters, Laboratory, and Equipment Store was closed. The recommendation related to undertaking a formal review of staffing requirements for security officers, with consideration given to outsourcing options in order to meet unusually high operational demands. This issue was addressed following the decision to outsource security services at the Laboratory. Given that the main cause of staffing constraints was the need to deploy staff to the OPCW Laboratory, this freed up security staff resources deployed at the OPCW Headquarters.

Evaluations

- 8.15 The OIO also closed four standard recommendations related to evaluation engagements.
- 8.16 The Conference Services Unit (CSU) has implemented a recommendation aimed at reduction of paper consumption. Since 2016 the CSU has formally adopted the practice of distributing and printing documents on-demand, and continued to follow this practice during all the regular and extraordinary sessions of the Council and the Conference with success and appreciation from the delegations of the States Parties. The CSU actively promotes the use of the Extranet between the delegates and has succeeded in achieving a considerable reduction of the use of paper at the Documentation Counter and in the conference rooms.

- 8.17 While improving feedback tools, the CSU has conducted a number of surveys over the past three years during the Council and the Conference sessions, with the aim of tracking customer satisfaction levels and comparing awareness of provided services against the fulfilment of its mandate.
- 8.18 The OIO has recommended that the Health and Safety Branch (HSB) make a proposal to the Health and Safety Committee (HSC) on how to strengthen the (guiding) role of the HSC in order to better reflect and encompass more strategic issues related to the health and safety mandate. The Head of the HSB, as the Secretary of the Committee, prepared such a document, which was approved by the Director-General.
- 8.19 One recommendation aimed at the alignment of existing procedures has been closed in the International Cooperation and Assistance Division (ICA). All three branches of the Division have reviewed their procedures and have aligned them to the extent possible, drawing upon best practices for the conduct of ICA activities. The use of existing tools, such as checklists and templates, has been formalised.

9. ADVISORY SERVICES

- 9.1 In accordance with the requirements of OPCW Financial Rule 12.3.01, the OIO ensured its operational independence and reported to the Director-General on the adequacy and effectiveness of the systems of internal control in place in the Secretariat. The Director of the OIO held regular meetings with the Director-General on this matter. In accordance with Financial Regulation 12.1, the Office assisted the Director-General in the management of the OPCW's resources in order to enhance the efficiency and economy of OPCW operations. The Director of the OIO participated in the meetings of the Directors and Management Board.
- 9.2 The OIO continued to receive requests for advice and comments in 2018 related, among other issues, to the revision of administrative directives, the improvement of internal controls, risk assessment, confidentiality policy, and IT governance.
- 9.3 The OIO staff members participated as observers in meetings of the Investment Committee (nine meetings), the Property Survey Board (one meeting), the Committee on Contracts (14 meetings), the Information Services Steering Committee (four meetings), the ERP Project Board (two meetings), the ChemTech Project Board (one meeting), and the Risk Management Committee (two meetings). The fact that the Management frequently consults the OIO for advice reflects the key role that the Office plays in the Secretariat.
- 9.4 Throughout the year, the OIO provided information, upon request, to members of the ABAF during their meetings and to delegates from States Parties during informal consultations held by the facilitator for administrative and financial matters.

10. CERTIFICATION OF THE OPCW CENTRAL ANALYTICAL DATABASE AND INSPECTION EQUIPMENT

- 10.1 The OIO continued to provide assurance for the testing, preparing, and packing of inspection equipment for sampling missions in accordance with Council decision

EC-62/DEC.3 (dated 6 October 2010). At the request of the OPCW Laboratory, in 2018 the OIO issued eight certificates for the GC-MS inspection equipment.

- 10.2 The Senior Confidentiality Auditor performed the certification process of the OCAD in December 2018. Arising from this, 15 certificates were issued for the OCAD (version 21) for 2019.

11. EXTERNAL RELATIONS

Representatives of Internal Audit Services of the United Nations and Other International Organisations

- 11.1 The OIO continued its participation in the annual meeting of the Representatives of Internal Audit Services of the United Nations Organisations and Multilateral Financial Institutions (RIAS) and other associated intergovernmental organisations by attending the meeting held in Addis Ababa, Ethiopia in September 2018. The mission of RIAS is “to strengthen internal auditing practices and professionalism by providing a forum for development of methodologies and their related innovation, promoting and supporting independence, collaboration and common positions of its members to add value to their organisations”.
- 11.2 In early August 2017, the Director of the OIO had taken over as the Chairperson of RIAS (for the period August 2017 to August 2018) for the first time, when the OPCW hosted the annual meeting of RIAS. The meeting was attended by 82 participants from 44 organisations. The Chair of RIAS was handed over to the African Union Commission in September 2018.
- 11.3 Many subjects were discussed at the meeting, including data analytics, auditing organisational culture, financial audits, IT security audits, the role of the internal audit function in the implementation of sustainable development goals, the use of social media to transform internal audits, cybersecurity, innovation and creativity in internal audit, collaborating better with other oversight functions, management self-disclosure within the audit process, and global trends in internal auditing.

