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NOTE BY THE DIRECTOR-GENERAL

ANNUAL REPORT OF THE OFFICE OF INTERNAL OVERSIGHT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

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 system of internal control, 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), United States of America. The OIO Charter was revised in November 2019, with the approval of the Conference of the 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).

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 performed its work 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 embodied in 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". Pursuant to IIA Standard 1312, external assessments must be conducted at least once every five years. Accordingly, the OIO will engage an external assessor to conduct the external assessment in 2020.

PROGRAMME OF WORK FOR 2019

6. The Director-General notes with appreciation that the OIO carried out its annual programme of work for 2019 diligently and professionally. OIO staff members continued to provide valuable advice through their participation as Observers at meetings of various committees, such as the Committee on Contracts, the Investment Committee, the Property Survey Board, the IT Strategy Advisory Board, the Information Services Steering Committee, the ChemTech Project Board, the Enterprise Resource Planning Project Board, and the Risk Management Committee.
7. 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 2019.

REPORTS OF THE OFFICE OF INTERNAL OVERSIGHT

8. In accordance with the annual programme of work for 2019, the OIO carried out the following six assignments:
 - (a) Audit of the Management of Official Duty Travel;
 - (b) Audit of the Management of the Staff Recruitment process;
 - (c) Audit of the Implementation of the Confidentiality Regime in the Chemical Demilitarisation Inspection Cell of the Inspectorate Division;
 - (d) Audit of the Management of Software Licences;
 - (e) Audit of Logical Access Controls, Logging, and Monitoring in the Security Critical Network (SCN); and
 - (f) Evaluation of OPCW Committees (first batch)¹.
9. As a result of these six reports on audits and evaluations, a total of 51 recommendations were issued.

QUALITY MANAGEMENT SYSTEM

10. 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:

¹ The IT Steering Committee, the Health and Safety Committee, and the Performance Management and Appraisal System Committee

- (a) Organisation of the OPCW Central Analytical Database (OCAD) and On-Site Databases and Preparation and Testing of Gas Chromatography-Mass Spectrometry Inspection Equipment;
 - (b) Environmental and Biomedical Proficiency Testing;
 - (c) Certification of the OCAD and On-site Databases and Certification of Testing, Preparing, and Packing of Gas Chromatography-Mass Spectrometry Inspection Equipment; and
 - (d) Management requirements.
11. As a result of these four audits, the whole area of activities subject to accreditation has been audited, with 34 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.
12. In 2019, there was one external audit (surveillance assessment) conducted by the Dutch Raad voor Accreditatie (RvA) with positive results, confirming the end of the transition period and compliance with ISO standards 17025 and 17043. As a result of the audit, the OPCW Laboratory has been recognised as one of the first laboratories in the Netherlands that is fully compliant with the latest ISO 17025:2017 standards. The next RvA assessment will be completed in 2020.
13. In 2019, the OIO organised two training courses for Secretariat staff aimed at improving their professional skills and knowledge of the QMS and related standards. An additional 30 staff members are now certified and fully competent to support QMS improvements.
14. The Director-General appreciates the work carried out by the OIO related to the QMS, noting that the accredited processes of the Laboratory and the OIO are operating in full compliance with the latest internationally recognised standards.

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

15. 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 2019, the cumulative rate of implementation of the audit and evaluation recommendations issued in the past five years was 57%. 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 towards their implementation. The Director-General welcomes the OIO's technology initiatives to develop SharePoint-based tools, namely an 'Audit Tracker' and an 'Audilytics' dashboard, to facilitate the timely follow-up of audit and evaluation recommendations.
16. At meetings of the Management Board, the Director-General 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.

17. 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 2019

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 2019**

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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 2019. 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 2019, 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 Vision was redefined in 2019 as “to be a world class Internal Audit & Evaluation function committed to professional excellence and good governance”. 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 to 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 conducting its activities, the OIO continued to receive the full support of the Director-General, senior officers, and OPCW staff members.

Confirmation of Office of Internal Oversight independence

- 2.5 As 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.²

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 2019 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 2019, 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 the OIO staff with opportunities to exchange knowledge about best practices across the United Nations system with regard to evaluation techniques and methodologies.

² 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 2019 was EUR 884,876; the actual expenditure for the year was EUR 884,484.

Staffing

- 3.2 As at 31 December 2019, the OIO had eight budgeted staff positions, consisting of one Director, three professional audit staff, and four general service staff. Although staff positions were filled by the end of the year, the post of Director was vacant for eight months and filled on 24 August 2019, and the post of Senior Quality Assurance Assistant was vacant for six months.

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 review courses on information system auditing.

Capacity Building for Technical Secretariat Staff

- 3.4 The Office organised two Quality Management System (QMS) training courses with an external instructor for 30 staff members of the Technical Secretariat (hereinafter “the Secretariat”). The courses, which took place in September and December 2019, 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 courses addressed the latest tools and techniques that will allow future auditors to conduct, report, audit, and follow up on the findings of internal audits. They also included the guidelines for auditing quality systems and qualification criteria for auditors, with reference to ISO 19011:2018. The courses met the requirements of the International Register of Certificated Auditors.

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 2019 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 and assessed that the OIO "generally conforms" to them and is in compliance with the IIA Code of Ethics. This is the highest rating offered by the IIA, meaning 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".
- 4.4 In accordance with the aforementioned IIA Standard 1312, the OIO will engage an external assessor to conduct the external assessment in 2020.

External Auditor's recommendations

- 4.5 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 several consultations with the External Auditor, in order to avoid duplication of effort and to develop mutual synergies.
- 4.6 The OIO briefed States Parties on its implementation of the External Auditor's recommendations during two facilitation meetings in 2019. At the end of 2019, the OIO had one recommendation pending for implementation, which is shown in the table below.

