OPCW

Executive Council

Ninety-Third Session
10 – 13 March 2020

EC-93/S/1
15 January 2020
Original: ENGLISH

NOTE BY THE TECHNICAL SECRETARIAT

REPORT ON THE STATUS OF IMPLEMENTATION
OF THE RECOMMENDATIONS OF THE EXTERNAL AUDITOR

1.   At its Twelfth Meeting, the Executive Council (hereinafter "the Council") recommended that the Conference of the States Parties (hereinafter "the Conference") request the Technical Secretariat (hereinafter "the Secretariat") to report half-yearly to the Council on the implementation of the recommendations of the External Auditor (subparagraph 7.2 (b) of EC-M-XII/3, dated 4 May 2001). At its Sixth Session, the Conference endorsed the recommendation of the Council (subparagraph 12.2 (g) of C-VI/6, dated 19 May 2001 and Corr.1, dated 7 September 2001).

2.   This Note reports on the status of implementation of the recommendations made in the "Financial Statements of the Organisation for the Prohibition of Chemical Weapons and Report of the External Auditor for the Year Ending 31 December 2018" (EC-92/DG.2 C-24/DG.5, dated 13 August 2019). The recommendations are listed in Annex 3 to EC-92/DG.2 C-24/DG.5, and consist of recommendations made in respect of the year ending 31 December 2018 and those carried forward from previous years.

3.   In total, 37 recommendations were carried forward from previous years, of which 25 are ongoing, and 12 were closed in 2018. Six new recommendations were raised in 2018, concerning financial management, the enterprise resource planning (ERP) system, governance, and the Centre for Chemistry and Technology.

4.   The Secretariat has reviewed the above-mentioned recommendations and, in Annex 1 hereto, has set out the status of implementation of the six new recommendations of the External Auditor made in respect to the year ending 31 December 2018. Annex 2 sets out the status of implementation of the 25 recommendations of the External Auditor carried forward from previous years and which remain ongoing. The Secretariat has proposed the closure of five of the 31 open recommendations.

Annexes:

Annex 1:   Status of Implementation of the Recommendations of the External Auditor Made in 2018

Annex 2:   Status of Implementation of the Recommendations of the External Auditor Carried Forward From Previous Years

Annex 1

STATUS OF IMPLEMENTATION OF THE RECOMMENDATIONS OF THE EXTERNAL AUDITOR MADE IN 2018

Reference	Area	Recommendation	OPCW Response	Time frame
01/2018	Financial Management	If the OPCW moves to biennial budgeting it should ensure that there are clear accountabilities for year one financial performance against which budgetary performance can be measured and reported in Statement V. This should include mechanisms to approve transfers of resources during the financial year to reflect any significant known changes, so that the budget remains a process to ensure effective control of funds in each year of the biennium.	Conference decision C-24/DEC.11 (dated 28 November 2019) approved the transition of the OPCW to a biennial Programme and Budget. The first biennial Programme and Budget will cover the period 2022-2023, with its preparation taking place in 2021. The Secretariat accepts this recommendation and will incorporate these considerations as the structures to support biennial budgeting are prepared. In 2019, the Secretariat began to develop structures to support biennial budgeting and will continue these going forward for the preparation, in 2021, of the 2022-23 biennial budget.	Ongoing
02/2018	Financial Management	The Organisation should ensure that it clearly defines the investment objectives of the Major Capital Investment Fund. These objectives should be kept under review and the progress of the objectives regularly reported to States Parties.	As part of the consultative and approval process for the introduction of a Major Capital Investment Fund (MCIF) in 2020, these considerations (including objectives) were outlined and brought forward to the ABAF,[1] Management, and States Parties. Approval for the introduction of an MCIF was granted through Conference decision C-24/DEC.12 (dated 28 November 2019). Once the fund is established, its objectives will be kept under review.	Q4 2019
03/2018	Governance	The Organisation should establish a systematic framework to show how the various Committees of OPCW provide a framework for governance. In addition, the Organisation should develop a more regular and systematic framework to demonstrate the collective senior management oversight of the Organisation.	The Office of Internal Oversight (OIO) has initiated an evaluation of the Secretariat's committee structures, with a view to providing possible recommendations for further consideration by Management. The first evaluation report on the subject is expected to be delivered to related stakeholders by end of Q1 2020.	2020