United Nations Evaluation Group

- 11.4 The Senior Evaluator and Quality Assurance Officer participated in the annual general meeting (AGM) of UNEG (its decision-making body) in Rome, Italy. UNEG is an interagency professional network that brings together the evaluation units of the United Nations system, including United Nations departments, specialised agencies, funds and programmes, and affiliated organisations. It currently has 48 members and observers. The OIO is a full member of UNEG, representing the OPCW at AGMs.
- 11.5 The AGM has appointed the Senior Evaluator and Quality Assurance Officer as a co-convenor of the Working Group on Professionalization (WGP) of UNEG. The WGP supports UNEG's vision to advance the professionalisation of evaluation within the United Nations system, and to promote adherence to the norms and standards through the external review processes of evaluation functions, the development of relevant guidance materials, as well as the development of a professional competency framework for United Nations evaluators. The working group aims to strengthen the strategic, technical and managerial skills of United Nations evaluators by facilitating the exchange of knowledge and experiences.

ISACA

- 11.6 In May 2018, the Senior Confidentiality Auditor attended the annual ISACA conference for Europe, which was held in Edinburgh, United Kingdom of Great Britain and Northern Ireland.

Meeting of OPCW, International Atomic Energy Agency, and Comprehensive Nuclear Test-Ban Treaty Organization internal oversight services

- 11.7 In 2018, the OIO continued to participate in the meeting of the internal audit and evaluation services of the three organisations dealing with disarmament. Several good practices were shared among these organisations, such as those relating to key performance indicators, use of audit management software, IT auditing tools, auditing practices to detect fraud, whistle-blowing policies, auditing ERP systems, and techniques and methodologies for centralised evaluations, which helped to strengthen and improve the OIO's internal audit and evaluation policies and procedures.

Conference of International Investigators

- 11.8 The OIO participated for the first time as an observer in the annual Conference of International Investigators of United Nations System organisations and multilateral financial institutions held in Incheon, the Republic of Korea, in October 2018. The meeting provided an opportunity for the OIO to be acquainted with some of the current trends and good practices adopted by international organisations related to the investigations function.

The Hague Evaluation Network

- 11.9 The Hague Evaluation Network (HEN) was established in 2017. It creates a local space for those interested in sharing evaluation-related experiences in an international environment. Several meetings were organised to present an innovative evaluation concept by evaluation practitioners, commissioners, and instructors from various contexts. The HEN is represented by 34 individuals from 14 organisations located in The Hague, Vienna, Lyon, Geneva, and Luxembourg. The OIO acts as a full member of the network.