TABLE: STATUS OF IMPLEMENTATION OF THE RECOMMENDATIONS OF THE EXTERNAL AUDITOR

Reference	Recommendation	External Auditor's Comments in 2018	OIO Response	Time frame
02/2016	OIO should consider its current staffing and resourcing model within its overall level of resources, ensuring it has the structure, skills, experience, and capacity to deliver a core level of assurance over the key risks to OPCW. Furthermore, OIO should review current activities to ensure they focus on assurance provision rather than attendance in OPCW working groups and ensure appropriate independence from management functions and activities.	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

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

- 4.7 At its Forty-Sixth session, the OIO presented its Annual Report for 2018 (EC-91/DG.8 C-24/DG.3, dated 28 May 2019) to the ABAF. During the presentation, the OIO briefed the ABAF on its revised risk assessment process, assessment based on risk parameters, and relative weightings. 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 ABAF appreciated the initiatives taken by the OIO to improve the implementation rate of audit and evaluation recommendations, including the introduction of new software that would facilitate follow-up actions for recommendations, and suggested the development of a reporting dashboard tool for oversight (which has since been done). The ABAF also welcomed the survey and analysis conducted by the OIO on the reasons for the outstanding audit recommendations. The ABAF continued to welcome the new section in the Annual Report 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.
- 4.8 Further, at a facilitation meeting in 2019 with States Parties in preparation for the Ninety-First Session of the Executive Council, the OIO presented the Annual Report of the OIO for 2018, highlighting its programme of work for 2019, the status of implementation of audit recommendations, and other activities and initiatives to be carried out over the course of the year.

Customer satisfaction survey

- 4.9 The OIO conducted a survey to assess the level of satisfaction with its performance. In 2019, the OIO Satisfaction Survey was further redesigned. In response to the auditors' suggestions for the development and roll-out of alternative feedback tools, in the last quarter of 2019 the OIO introduced a mechanism for continuous conversations with stakeholders, which will be further improved in 2020 (initially with individual projects and assessment surveys).

Key performance indicators

- 4.10 The OIO reviewed and updated its key performance indicators (KPIs) in 2019, 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 2019 is provided in Appendix 1. The OIO is further reviewing the KPIs in 2020 in order to continue to ensure alignment with professional best practices.

5. OFFICE OF INTERNAL OVERSIGHT PROGRAMME OF WORK FOR 2019

Key tasks of the programme of work for 2019

- 5.1 The OIO carried out various tasks in the course of 2019. Besides the conduct of internal audits, confidentiality audits, evaluations, and QMS audits, the OIO devoted its time and budget resources to:
- (a) following up on the action taken by the Management to implement the audit recommendations;
 - (b) providing advisory services to strengthen management processes;
 - (c) developing risk management training courses;
 - (d) participating in several management meetings in an observer capacity;
 - (e) providing certification of inspection equipment and the OPCW Central Analytical Database (OCAD);
 - (f) participating in and strengthening its knowledge-sharing capacity at meetings of the Representatives of Internal Audit Services of the United Nations Organizations (RIAS), UNEG, and other international organisations;
 - (g) training;
 - (h) implementing new technology for OIO operations;
 - (i) updating of internal policies and procedures;
 - (j) budget management, staff and administration; and
 - (k) preparing various reports and presentations to governing bodies.

Status of audit/evaluation reports

- 5.2 The subjects of audits and evaluations for 2019 were identified using the OIO Risk Assessment Framework, which was updated by 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 2019.
- 5.3 The internal audits, confidentiality audits, evaluations, and QMS assignments for 2019 were as follows:
- (a) Audit of the Management of Official Duty Travel;
 - (b) Audit of Management of the Staff Recruitment Process;
 - (c) Audit of the management of Long-Term Agreements (to be re-considered for risk assessment after ERP implementation);
 - (d) Audit of Management of Software Licences;
 - (e) Audit of Logical Access Controls, Logging, and Monitoring in the Security Critical Network (SCN);
 - (f) Audit of the Implementation of the Confidentiality Regime in the Chemical Demilitarisation Inspection Cell of the Inspectorate Division, which replaced the Audit of User Access Rights in the Unit4 Business World Enterprise Resource Planning (ERP) System (proposed to be taken up for risk assessment in the 2021 work plan after ERP implementation);
 - (g) Evaluation of OPCW Committees (first batch)³, which replaced the Evaluation of Training Activities (which will be taken up in the 2020 work plan);
 - (h) Organisation of the OCAD and On-Site Databases and Preparation and Testing of Gas Chromatography-Mass Spectrometry Inspection Equipment;
 - (i) Environmental and Biomedical Proficiency Testing;
 - (j) Certification of the OCAD and On-Site Databases and Certification of Testing, Preparing, and Packing of Gas Chromatography-Mass Spectrometry Inspection Equipment;
 - (k) Management requirements; and
 - (l) Audit of the Financial Statements of the OPCW Staff Association.

³ The IT Steering Committee, the Health and Safety Committee, and the Performance Management and Appraisal System Committee

Management acceptance of Office of Internal Oversight recommendations

- 5.4 In 2019, the OIO issued 51 recommendations, of which 10 were critical recommendations. 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 2019, 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. All action plans developed by programme managers have been included in the database.