---

1   ABAF = Advisory Body on Administrative and Financial Matters.

Reference	Area	Recommendation	OPCW Response	Time frame
04/2018	ERP	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.	The Secretariat took this recommendation into account in its engagement with the implementing partner regarding planning for the go-live date, with particular emphasis on the advantages of a Q1 2020 cutover.	Propose closure.
05/2018	CCT (Centre for Chemistry and Technology)	We recommend the Project Board establish a clear suite of regular and consistent reports that will allow it to provide effective oversight for the duration of this project, including clear quality assurance updates from experienced experts.	An internal project initiation document for the project contains processes for project controls, including a monthly report on the status of the project by the Project Manager to the Project Board based on a template to be approved by the Project Board in Q1 2020. This report will cover topics such as implementation status against timeline and budgetary targets, fundraising status, and key issues and risks.	Q1 2020
06/2018	CCT	We recommend management provide a fully supported project plan with clear assumptions and incorporate an appropriate and justified level of contingency costs within the plan.	The Secretariat issued a Note (S/1769/2019, dated 9 July 2019) that includes a project plan incorporating contingency costs.	Implemented in Q3 2019. Propose closure.

Annex 2

STATUS OF IMPLEMENTATION OF THE RECOMMENDATIONS OF THE EXTERNAL AUDITOR CARRIED FORWARD FROM PREVIOUS YEARS

Reference	Area	Original Recommendation	External Auditor's Comments in 2018	OPCW Response	Time frame
01/2017	Financial Management	The Organisation should agree a clear funding strategy for the employee benefit deficit to ensure the adopted approach has been specifically approved.	In progress – we continue to reiterate the importance of this recommendation and note that this issue will be considered as part of the June 2019 ABAF.	The approach to the funding of the employee benefit deficit was considered by the ABAF at its Forty-Sixth Session in June 2019, including a non-paper on the issue and a survey of United Nations system organisations prepared by the Secretariat. The recommendation made by the ABAF was to continue with the current pay-as-you-go system.	Propose closure
02/2017	Financial Management	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.	In progress – we continue to monitor developments in this regard to ensure that the Organisation has the financial means to deliver its long-term objectives.	The Secretariat recognises the increasing importance of the role of extra-budgetary resources in long-term financial planning, and included this issue in the paper on strategic financing considered by the ABAF in 2018. The Secretariat will work to develop and refine its approach in this area, incorporating in the OPCW context best practices from other international organisations.	2020
03/2017	Procurement and Contract Management	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.	In progress. The Secretariat has started profiling and prioritising of suppliers according to their strategic significance to the Organisation. It expects to complete work on a procurement strategy during 2019 and, by end 2019, to have instigated a program of supplier relationship management for the Organisation's most significant contractors (around 10-20 contracts). This will incorporate quarterly meetings with the contractor and adoption of key performance indicators as the basis for monitoring contract performance. Work on procurement and contract	Legacy-system data will be used for the strategy and mapped to the data structure in the new ERP system to enable comparison for future strategies. End-to-end procurement user guidance is included in the new procurement intranet page. As ERP go-live is further delayed, the procurement strategy and guidance will not be completed before Q2 2020.	Q1 2020

Reference	Area	Original Recommendation	External Auditor's Comments in 2018	OPCW Response	Time frame
			management guidance is expected to continue in 2019 but is partly dependent on progress in implementing the new ERP system which continues to be delayed.		
04/2017	Procurement and Contract Management	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.	In progress. Further substantive progress is contingent on implementation of the new ERP which has been delayed.	The first year of the new ERP system will be used to explore which data is available and can be used for reporting and compliance.	End of 2020
07/2017	Procurement and Contract Management	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.	In progress. We understand that the Secretariat has started to review its general terms and conditions for services and is expecting to do similar for goods. Once this review is complete it plans to review its standard contract to ensure consistency.	The Secretariat has almost finalised a review of the OPCW general terms and conditions and this recommendation will be added to the scope of the review.