Lukasz Wiczerzak
Acting Director, Office of Internal Oversight

Appendix 1

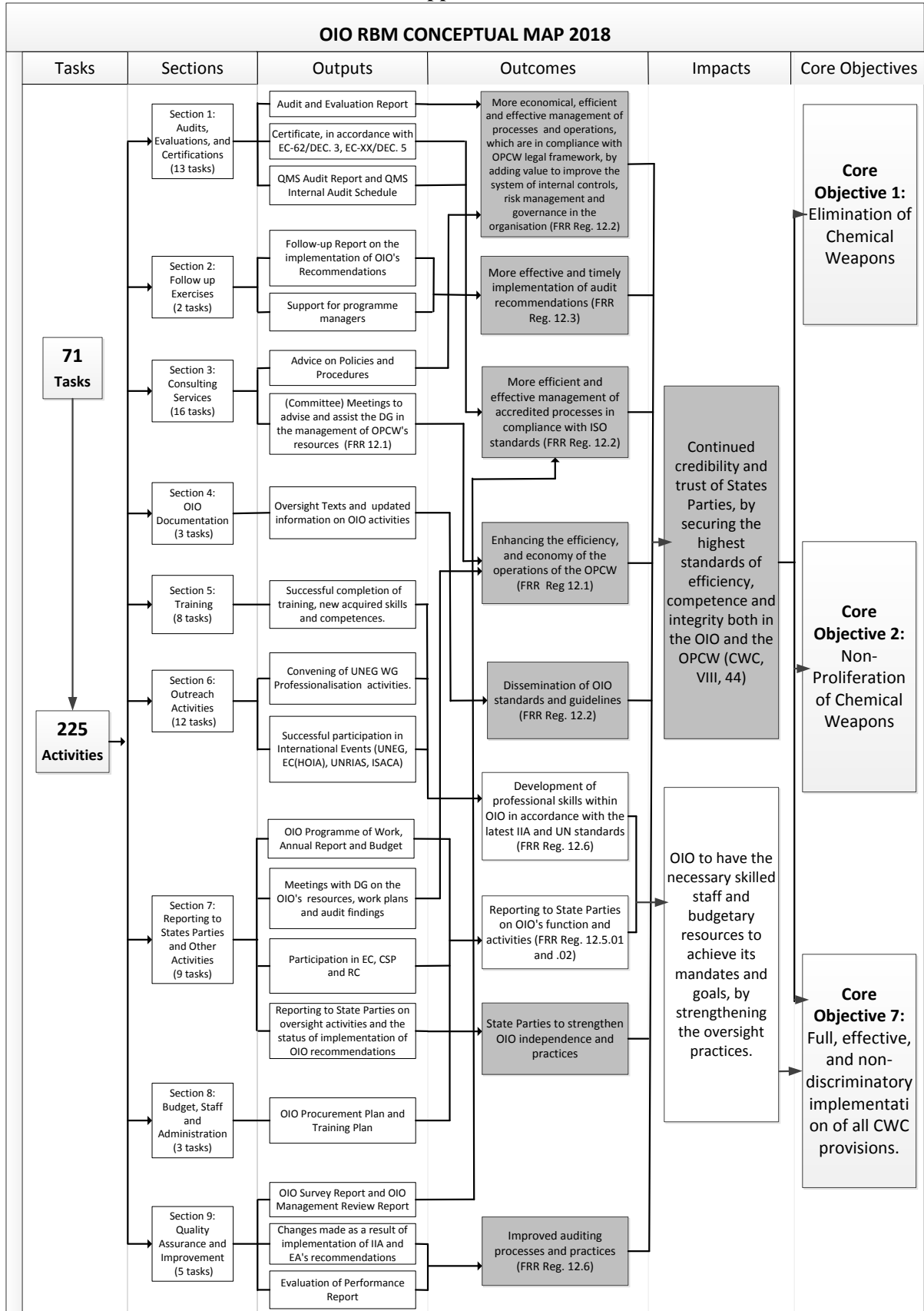
KEY PERFORMANCE INDICATORS IN 2018

PROGRAMME: EXECUTIVE MANAGEMENT – OFFICE OF INTERNAL OVERSIGHT

Primary Alignment to Core Objective(s):	<i>Core objective 7: Full, effective, and non-discriminatory implementation of all provisions of the Convention by the OPCW</i>
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OPCW Programme Objectives	Key Performance Indicators	Target for 2018	Results Achieved	Explanation of Variances
1. Effective oversight of the OPCW policy and programme management.	1.1 Implementation of the annual programme of work of the OIO	100%	77%	Three audit/evaluation assignments were postponed until 2019 as requested and agreed with Management.
	1.2 Percentage of acceptance of OIO recommendations by Management	95%	100%	N/A
	1.3 Rate of implementation of the total recommendations of the OIO issued in the past five years, which are due for implementation	85%	59.3%	Full implementation hindered by systemic and/or resource dependencies.
	1.4 Implementation of non-conformities with applicable ISO standards within prescribed timeline (as identified by the Dutch Accreditation Council)	100%	100%	N/A