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 17025:2017 (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, two units of the OPCW are accredited, namely, the OPCW Laboratory and the OIO.
- 5.8 One external audit (surveillance assessment) was conducted by the Dutch Raad voor Accreditatie (RvA) in 2019, with positive results confirming the finalisation of the transition period and compliance with ISO 17025 and 17043. As a result of this audit, the OPCW Laboratory has been recognised as one of the first laboratories in the Netherlands that is fully compliant with the latest ISO 17025:2017. The next regular RvA assessment was planned for April 2020.
- 5.9 The OIO organised one meeting of the QMS Technical Committee (QMSTC). At the meeting, the OIO presented the OPCW QMS Transformation Programme. After discussions, it was decided that the OIO will launch the QMS Transformation Programme (hereinafter, “the Programme”) in 2020 in order to improve and raise awareness of the quality process at all levels across the Organisation. The timing proposed for this programme is three (3) years, starting from and including the definition of the critical processes through to completion of the first round of the quality cycle (identification, definition, controls, indicators, management review, monitoring, and audit). The Programme will focus on key operational processes, and target and focus on the processes deemed most critical. All such processes will be identified and properly described by the appropriate internal stakeholders, with active support from the OIO. The ultimate goal of this Programme is to strengthen the operational framework of the QMS. The programme will take place in steps, as defined and agreed upon with the QMSTC.

- 5.10 The OIO issued certificates for the OCAD and on-site analytical databases, as well as certificates for gas chromatography-mass spectrometry (GC-MS) inspection equipment in accordance with the mandate issued by the Council.

Results-based management

- 5.11 The OIO continued using a results-based management (RBM) approach to enhance the achievement of its outputs, outcomes, and impacts in 2019.
- 5.12 In 2019, the OIO continued to perform 71 tasks and other related 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.

Use of Information Technology in OIO

- 5.13 Over the course of the year, the OIO has taken the initiative to make the best use of available information technology tools to improve its processes. The OIO purchased IDEA software tool to facilitate the analysis of data for audit purposes and set up a new intranet for staff use. In addition to providing information on the mandate, vision, mission, and activities of the OIO, the intranet also provides access to the new SharePoint-based 'Audit Tracker' tool, which was developed to facilitate the follow-up of audit and evaluation recommendations. The OIO also worked with the Information and Services Branch (ISB) to develop a tool to analyse the status of implementation of audit and evaluation recommendations. This tool, called 'Audilytics', uses Qlik-sense software to provide dashboard analysis of implementation status by year, division, target date, etc., for oversight purposes.

6. KEY RECOMMENDATIONS OF AUDIT AND EVALUATION REPORTS

Internal audits

Audit of the Management of Official Duty Travel (2019/IA/01)

- 6.1 The objective of this audit was to add value to the internal control system in the official duty travel process, and to improve the efficiency of the travel management process with a view to making the travel process less time-consuming and costly, while maintaining the internal controls required to address operational risks. Eleven

audit recommendations were issued in the report, two of which were considered to be “critical”, and nine of which were determined to be of “standard” priority. Recommendations were made to add value to the travel management process with: advance planning for ticket purchases; reviewing the need for duplicate controls arising from multiple layers of approval; considering the possibility of collaborating with other international organisations based in The Hague to procure services from a travel management company; developing KPIs to monitor travel function performance; considering the establishment of a percentage-based cost threshold below which the most direct route may be selected in lieu of the most economic route; considering the provision of travel at ‘premium economy’ and other classes between economy and business; strengthening the training of travel focal points; exploring the possibility of OPCW joining the corporate frequent flier programmes of major airline alliances; ensuring that special DSA is paid only if prior written approval by the Division Director with full justification has been accorded before duty travel takes place (in cases of higher expenditures for hotels or special hotel rates for DSA); considering the inclusion of a provision in administrative directives to provide a window between the cost of official and private itinerary for cost recovery purposes; maintaining a proper audit trail of economical fares; and confirming the submission of travel reports in the Travel Expense Claims (TEC) form.

Audit of the Management of the Staff Recruitment Process (2019/IA/02)

- 6.2 The objective of this audit was to add value to the management process for staff recruitment by reviewing the efficiency and effectiveness of staff recruitment procedures and compliance with related rules and regulations. Thirteen audit recommendations were issued in the report, two of which were considered to be “critical”, with the remaining 11 considered “standard”. While the overall recruitment process is considered to be efficient and effective, audit recommendations were made to further strengthen the process, in particular by: systematically developing a talent acquisition strategy; considering measures to strengthen sourcing from women candidates and from as wide a geographical distribution as possible; improving vacancy management through workforce planning; developing rosters based on generic job profiles and vacancy announcements; ensuring the alignment of KPIs between the corresponding administrative directive and Programme and Budget document and developing further KPIs; developing a competency framework; strengthening the recruitment process at its various stages; providing training and feedback to and from the candidates; and enhancing the TalentSoft system.

Staff Association Audit for 2019

- 6.3 The audit of the financial statements of the Staff Association is a courtesy audit carried out by the Internal Auditor. 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 2019. In the detailed report, recommendations were made to ensure that claims for refund of value-added tax (VAT) are reflected in the financial statements and that the recovery of expenditures incurred for legal advice over the course of the year is taken up with the insurance company.

