



OPCW

**Advisory Body on Administrative and
Financial Matters**

Fiftieth Session
1 – 4 June 2021

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**REPORT OF THE FIFTIETH SESSION OF THE ADVISORY BODY
ON ADMINISTRATIVE AND FINANCIAL MATTERS**

1. Opening of the session

- 1.1 The Fiftieth Session of the Advisory Body on Administrative and Financial Matters (ABAF) was held from 1 to 4 June 2021. The following members participated: Mr John Foggo (Chairperson), Ms Fatima Hamdia Tanweer, Mr Bahram Jamali, Mr Milan Kerber (Vice-Chairperson), Ms Hollie Marie Mance, Mr Hans-Christian Mangelsdorf, Ms Yoko Sakurai, and Ms Qian Wang. Mr Pankaj Agarwal did not participate.
- 1.2 The list of documents presented to the ABAF for this session is included as the Annex to this report.
- 1.3 The Deputy Director-General of the Technical Secretariat (hereinafter “the Secretariat”) of the Organisation for the Prohibition of Chemical Weapons (OPCW) welcomed the ABAF members virtually through a recorded message. She expressed appreciation for the ABAF’s very important service to the OPCW and acknowledged the appointment by the Executive Council (hereinafter “the Council”) of the ABAF’s newest members: Ms Fatima Hamdia Tanweer, Mr Bahram Jamali, Ms Hollie Marie Mance, and Ms Yoko Sakurai.
- 1.4 Referring to the agenda for the session, the Deputy Director-General noted that a number of important issues were to be addressed by the ABAF, including the OPCW’s 2020 Financial Statements, the progress made towards transitioning to a biennial budget system, an update on enterprise resource planning system (ERP) implementation, and a status report on the OPCW Centre for Chemistry and Technology project (the ChemTech Centre).
- 1.5 Turning to the 2021 Financial Performance, the Deputy Director-General indicated that as at the end of May 2021, the overall rate of cash inflows was lagging behind the forecast for the year. Taking into account the trends from 2018, 2019, and 2020, it was anticipated that it would be necessary to use the Working Capital Fund (WCF) in order to maintain liquidity in 2021. The WCF was reinstated to its fully funded level of EUR 8.1 million in February 2021 through the repayment of previously borrowed amounts. However, even at its fully funded level, the WCF would only be able to sustain operational requirements for a short period of time.