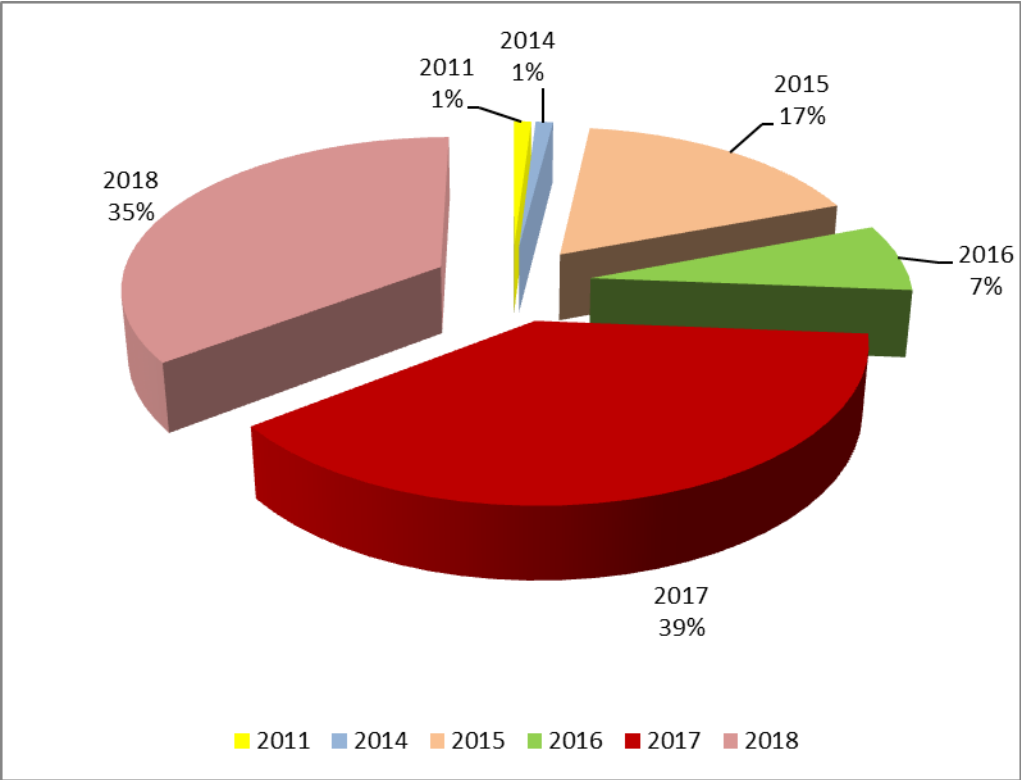
Appendix 2



Appendix 3

**NUMBER OF OUTSTANDING AUDIT AND EVALUATION
RECOMMENDATIONS BY YEAR**

Year	Number of Pending Recommendations
2011	1
2014	1
2015	17
2016	7
2017	38
2018	35
Total	99



Appendix 4

PENDING CRITICAL RECOMMENDATIONS

Audit report number OIO/15/02: Evaluation of Outreach Activities Conducted in the International Cooperation and Assistance Division

1. Develop a high-level guidance document for the International Cooperation and Assistance Division (ICA), which clearly describes the ends (goals, objectives) and how they will be achieved by the means (resources) allocated to the ICA, as well as the evaluation and impact assessment mechanisms to be used.
2. Establish a suitable evaluation mechanism (applied to all ICA outreach activities) which would define:
 - Areas and activities to be evaluated;
 - Type, purpose, and use of data to be collected;
 - Frequency, form, and audience of reporting;
 - Monitoring of implementation of recommendations (lessons learned);
 - Link of performance with costs;
 - Deadlines and responsibilities for evaluation activities.

Audit report number OIO/15/03: Audit of IT Business Continuity

3. Establish a mechanism for performing a business impact analysis.
4. Copy of the SCN (and other confidential or sensitive information) backup media should be transferred and kept on the disaster recovery location (DRL) for the purpose of minimising the risk of losing the data forever in the case of a major disaster. Evidence of finalised plan on SCN backup media on a DRL to be provided.
5. Update QDOC/ISB/SOP/001 to cover recovery strategies for both the SCN and SNCN. This plan should include the development and implementation of a so-called “hot site” with all the necessary network and IT equipment already in place on the premises of the DRL.
6. The Information Services Steering Committee (ISSC) should take a leading role in establishing and conducting a business continuity management process for the whole Organisation; these should also become a part of the ISSC’s terms of reference and agenda.
7. Improve security at Rijswijk by implementing 24-hour physical security and improving video surveillance. In order to maintain the necessary level of confidentiality of the data in the DRL, the same level of physical security measures as those currently implemented in OPCW Headquarters has to be implemented at Rijswijk.
8. Improve technical security at Rijswijk through an independent power supply system as well as an actual server room with the necessary environmental conditions.

Audit report number OIO/15/05: Audit of Risk Management

9. Finalise risk management framework.

Audit report number OIO/16/01: Audit of IT Infrastructure in the OPCW Laboratory

10. Finalise update of the Information Security Policy in alignment with the current ISO/IEC 27002:2013 “Information Technology – Security Techniques – Code of Practice for Information Security Management”.

Audit report number OIO/16/03: Audit of OPCW Governance of the Evaluation Function in the Secretariat

11. Update the evaluation policy.

Audit report number OIO/17/01: IT Change Management Process

12. Document a plan for the completion of the configuration management database, incorporating required resources and related milestones.
13. Update the SOP for release management with procedures for ensuring that developers do not test and migrate own programs.