Confidentiality audits

Audit of the Management of Software Licenses (2019/CA/01)

- 6.4 The objective of this review was to assess the adequacy and effectiveness of the management of software licenses. The scope of the audit included the processes for: the acquisition, monitoring, and disposal of software licenses; software license inventory management; and compliance with software licensing agreements. The audit covered the period from January 2017 to December 2018. The report contained five recommendations: one “critical” and four “standard”. To address issues identified during the audit, it was recommended that a Standard Operating Procedure (SOP) for the management of software licenses be developed. This SOP should incorporate all software license lifecycle processes, in addition to relevant roles and responsibilities across the Secretariat. Given that ISB provides IT support and maintenance, Divisions and Branches should be required to inform or consult ISB during the acquisition of software licenses. Software license information should be fully inventoried. This should be achieved either through deploying a tool that has the functionality to discover all licenses, or by implementing an inventory process based on periodic updates from Divisions and Branches, with information managed centrally by ISB. The Secretariat should optimise the use of software licenses through: (a) acquiring capabilities to track the number of licenses utilised; (b) monitoring usage patterns to rationalise or reassign licenses; and (c) using software license tracking data to reduce disparities in the versions of software in use. Finally, in order to ensure that the Secretariat remains in compliance with licensing agreements, a comprehensive monitoring process for software licenses should be implemented.

Audit of the Logical Access Controls, Logging, and Monitoring in the SCN (2019/CA/02)

- 6.5 The objectives of the audit were to assess (a) the adequacy and effectiveness of logical access controls concerning the protection of confidential information in the Security Critical Network, and (b) the effectiveness of audit logging and monitoring controls. The audit covered: network user account management, logging and monitoring of access, and the design of access controls in the Electronic Content Management system. The period under review was January 2018 to June 2019. Nine main recommendations were made: four were classified as “critical”, and five were “standard”. A further three housekeeping recommendations were made in the report.

Audit of the Implementation of the Confidentiality Regime in the Chemical Demilitarisation Inspection Cell of the Inspectorate Division (2019/CA/03)

- 6.6 The objectives of this review were to assess (a) compliance with the provisions of the confidentiality regime, and (b) the adequacy and effectiveness of the internal controls in place to protect confidential information. The audit covered the creation, handling, storage, and transfer of confidential information in the Inspection Cell during the period from January 2018 to December 2019. The report contained six recommendations: one “critical” and five “standard”.

Evaluations

Evaluation of OPCW Committees: the IT Steering Committee, the Health and Safety Committee, and the Performance Management and Appraisal System Committee (2019/EV/01)

- 6.7 As part of the updated OIO Work Programme 2019, the OIO conducted the first part of the engagement Evaluation of OPCW Committees, which as at November 2019 contains a total of 45 Committees. The following three committees were selected for the first part of this assignment: the Health and Safety Committee, the IT Steering Committee, and the PMAS Committee.
- 6.8 The objective of this evaluation was to add value to the Organisation (and its stakeholders) by providing objective and relevant assurance, and contributing to the efficiency and effectiveness of governance, risk management, and the internal control processes in the evaluated area. The evaluation covered all activities of each selected committee within the period from 1 January 2018 to 31 October 2019. However, any significant change introduced after this date has also been taken into account.
- 6.9 This report was the first of a series planned for issue in 2020 addressing the evaluation of the operations of various committees within the Secretariat. After conducting an analysis of the three committees, the OIO came to the conclusion that existing controls are working sufficiently to mitigate major risks, as long as proposed recommendations addressing noteworthy control weaknesses are implemented. All recommendations were issued as “standard”.
- 6.10 As the present evaluation represents just the initial part of the full project, it is still too early to present a fully-fledged opinion on the system, as a whole, of managing committees within the Secretariat. However, some initial observations and opportunities for improvement have already been noted at this stage and will be further analysed and tested. The OIO observed that Secretariat committee management differs greatly from one committee to another in terms of the way in which each committee is established, how mandates are defined, how members are appointed, the way in which the reporting mechanism functions, how decision-making processes operate, how chairmanship levels work, and how committee work is presented. We will continue to record observations over the next stages of the evaluation in order to prepare a summary report with more wide-ranging suggestions aimed at improving the governance and effectiveness of the committee management system.

QMS audits

Organisation of the OCAD and On-site Databases and Preparation and Testing of Gas Chromatography-Mass Spectrometry Inspection Equipment (QS/19/01)

- 6.11 The objective of this audit was to verify whether the existing formalised procedures sufficiently cover the requirements of Standard ISO/IEC 17025:2017, and whether these processes are adequate, efficient, and effective in providing the required results.

- 6.12 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.
- 6.13 The OIO made three suggestions aimed at strengthening relations with the customers of both accredited processes and improving risk management process.

Environmental and Biomedical Proficiency Testing (QS/19/02)

- 6.14 The goal of this audit was to verify compliance of the existing system used to conduct proficiency tests with the requirements of the dedicated ISO Standard 17043:2010 and to identify opportunities to improve the effectiveness and efficiency of procedures.
- 6.15 The audit team arrived at the conclusion that the processes of the organisation of Proficiency Testing (PT) and BioPT are adequate and efficient. The maturity of the process that has been run for many years and the quality of existing controls in place guarantee compliance with the requirements described in the relevant QMS documents and ISO/IEC 17043:2010. In addition, while the OIO supports the laboratory's actions to increase the difficulty of test samples, it also recommends doing so gradually and cautiously.
- 6.16 The audit did not identify any non-conformities. One opportunity for improvement was made, recommending the development and implementation of an induction training plan and continued improvement of the level of service to customers. In addition, auditors verified actions taken by the OPCW Laboratory to address the audit findings from previous engagements.

Certification of the OCAD and On-Site Databases and Certification of Testing, Preparing, and Packing of Gas Chromatography-Mass Spectrometry Inspection Equipment (QS/19/03)

- 6.17 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 requirements set out in the related legal framework and those of Standard ISO/IEC 17025:2017.
- 6.18 Overall, the audit team was satisfied that the audited processes provided reasonable assurance of the quality of products and services. The six recommendations that were made relate to the sampling methodology used for OCAD updates, the participation of observers in functionality tests, reporting on lessons learned, and the availability of certification services.