- 1.6 The Deputy Director-General indicated that in recent years, the early payment of subsequent year assessed contributions close to year-end had helped alleviate serious cash pressures caused by delays in State Party in-year payments and reimbursements. Indeed, without these early payments by some States Parties, the OPCW cash position at the end of 2020 would have been negative, as the WCF was already nearly exhausted by December. The Deputy Director-General emphasised that timely receipt of assessed contributions remains critical in order to ensure that the OPCW is able to sustain liquidity and deliver the Organisation's programmes. She indicated that this was all the more vital in light of the fact that the OPCW had a final cash deficit position of approximately EUR 1.2 million for 2019, resulting from significant prior-year, still-outstanding assessed contributions and Article IV and V reimbursements. It was therefore important that there be more positive movement in both of these areas in 2021 in order to prevent such a situation from reoccurring in future years.
- 1.7 Turning to the issue of COVID-19, the Deputy Director-General indicated that the pandemic continued to impact the Organisation's operations. Through the use of new tools and methods, the Secretariat was making every effort to mitigate, to the extent possible, the impact of the COVID-19 pandemic situation on the implementation of the OPCW's programmes. In this regard, the COVID-19 Variability Impact Fund provided an important element of financial flexibility for the Secretariat to respond to evolving pandemic circumstances. The Deputy Director-General indicated that the pandemic also impacted the execution of the 2020 Programme and Budget, particularly with regard to activities relying heavily on official travel or in-person meetings. This had resulted in an overall lower budget implementation rate for the year than the traditional OPCW norm. Nevertheless, the Secretariat had managed to maintain all business-critical functions, including meetings of the policy-making organs.
- 1.8 With regard to the 2020 Financial Statements, the Deputy Director-General informed the ABAF members that the External Auditor of the OPCW, the National Audit Office of the United Kingdom of Great Britain and Northern Ireland (hereinafter "the External Auditor"), had completed the financial audit for 2020. However, complications associated with fully remote auditing—as opposed to traditional on-site sampling—had led to delays in the External Auditor's preparation of the long-form report. She noted that should the ABAF accept, the External Auditor would present the financial audit outcome to the ABAF's Fiftieth Session and defer his presentation on the long-form report to the Fifty-First Session of the ABAF in July 2021.
- 1.9 Referring to biennial budgeting, the Deputy Director-General noted that in accordance with the decisions of the Conference of the States Parties (hereinafter "the Conference"), the Secretariat was well on the way to transitioning to a biennial budget system, starting with the 2022 and 2023 biennium. As per the traditional schedule, the Secretariat is preparing a draft proposal to be presented to States Parties by the Director-General in the first week of July. Following informal Secretariat presentations on the draft biennium budget to States Parties in mid-July, the proposal would be reviewed by the ABAF at its Fifty-First Session and discussed at informal State Party consultations in August – September, with a view to preparing a recommendation to be issued by the Ninety-Eighth Session of the Council to the Twenty-Sixth Session of the Conference. She also noted that the challenges associated with programme and budget preparations in the current environment were particularly pressing, following over a decade of largely unmitigated inflation

combined with real increases in programmatic activities and stakeholder expectations. In this context, the two-year biennium horizon offered an important opportunity for all stakeholders to take an enhanced strategic view of the priorities, opportunities, and challenges that lie ahead. The Deputy Director-General also noted that she would have more to say on this matter at the ABAF's Fifty-First Session, once the Secretariat had completed its work on the Draft Biennium Programme and Budget for 2022 and 2023.

- 1.10 With respect to ERP implementation, the Deputy Director-General was pleased to note that the ERP core System of Record had gone live on 4 January 2021 in spite of the additional challenges posed by the COVID-19 pandemic, and had transitioned to stabilisation under ongoing application managed services. As with any new ERP, she noted that the Secretariat had some work remaining to continue to enhance and further tailor the platform to the OPCW's needs. She also noted that the remaining components of the Systems of Differentiation, consisting of asset management and travel management, were planned to be delivered in the course of 2021. To support the delivery of these components, an upgrade to the latest version of the software was being planned.
- 1.11 Regarding the ChemTech Centre, the Deputy Director-General was pleased to report that some very important milestones had been achieved since the ABAF's Forty-Ninth Session. The irrevocable permit for construction of the ChemTech Centre had been granted in February 2021. In March 2021, the project funding target of EUR 33.5 million had been reached, and in April 2021 the main construction contract had been signed, marking the end of the project's design phase and the start of the construction phase. The Deputy Director-General also reported that the projected cost of the main construction contract was now higher than anticipated, but that it remained affordable within available resources, and the project remained on budget. This outcome of the main construction tender substantially reduced the level of risk in the project. The Deputy Director-General also reported that the construction was on schedule, to begin as planned in June 2021 and to be completed by the end of 2022.
- 1.12 The Deputy Director-General concluded her remarks by saying that she looks forward to another productive week on these and other timely and vital topics for the Organisation, and reiterated her appreciation for the important contributions of the ABAF to the work of the OPCW.

