

**NOTE BY THE DIRECTOR-GENERAL****SUBMISSION OF THE 2019 OPCW FINANCIAL STATEMENTS
TO THE EXTERNAL AUDITOR (FINANCIAL RULE 11.1.02)**

1. The Financial Regulations and Rules of the OPCW govern the preparation of the OPCW Financial Statements and their submission to the External Auditor. In line with Financial Regulations 11.1 and 11.2, the Director-General shall submit annually financial statements for the financial period to which they relate as submitted for, and subject to, examination by the External Auditor.
2. In accordance with Financial Rule 11.1.02, “the financial statements shall, after approval by the Director-General, be submitted to the External Auditor not later than three months following the end of the financial year, together with such statements as may be required.” The application of this Rule to the financial statements for 2019 would imply that they be submitted to the External Auditor no later than 31 March 2020.
3. In the most recent update on the status of implementation of the new enterprise resource planning (ERP) system (EC-92/DG.21, dated 23 September 2019), the Director-General noted that for the cutover to the new system, a date early in the first quarter of 2020 is envisioned.
4. In the report of the External Auditor on the 2017 Financial Statements (Annex 3 to EC-89/DG.3 C-23/DG.4, dated 7 August 2018), the External Auditor noted that there can be significant burdens on finance staff following the implementation of a new ERP system and that 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”.
5. In the report of the External Auditor on the 2018 Financial Statements (Annex 3 to EC-92/DG.2 C-24/DG.5, dated 13 August 2019), the External Auditor noted that there could continue to be significant burdens on finance staff following the implementation of a new ERP system and that the Organisation “should consider the cost and benefits of a final quarter implementation in September 2019, and the extent to which this timeline will provide adequate time for testing, training and to reinforce the cultural changes to enable the ERP launch to be a success”.
6. In the report of its Forty-Seventh Session (ABAF-47/1, dated 2 August 2019), the Advisory Body on Administrative and Financial Matters agreed that, given the ERP go-live, an exceptional request for extension of the submission date for the financial



statements to the External Auditor would be submitted by the Technical Secretariat (hereinafter “the Secretariat”) to the Executive Council (hereinafter “the Council”) at its Ninety-Second Session and to the Conference of the States Parties at its Twenty-Fourth Session for approval.

7. In consideration of the above factors, the Director-General hereby requests the suspension, on an exceptional basis, of the application of Financial Rule 11.1.02 in respect of the submission of the 2019 financial statements to the External Auditor, to allow additional time to prepare the 2019 financial statements in parallel with the implementation of the new ERP system.
8. The Director-General also wishes to inform the Council that, should this proposal be accepted, the Secretariat will publish the 2019 financial statement document at a later date for the consideration of the Council at its Ninety-Fifth Session.

--- 0 ---