Management Requirements (QS/19/04)

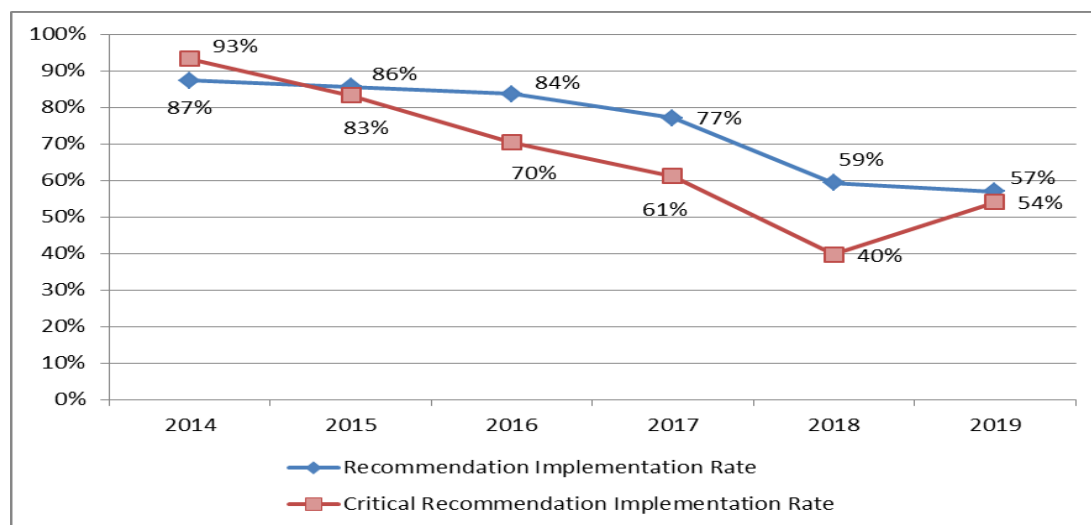
- 6.19 As part of the accredited areas, the objective of the audit was to determine whether managerial arrangements in place sufficiently address management requirements of the two ISO standards, and whether quality processes are adequate and effective in providing the intended results.

- 6.20 The auditors noted that the OIO has successfully managed to maintain the Dutch Accreditation Council's (RvA) accreditation for the Secretariat's relevant business functions. The auditors also noted the changes in the new Policy Statement, which now refers only to accredited processes. The auditors did not identify any serious deviations from ISO norms and issued no non-conformities. However, it did note that there is room for improvement in a number of procedures. In this regard, 13 recommendations were issued as opportunities for improvement.

7. STATUS OF IMPLEMENTATION OF AUDIT AND EVALUATION RECOMMENDATIONS

- 7.1 The International Professional Practices Framework for internal auditing issued by the IIA requires "a follow-up process to monitor and ensure that management actions have been effectively implemented". The OIO's annual programme of work includes provisions for such follow-up. The OIO has launched an 'Audit Tracker', a SharePoint-based platform designed to enable programme managers to continuously report the actions taken towards implementing audit recommendations. Desk reviews are performed by the OIO in regular consultations with programme managers on actions taken to address these recommendations. A real-time dashboard called 'Audilytics' has also been developed and is based on data extracted from the 'Audit Tracker'. Audilytics provides analysis of implementation status by year, division, target date, etc., for oversight purposes.
- 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 programme managers to address each recommendation.
- 7.3 In 2019, 47 recommendations (including 16 critical recommendations) were implemented by the Secretariat. Over the period from 2014 to 2019, of the 240 audit and evaluation recommendations that were issued, 137 were implemented, bringing the cumulative rate of implementation of OIO recommendations to 57 per cent as at 31 December 2019. It should be noted that a number of pending recommendations present systemic or resource dependencies that have attenuated efforts towards their implementation. It should also be noted that such recommendations require a longer timeline to be implemented. The total number of recommendations for which implementation was pending as at 31 December 2019 was 103. A yearly breakdown is provided in Appendix 3.
- 7.4 The recommendation implementation rate from 2014 to 2019 is presented in the figure below, showing a positive trend on critical recommendations resolution.

FIGURE: RECOMMENDATION IMPLEMENTATION RATE FROM 2014 TO 2019



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. Nevertheless, the OIO proactively discussed issues with programme managers at regular follow-up meetings.

8. IMPACT OF IMPLEMENTED AUDIT AND EVALUATION RECOMMENDATIONS

8.1 Of a total of 47 recommendations closed in 2019, 15 of which were related to internal audit reports, 23 concerned confidentiality audit reports, and nine were from evaluation reports.

8.2 The OIO conducted an assessment of the impact of its recommendations implemented over the course of the year. Implementation 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 The OIO closed 15 audit recommendations arising from internal audits over the course of the year.

8.4 As a result of the audit on vendor management, the instructions related to vendor registration were revised. Due diligence is now carried out by checking against the United Nations Security Council and other sanctions lists, as well as the United Nation’s lists of debarred or suspended vendors, which are available on the United Nations Global Marketplace (UNGM). A formal vendor review process for vendor

sanctions has been put in place and provides definitions for the proscribed practices, the review process, and the sanctions period, in addition to vesting the authority to impose sanctions with the Committee on Contracts (CoC). A tiered risk-based approach to vendor due diligence has also been developed based on categorising vendor risks as high, medium, or low, and the required documentation and checklist for conducting due diligence in vendor background checks have now been prescribed.