This effort has been delayed due to a number of staff changes and other priorities. | Q1 2020 |
| 08/2017 | Procurement and Contract Management | 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. | In progress. We welcome the proposal that the Office of Internal Oversight is to conduct a review of changes to approval levels and compliance with delegated limits. We recognise the potential for the new ERP to improve the Secretariat's approach but would caution against any delay to this review if ERP plans are further delayed. We look forward to seeing the results of the review in late 2019. | The new ERP system will provide for electronic approval of expenditure and will be a significant improvement in monitoring cumulative contract expenditure.

The Secretariat is proposing to undertake this review through the OIO in 2020 to review the effect of the changes to the approval levels and any remaining risks for exceeding these limits. | End of 2020 |

Reference	Area	Original Recommendation	External Auditor's Comments in 2018	OPCW Response	Time frame
09/2017	Procurement and Contract Management	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.	In progress. The Secretariat commissioned externally-provided contract management training for the Organisation staff in 2018. We understand that this training was broadly welcomed but the Secretariat acknowledges that further effort will be needed to change cultural attitudes to contract management in the Secretariat. Further written guidance on contract management for staff is planned in 2019. Changes to the Administrative Directive on Procurement setting out revised terms of reference are currently being processed. This follows the Committee on Contracts' endorsement of a broader oversight role at its March 2019 meeting which will include the status of contracts to ensure value for money.	Contract management training took place in November 2018 and the same training took place in October 2019 to train more staff. The same training is planned for 2020 to train more staff.

Guidance for contract management will be part of the end-to-end procurement user guidance that will be developed as part of the new intranet page on procurement.

The changes to the Administrative Directive were approved by the Director-General on 12 July 2019 and are in effect as of 19 July 2019. | Q1 2020 |
| 10/2017 | Procurement and Contract Management | 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. | In progress. The Secretariat expects the new ERP to provide basic functionality to support a more systematic approach to contract management. Progress in implementing the new ERP is delayed. | The contracts module of the new ERP system will provide a contract depository that can be used by both procurement and contract managers to manage contracts, and can be used to determine the exposure to single suppliers across the contract portfolio.

A contract depository will be built up after the go-live of the new ERP system as part of contract renewal and obligation process, and is expected to be completed by the end of 2020. | End of 2020 |
| 12/2017 | ERP | 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 | In progress – we do not consider that there is a clear plan to secure the benefits of the system change in place. The time that the project has taken to implement has impacted negatively on staff within the Organisation in terms of their engagement with the project, limiting the benefits that | The Secretariat will continue to monitor this throughout the remainder of the implementation and will provide updates on the evaluation of the realised benefits. | Ongoing |

Reference	Area	Original Recommendation	External Auditor's Comments in 2018	OPCW Response	Time frame
		engagement. It is important that the Implementing Partner retains a focus on driving the benefits in the design solution.	are able to be secured from the project.		
13/2017	ERP	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.	In progress – this recommendation remains open as the ERP project is ongoing and as we have reported, the Implementing Partner has come forward with new proposals. Significant risks remain for the project.	The recommendations proposed by the External Auditor have been taken into account in determining the planning for the finalisation of the ERP implementation, and the external quality assurance has been extended to ensure that the solution design and build meet the defined business requirements.	Q4 2019
15/2017	Prior Year Recommend -ations	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.	In progress – we will keep this under review to understand how the process is working.	Management Board meetings will continue to incorporate a systematic review of pending audit recommendations, including reports by the relevant programme managers.	Quarterly
02/2016	Governance and Internal Control	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	In progress – we will return to this recommendation once the new OIO Director is in post.	The new Director of the OIO will present a strategy document for the office to be submitted for consideration to the Director-General. The document will cover the key scope focus to be managed by the OIO, securing a well-balanced delivery between assurance and advisory services.	Q2 2020