Audit report number OIO/17/02: Audit of Procurement Systems

14. Develop an appropriate procurement strategy, keeping in view the risk/value profile of procurements planned over a period of time based on the policy mentioned in AD/FIN/1/Rev.4 (dated 31 January 2018).
15. Issue instructions for separate delegation of authority for signing of contracts, revised thresholds (lower for waiver cases), delegation only to one authority, copy of revised template for award, and IT/SharePoint tool for determining cumulative values.
16. Strengthen the functioning of the Committee on Contracts (COC) by:
 - (a) reviewing the composition of the COC, to facilitate due diligence in carrying out its role of providing independent and objective review and advice. Provide timeline by which Management plans to review the composition of the COC;
 - (b) clarifying the role and status of observers so as not to dilute the responsibility of the committee members to render independent and objective advice;
 - (c) strengthening internal controls, as mentioned in the audit observation; and
 - (d) expanding the role of the COC so as to focus more on a macro-level perspective of the status of procurement cases, and not only on individual transactions.
17. Strengthen internal controls in the procurement process by:
 - (a) developing a procurement manual and/or SOPs to provide detailed internal controls and guidelines for managing the different stages of the procurement process, with supporting templates/formats in a time-bound manner. Confirm in a checklist whether all detailed internal controls as mentioned in the audit observation are included in AD/FIN/1/Rev.4; and

- (b) preparing process flow charts to cover all stages of the procurement process, and defining the segregation of duties for the procurement process.
18. Strengthen vendor management practices by:
- (a) establishing a roster of prequalified suppliers, establishing procedures for vendor due diligence and background checks, blacklisting, and requiring vendors to adhere to a code of conduct and declare conflicts of interest; and
 - (b) performing evaluations of supplier performance and maintaining a suitable database of supplier performance evaluations for future contracts.
19. Use IT tools such as e-procurement, including e-tendering, to enhance the efficiency of the procurement process and provide an information database to monitor performance. Also, consider using e-approval workflow and e-signatures for paperless workflows to improve process efficiency and accountability.

Audit report number OIO/17/04: Audit of the System for Statement of Internal Control

20. Develop an internal control framework in accordance with COSO guidelines, incorporating:
- (i) components and principles for an effective internal control system;
 - (ii) roles and responsibilities of key functionaries for designing and implementing each component of internal control;
 - (iii) a process for evaluating the effectiveness of internal controls through control self-assessment; and
 - (iv) reporting on the overall effectiveness of the internal control system through divisional attestations and a statement of internal control.

Audit report number OIO/17/06: Evaluation of Activities of the External Relations Division

21. Strengthen Results Based Management framework showing a clear link between objectives, strategies, activities and resources, particularly in PPB.

Audit report number 2018/CA/01: Review of Strategic Planning in the Technical Secretariat

22. Support a review of the core objectives of the OPCW by States Parties, in light of changes in the priorities of the OPCW.
23. Coordinate periodic evaluation of progress on MTP implementation.
24. Identify and incorporate into the MTP those strategic risks which could impact the core objectives of the OPCW.
25. Align the periods covered by MTPs with the five-year cycles of Review Conferences.

26. Agree on a process that assures traceable alignment between medium-term goals in the MTP and programme objectives over the period during which the MTP runs.
27. Coordinate with Divisions and/or Branches to ensure that collectively, KPIs in programmes and budgets cover those in each MTP.
28. Play a greater role in coordinating Divisional and/or Branch strategic planning.

Audit report number 2018/CA/02: Audit of Physical Security at the OPCW Headquarters, Laboratory, and Equipment Store

29. Prioritise and complete the OPCW-specific detailed risk assessment for 2019 as well as establish a schedule and milestones for undertaking the exercise every year.
30. Address gaps in mandatory training for security staff, and arrange training in firefighting and evacuation procedures for floor fire wardens.
31. Review and if necessary, recommend a revision of the Physical Security Manual, Section 2.2.6: Issue of and Control Procedures for Weapons, which precludes the use of firearms.
32. Implement enhanced scanning of vehicles and X-ray scanning of bags carried by individuals entering OPCW premises.
33. Consider options for the replacement of the X-ray machine at the south guard house (SGH).

Audit report number 2018/IA/02: Audit of Vendor Management

34. Strengthen vendor due diligence by:
 - (a) formalising a tiered risk-based approach to vendor due diligence based on categorising vendor risks as high, medium, or low;
 - (b) prescribing the required documentation, the checklist for the conduct of due diligence in vendor background checking, and the mechanism to be used for verifying the authenticity of documents;
 - (c) ensuring confirmation of due diligence checks for the proposed supplier at the time of submission to the CoC;
 - (d) requiring vendors to provide their UNGM registration number and level of registration in the supplier registration form.