- 8.5 Four recommendations in the audit report on procurement systems were also closed in 2019. In addition to the inclusion of ‘sustainability’ as one of the procurement principles, the terms of reference of the CoC were revised to expand its role so as to focus more on oversight of the procurement functions such as procurement planning and implementation of procurement strategy so as to ensure that the best value for money is delivered. In addition, SOPs have now been developed to support the corresponding administrative directive.
- 8.6 As a result of the implementation of one recommendation presented in the Sick Leave Management audit, a mental health awareness programme has been introduced for managers and aims to provide preventative health care.
- 8.7 Four recommendations issued in the audit of the System for Statement of Internal Control were implemented in 2019. In addition to developing an internal control framework, a control self-assessment methodology that includes a checklist and toolkit was developed for managers based on the identification of key risks and related controls. This helps assure Directors of the implementation of internal controls in their respective Divisions, forming the basis for overall certification provided by the Director-General for the Statement of Internal Control. Training was also provided on how to utilise the toolkit.
- 8.8 Guidelines on the internal controls for the management of cash in the treasury section have also been issued. These guidelines provide for periodic surprise physical verification to ensure proper documentation and management of the cash ledger. A risk management framework is also nearing finalisation.

Confidentiality audits

- 8.9 The OIO closed 23 confidentiality audit recommendations in 2019.
- 8.10 Eight recommendations made following the Review of Strategic Planning in the Secretariat were implemented. In light of the OPCW’s changing priorities, the Office of Strategy and Policy (OSP) prepared a checklist of actions to support a review of the OPCW’s core objectives by States Parties. The OSP set up timeframes for updating the Medium-Term Plan (MTP) after the conclusion of each Review Conference. The timeframes were adhered to when updating the MTP 2020 – 2024 and will also be applied to future iterations of the MTP. Consequently, MTP 2020 – 2024 was successfully finalised following the conclusion of the Fourth Review Conference, and aligned with the five-year implementation period between Review Conferences. In collaboration with the Administration Division, the OSP agreed on a process ensuring traceable alignment between the Organisation’s medium-term goals and the programme throughout the entirety of the programme and budgeting process. This

will now be a requirement for all Divisions and Branches and will be applied starting with the 2021 programme and budgeting cycle. In preparation for this change, appropriate templates were developed and circulated in February 2020. All Divisions and Branches will now also be required to articulate how their activities contribute to medium-term goals and, ultimately, to the core objectives of the OPCW. The Director-General's strategic guidance for the formulation of the 2021 programme and budget stipulated that a cross-functional approach be taken, including for KPIs. In this regard, the OSP worked with the Administration Division to provide guidelines and templates to ensure that Divisions and Branches demonstrate clearer links between allocated resources and results in line with the Results-Based Management framework. Starting with recent recruitment, the OSP also initiated a process of harmonising official responsibilities among its officers, with a view to placing more focus on strategic issues.

- 8.11 A recommendation resulting from the Physical Security audit was implemented by the Office of Confidentiality and Security by conducting a security risk assessment for the OPCW Headquarters, the Laboratory, and the Equipment Store. As a result, the security risks facing the Organisation were comprehensively identified, assessed, and evaluated. Corresponding remedial measures were also identified.
- 8.12 A SOP for the Management of Standard User Accounts on OPCW Information Systems (QDOC/ISB/SOP/059) was issued in January 2020. The SOP sets out the procedures for requesting, creating, extending, disabling, and deleting standard user accounts in the OPCW Active Directory. This will ensure that the identities and access rights of information system users are managed in a uniform and centralised manner in order to achieve and maintain consistency and efficiency within the access control processes.
- 8.13 With regard to the implementation of the Secure Information Exchange (SIX) System for the Electronic Transmission of Declarations, the Verification Division compiled strategic guidelines for the future use of the system. The guidelines address potential uses of the system, as well as the nature of acceptable changes in future. Furthermore, a SOP for Information Management in the SIX system was updated to reflect improvements of and current practices in system usage. Dual control was made a formal practice for the approval of SIX user account creation forms, thereby strengthening user access controls.
- 8.14 Seven risks, each of which will be addressed in full after the completion of the Centre for Chemistry and Technology, will be entered into the Organisation's Risk Register.

Evaluations

- 8.15 The OIO also closed nine recommendations resulting from evaluations in 2019.
- 8.16 Two recommendations related to the evaluation of outreach activities of the International Cooperation and Assistance (ICA) Division were implemented, resulting in the strengthening of the annual planning programme and the development and roll-out of 'Eventus', an event management system that will serve as a centralised data hub for managing ICA events.

- 8.17 The OIO closed four recommendations concerning the External Relations Division relating to planning, support for large events, training, and internal communication. Three recommendations that were issued following an evaluation of Health and Safety Branch (HSB) activities were also closed. As a result, a strategy for health and well-being was developed, programme objectives were redefined, and the data collection and audit capabilities of the IT platform were improved to meet the needs of medical staff.

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 economy and efficiency of OPCW operations. The Director of the OIO also attended meetings of Organisation Directors and Management Board meetings.
- 9.2 The OIO continued to receive requests for advice and comments in 2019 concerning, among other issues, the revision of administrative directives, the improvement of internal controls, risk assessment, the confidentiality policy, and IT governance.
- 9.3 The OIO's staff members participated as observers in meetings of the Investment Committee, the Property Survey Board, the Committee on Contracts, the IT Strategy Advisory Board, the Information Services Steering Committee, the ERP Project Board, the ChemTech Project Board, and the Risk Management Committee. The fact that Management frequently consults the OIO reflects the key advisory role that the Office plays within the Secretariat.
- 9.4 Throughout the year, the OIO provided information, upon request, to members of the ABAF during their meetings, as well as to delegates of 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 used in sampling missions in accordance with Council decision EC-62/DEC.3 (dated 6 October 2010). At the request of the OPCW Laboratory, in 2019 the OIO issued six certificates for GC-MS inspection equipment.
- 10.2 The Senior Confidentiality Auditor performed the certification process for the OCAD in December 2019. As a result, 15 certificates were issued for the OCAD (version 22) for 2020.