Reference	Area	Original Recommendation	External Auditor's Comments in 2018	OPCW Response	Time frame
		working groups and ensure appropriate independence from management functions and activities.			
05/2016	ERP	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.	In progress – as noted in the Organisation's response training should be delivered based upon the final configuration. As the ERP project remains ongoing this remains open.	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 has engaged the services of an external training provider to develop and to deliver end-user training based upon the final configuration of the new ERP solution.	Ongoing
06/2016	ERP	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.	In progress – this recommendation remains open pending finalisation of the agreed ERP solution.	The Secretariat accepts this recommendation and can confirm that the data migration strategy follows an extract, transform, load, and reconcile protocol with a full audit trail, and that only the data that is necessary for the operation of the new ERP solution will be migrated.

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 the go-live. A first report on the subject was issued in Q1 2018. The subject will remain under OIO consideration until its finalisation.

The Secretariat can further confirm that it has taken the considerations of the OIO review into account and has acquired data analytical software to assist in the validation of the data during the migration process and to provide data | Ongoing |

Reference	Area	Original Recommendation	External Auditor's Comments in 2018	OPCW Response	Time frame
				validation during the post go-live stabilisation period.	
07/2016	ERP	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.	In progress – this recommendation remains open pending finalisation of the agreed ERP solution.	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.	Ongoing
08/2016	ERP	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.	In progress – this recommendation remains open pending finalisation of the agreed ERP solution.	See OPCW response to recommendation 07/2016.	Ongoing
09/2016	HR	The Secretariat should strengthen the governance around HR by:		The integration of a data- and evidence-based approach to strategic HR decision-making through the creation of an HR data analytics function has further strengthened the governance function in HRB and will facilitate both the discovery of broad trends and the identification of pressure points.	
		(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;	(a) In progress. The steps planned should address the accountability underpinnings of this recommendation but the delay in implementing the ERP system in 2018 has meant little substantive progress.	(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 the benchmarks and the identification of trends. Benchmarks will be revised to include more substantive	Upon completion of the new ERP system of record and TalentSoft platform

Reference	Area	Original Recommendation	External Auditor's Comments in 2018	OPCW Response	Time frame
				targets, as well as transactional outputs. Although this recommendation has been incorporated into the plan for the ERP solution, its implementation has been delayed owing to the delay in implementation of ERP.	
		(b) developing a systematic suite of HR management information and cost data for reporting to all Management Board meetings;	(b) In progress. The proposal to develop an HR Dashboard covering HRB performance and the Organisation people metrics and to use this for regular reporting to Management Board meetings appears promising. There is more to do in this area, but progress so far has been promising.	(b) HR dashboards have been rolled out to managers and HRB. In addition to providing visibility to people and HR data, they also measure HR performance against established metrics and automatically send alerts when thresholds are breached. An HR data template has been developed and data is being shared at all Management Board meetings.	Propose closure
		(c) prioritising the people survey so that response rates are improved and issues highlighted are owned and systematically addressed;	(c) In progress. The Organisation has described a series of communication and training measures taken in 2017 and 2018 to improve staff engagement, build transparency and trust. A useful test of whether these interventions are starting to have a positive impact will be the planned cross-organisation staff survey for 2019. We would encourage the Secretariat to ensure that most questions in this survey are comparable with those asked in previous staff surveys to allow analysis over time; and to work on achieving a high response rate.	(c) The HRB will continue to build upon the efforts made in response to the staff surveys. In this regard, the HRB recently secured the services of a web-based engagement and feedback tool and concluded an exercise to solicit ideas on improving transparency within the OPCW. The engagement and feedback tool has been complemented by a comprehensive people and culture engagement platform by tapping into the powerful connection between engagement and performance throughout the employee lifecycle. The new tool has an emphasis on manager excellence and guides managers on the follow-up process to surveys	Propose closure