11. EXTERNAL RELATIONS

- 11.1 In 2019, the OIO continued to participate in the following outreach activities in order to keep abreast of the latest guidance and good practices in the field of audits and evaluations:
- (a) Representatives of the Internal Audit Services of the United Nations Organisations and Multilateral Financial Institutions (RIAS);
 - (b) the United Nations Evaluations Group (UNEG);
 - (c) The Hague Evaluations Network (HEN);
 - (d) Heads of Internal Audit (HOIA) in the European Union and at other international organisations; and
 - (e) the Annual European Conference of the ISACA;
- 11.2 In 2020, the OIO will continue to participate in these outreach activities. In addition, the OIO will attend the following audit and integrity professional networking events:
- (a) Alliance for Integrity, organised by GIZ with support from the Organisation for Economic Co-operation and Development (OECD) and the United Nations Office of Drugs and Crime (UNODC);
 - (b) the Auditors Alliance, organised by the OECD;
 - (c) the Conference of International Investigations (of the United Nations and other international organisations);
 - (d) Women in Compliance; and
 - (e) the Society of Corporate Compliance and Ethics (SCCE).

Silvina Coria
Director, Office of Internal Oversight

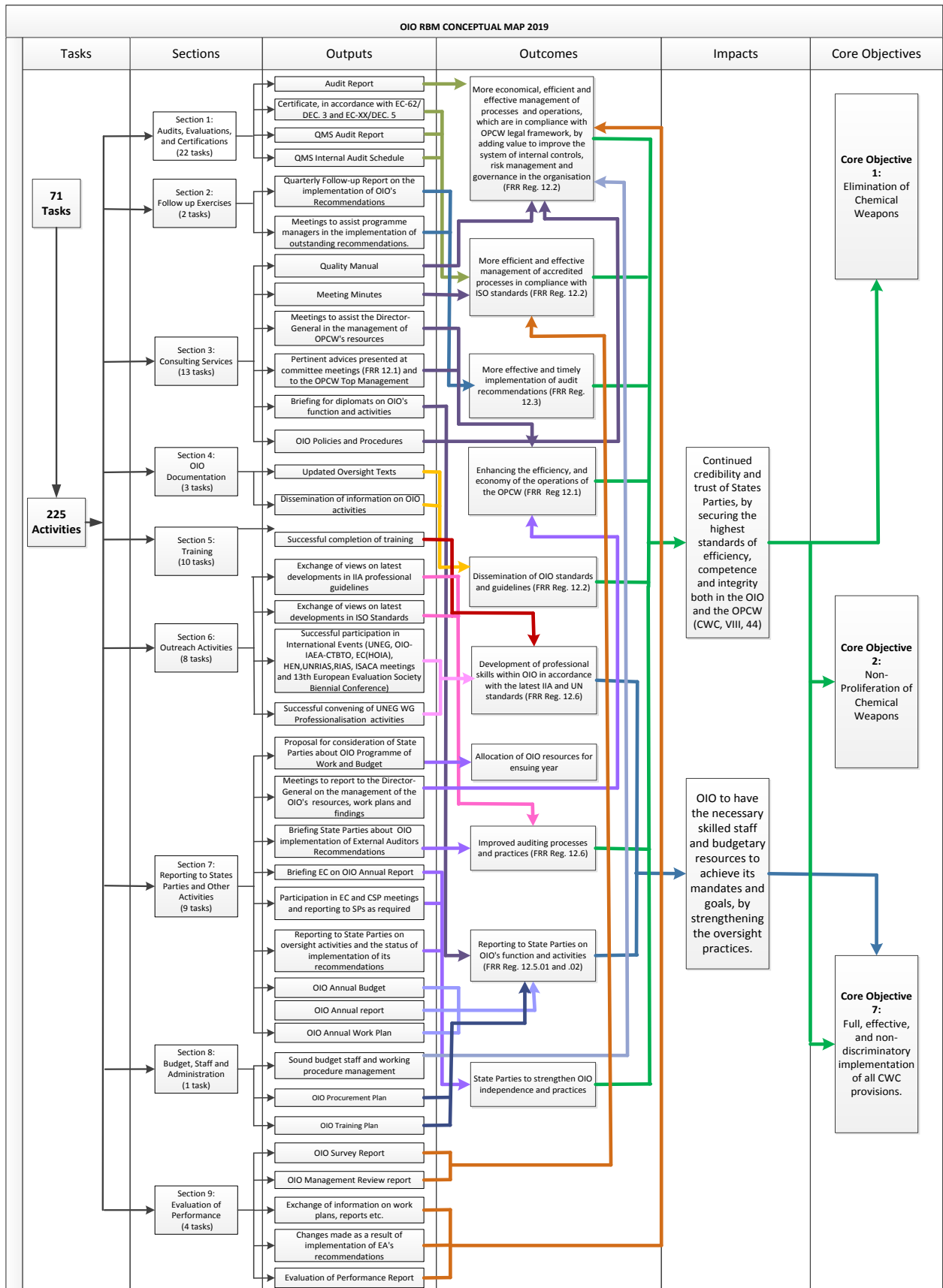
Appendix 1

KEY PERFORMANCE INDICATORS IN 2019

PROGRAMME: EXECUTIVE MANAGEMENT – OFFICE OF INTERNAL OVERSIGHT

<p>Primary Alignment to Core Objective(s):</p> <p><i>Core objective 7: Full, effective, and non-discriminatory implementation of all provisions of the Convention by the OPCW</i></p>				
<p>OPCW Programme Objectives</p> <p>1. Effective oversight of the OPCW policy and programme management.</p>	<p>Key Performance Indicators</p> <p>1.1 Implementation of the annual programme of work of the OIO</p> <p>1.2 Percentage of acceptance of OIO recommendations by Management</p> <p>1.3 Rate of implementation of the total recommendations of the OIO issued in the past five years, which are due for implementation</p> <p>1.4 Implementation of non-conformities with applicable ISO standards within prescribed timeline (as identified by the Dutch Accreditation Council)</p>	<p>Target for 2018</p> <p>100%</p> <p>95%</p> <p>80%</p> <p>100%</p>	<p>Results Achieved</p> <p>92%</p> <p>100%</p> <p>57%</p> <p>100%</p>	<p>Explanation of Variances</p> <p>One assignment will be considered for risk assessment in 2021 after implementation of the ERP, as agreed upon with Management.</p> <p>All recommendations made in audit reports issued in 2019 were accepted by Management.</p> <p>Implementation hindered by system and/or resource dependencies, as well as several management-level vacancies in 2018 and 2019.</p> <p>N/A</p>

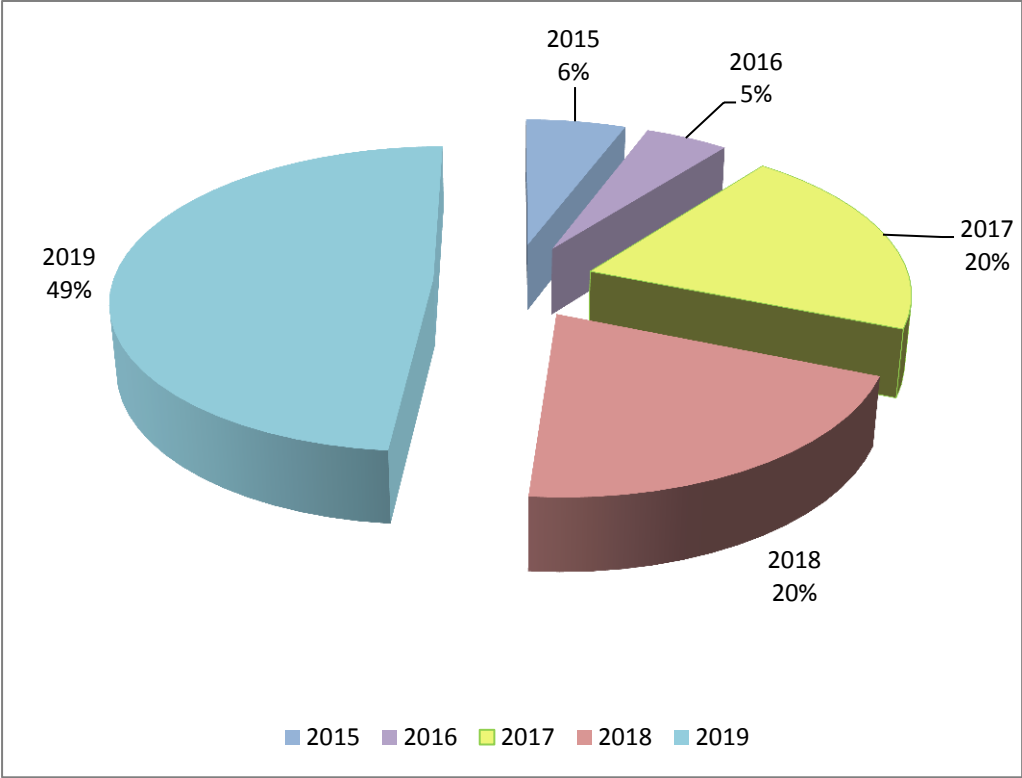
Appendix 2



Appendix 3

NUMBER OF OUTSTANDING AUDIT AND EVALUATION RECOMMENDATIONS BY YEAR

Year	Number of Pending Recommendations
2015	6
2016	5
2017	21
2018	21
2019	50
Total	103



Appendix 4

PENDING CRITICAL RECOMMENDATIONS

Year	Report	Number of Pending Critical Recommendation
2015	Evaluation of Outreach Activities Conducted by the International Cooperation and Assistance (ICA) Division (OIO/15/02)	2
	Audit of the IT Business Continuity (OIO/15/03)	2
2016	Audit of the IT infrastructure at the OPCW Laboratory (OIO/16/01)	1
2017	Audit of the Governance of Evaluation in the Secretariat (OIO/16/03)	1
	IT Change Management Process (OIO/17/01)	2
	Audit of the Management of the Procurement System (OIO/17/02)	4
2018	Review of Strategic Planning in the Technical Secretariat (2018/CA/01)	3
	Audit of Physical Security at the OPCW Headquarters, Laboratory, and Equipment Store (2018/CA/02)	4
2019	Audit of Management of Software Licenses (2019/CA/01)	1
	Audit of Logical Access Controls, Logging, and Monitoring in the Security Critical Network (2019/CA/02)	3
	Audit of the Implementation of the Confidentiality Regime in the Chemical Demilitarisation Inspection Cell in Inspectorate Division (2019/CA/03)	1
	Audit of Official Duty Travel (2019/IA/01)	2
	Audit of the Management of Staff Recruitment Process (2019/IA/02)	2
Total		28