Reference	Area	Original Recommendation	External Auditor's Comments in 2018	OPCW Response	Time frame
				enhancing ownership and accountability, thus achieving a high response rate. It also offers benchmarking against sector/country indicators and full employee journey assessment (from on-boarding to exit survey). As recommended, questions in this survey are comparable with those asked in previous staff surveys, to allow analysis over time. An initial seven-module resilience training programme has been developed and successfully launched. The HRB also launched a "leadership lab" comprising workshops, a monthly newsletter, a manager survey, executive coaching with 360-degree peer feedback, lunch and learn sessions, as well as the "Emerging Female Leaders Coaching Programme". In Q4 of 2018, the HRB undertook an external assessment of OPCW training. Consequently, a consultant visited the OPCW in the last week of January 2019, with a view to changing the training needs analysis for 2020 to better align OPCW training to business needs.	
		(d) Closed; and	(d) Implemented	(d) Closed	Closed
		(e) Closed.	(e) Implemented	(e) Closed	Closed

Reference	Area	Original Recommendation	External Auditor's Comments in 2018	OPCW Response	Time frame
10/2016	HR	The Technical Secretariat, supported by HR Branch, should strengthen workforce planning by:			
		(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;	(a) In progress. The Secretariat is expecting the new ERP to provide additional workforce planning capability, in part through implementation of the core system of record as the repository for workforce data. The continued delay of the ERP project has undermined progress. We also understand that the December 2018 Review Conference did not reach a clear consensus on OPCW Tenure Policy, a key factor affecting the Secretariat's approach to workforce planning. In the meantime, the Secretariat has recently commissioned an external review of training provided in the Organisation.	(a) The new ERP will have succession planning capability, which will allow for an opportunity to improve on the current workforce planning framework, including the development of a long-term succession planning approach.	Ongoing
		(b) completing a skills survey of its personnel and – considering the results of this analysis – considering steps to further address priorities in its Staffing Plan;	(b) In progress. A skills survey was not conducted in 2018.	(b) This aspect forms part of the HR strategy. The Competency Framework is being revised to inform the new performance management system under TalentSoft ERP. A comprehensive overhaul of the Competency Framework is planned for 2020. Skills mapping will be undertaken in 2020.	Ongoing
		(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;	(c) In progress. The Secretariat has provided evidence indicating that recruitment times have fallen between 2016 and 2018 from an average 83 days to 64 days (excluding the initial vacancy notice period and up to a recruitment decision). The	(c) Some elements of rebranding have been implemented independently with the use of external sourcing and branding providers. Initial work on the sourcing strategy has started, including discussions with an external expert and new and innovative sourcing initiatives that will be part of the strategy. A number	Ongoing

Reference	Area	Original Recommendation	External Auditor's Comments in 2018	OPCW Response	Time frame
			Organisation has undertaken a range of gender-related initiatives in 2018 to prioritise recruitment of women, including to more senior positions. There are signs that the proportion of women applicants to professional positions has increased slightly but they remain in the minority while the proportion of women in professional (and higher) posts has remained broadly unchanged over the last few years (c. 23% in December 2018). We look forward to considering evidence of the impact of additional gender initiatives in 2019.	of gender initiatives have been put in place, including attaining OPCW accession to the international Gender Champions initiative, establishment of Gender Focal Points throughout the Organisation, and providing leadership coaching designed to support the professional development of future female leaders. These initiatives have laid the groundwork for important future efforts to promote gender balance at the OPCW. With a dedicated budget for gender mainstreaming in the Secretariat in 2019 and following the adoption of a gender paragraph in the Staff Regulations and Rules, more initiatives will be developed and implemented.	
		(d) Closed; and	(d) Implemented.	(d) Closed	Closed
		(e) differentiating staff performance more clearly through performance appraisal; and strengthening underlying systems for identifying and addressing under-performance through the appraisal process.	(e) In progress. Delays to the roll out of the new ERP system have slowed implementation of a new approach to performance management. Proposals for implementation in 2019 appear positive but technical changes when introduced as part of the new ERP need to be supplemented with management commitment across the Organisation to addressing underperformance. Wider training intended to accompany changes introduced through the ERP will be important in this regard.	(e) The new TalentSoft ERP performance management system will allow more effective performance management records, which will be assisted by the introduction of a leadership development programme, including managerial excellence training. Training for all Secretariat staff on proper performance management, including providing feedback on a regular basis, will be provided concurrently with the new system going live in early 2020. The new system will provide for setting work plans at the beginning of the year, establishing stakeholder feedback, moving away from ratings towards	Ongoing

Reference	Area	Original Recommendation	External Auditor's Comments in 2018	OPCW Response	Time frame
				continuous conversations and feedback throughout the year, and, finally, an end-of-year assessment.	
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.	In progress – as noted in our report this year we have some concerns over the strategic nature of the Risk Management processes within the Organisation and welcome further consideration given to this matter.	The Secretariat accepts this recommendation and continued to maintain and update the risk register in 2019, with top risks being reported to the Management Board as part of the process to further embed it in the business decision-making process. In Q4 2019, the OIO conducted risk management training for Division/Branch Heads. The Secretariat proposes that this recommendation be closed.	Propose closure
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.	In progress – we are disappointed at the time that it has taken to progress these recommendations which were made in 2015 and would encourage OPCW to focus urgently on improvements in these areas.	A fraud risk assessment was conducted via an elaboration of the risk register to include fraud risks. The assessment will be regularly reviewed and updated in conjunction with the periodic updates to the risk register. As the next steps, a fraud risk strategy and a fraud response plan including relevant roles, responsibilities, policy framework, and mandatory training are being developed in collaboration with the OIO. The work plan for this activity will be communicated by the OIO to stakeholders in January/February 2020.	Propose closure of 07/2015
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.			Completion of 08/2015, 09/2015 and 10/2015 targeted for Q4 2020

Reference	Area	Original Recommendation	External Auditor's Comments in 2018	OPCW Response	Time frame
09/2015	Governance and Internal Control	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.		The existing 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/Rev.1, dated 15 December 2008) will be updated in conjunction with the anti-fraud policy framework to ensure that it comprehensively addresses best practices regarding a "whistleblowing" policy and to ensure that it is aligned with the forthcoming fraud risk strategy, roles, and responsibilities.	
10/2015	Governance and Internal Control	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.			
14/2015	Governance and Internal Control	Governance arrangements overseeing the production of the SIC[2] 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	In progress – we welcome the significant improvements that are being proposed to the process for 2019. We will keep this under review as the benefits of the changes will be seen in the 2019 SIC.	Significant progress to strengthen the process underpinning the preparation of the SIC was achieved in 2019. In addition, recommendations from the OIO were incorporated.

A two-stage approach was used with a detailed review of the Secretariat's internal control framework, management attestations, and self-assessments.

Stage 1 was incorporated in the 2018 Financial Statements and key documentation prepared. | Stage one – completed |

---

2   Statement on Internal Control.

Reference	Area	Original Recommendation	External Auditor's Comments in 2018	OPCW Response	Time frame
		controls.		Stage 2 was presented to the Management Board in Q1 2019. An internal control framework and self-assessment questionnaire were developed and formally launched in May 2019 at the Director and Branch Head levels through a town hall presentation and meeting. For the time being, the questionnaire is issued as a twice-yearly exercise with the first in May 2019 and the second in November 2019. This pattern will continue into 2020. Lessons learned from the first questionnaire in May 2019 were incorporated into the November 2019 questionnaire. Results were compiled and reviewed, with a view to gaining oversight across a broad spectrum of control areas. The ABAF requested that an update on the SIC be provided at its Forty-Eighth Session in June 2020.	Stage two – completed Q2 2020
15/2015	ERP	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.	In progress – we do not consider that the benefits realisation plan is sufficiently clear or robust. It has not been adapted to reflect changes to the project. Given the lack of clear objectives, aside from the overall aim that the Organisation needs to move to a more modern ERP system, we consider that it will be difficult for the Organisation to demonstrate the specific benefits realised by the ERP. We understand that the Organisation is consulting with external quality assurance	A review of the BRP was initiated with external quality assurance and remains ongoing.	Ongoing

Reference	Area	Original Recommendation	External Auditor's Comments in 2018	OPCW Response	Time frame
			providers to take specific steps to enhance the BRP[3] presently.		

- - - 0 - - -

---

[3] BRP = benefits realisation plan.