2. Adoption of the agenda

2.1 The ABAF adopted the following agenda for its Fiftieth Session:

1. Opening of the session
2. Adoption of the agenda
3. Review of the report of the previous session
4. Introductory matters
 - (a) ABAF members as per the decisions of the Ninety-Fifth and Ninety-Sixth Sessions of the Executive Council
 - (b) Financial updates: cash position, status of collection of assessed contributions and reimbursements, Working Capital Fund

5. Status of 2021 financial performance (to date)
6. 2020 budget transfers
7. 2020 programme performance
8. Financial Statements of the OPCW and the report of the External Auditor for the year ending 31 December 2020
9. Review of death benefit liability recognition in OPCW Financial Statements
10. Report of the Office of Internal Oversight for the year ending 31 December 2020
11. OPCW Statement of Internal Control: update
12. Progress on transitioning to a biennial Programme and Budget for 2022 and 2023
13. Tenure policy update
14. Enterprise resource planning project update
15. Update on the OPCW Centre for Chemistry and Technology project
16. Update on the appointment of a new External Auditor for the OPCW
17. Election of the Vice-Chairperson of the ABAF
18. Any other business
19. Next session and agenda
20. Adoption of the report

2.2 In adopting the agenda for its Fiftieth Session, the ABAF agreed that in light of the remote format of the session due to the COVID-19 pandemic and the restrictions imposed as a result, some topics would be better suited to a meeting format that could more readily support interactive dialogue. In addition, it would give the Secretariat additional time to fully consider and prepare the topics thoroughly. For this reason, four agenda items previously agreed upon at the Forty-Ninth Session of the ABAF for inclusion on the agenda of the Fiftieth Session were deferred instead to its Fifty-First Session, which is scheduled for July 2021. The four deferred agenda items are:

- (a) Review of the status of previous ABAF recommendations;
- (b) Update on long-standing trust fund and reserve balances;
- (c) Progress in results-based management; and
- (d) Progress in programme support cost methodology.

3. Review of the report of the previous session

The ABAF had no comments on its previous report, noting that follow-up areas had been included on the agenda of its Fiftieth Session.

4. Introductory matters

Subitem 4(a): ABAF members as per the decisions of the Ninety-Fifth and Ninety-Sixth Sessions of the Executive Council

4.1 The Chairperson of the ABAF welcomed all members to the Fiftieth Session of the ABAF, and acknowledged the members newly appointed through the decisions of the Council at its Ninety-Fifth and Ninety-Sixth Sessions.

Subitem 4(b): Financial updates: cash position, status of collection of assessed contributions and reimbursements, Working Capital Fund

4.2 To set the context for further discussions, the ABAF was informed of the OPCW's cash position as at 31 December 2020, with reference to the Report by the Director-General on OPCW Income and Expenditure for the period covering 1 January to 31 December 2020 (S/1948/2021, dated 13 April 2021). The ABAF noted that as outlined in OPCW Financial Regulation 5.4, States Parties are responsible for paying their assessed contributions in full within 30 days of being informed of such by the Secretariat, or on the first day of the financial period to which the assessment relates, whichever is later.

4.3 Through the Note by the Director-General on the Monthly Financial Situation Report as at 30 April 2021 (S/1959/2021, dated 27 May 2021), the ABAF was informed that the COVID-19 pandemic continues to impact the Organisation and that the Secretariat continues to make every effort to minimise, to the extent possible, the impact of the situation on the implementation of the OPCW's activities and programme for 2021.

4.4 During this session, the ABAF was provided with an update for May 2021. The ABAF was informed that the Organisation's cash situation had improved marginally during the first quarter of 2021, compared to the fourth quarter of 2020, permitting full repayment of the nearly exhausted WCF and capitalisation of the COVID-19 Variability Impact Fund, as well as some replenishment of the special fund for OPCW designated laboratories and laboratory equipment, the special fund for the OPCW Equipment Store, and the OPCW Major Capital Investment Fund (MCIF). The Secretariat informed the ABAF that the General Fund cash balance of the Organisation as at 31 May 2020 was EUR 5.3 million, which was lower than at the same time last year (EUR 8.8 million). The ABAF was informed that the Organisation's cash forecast would continue to be monitored very closely.

4.5 The ABAF noted that the Secretariat was forecasting a negative cash position for the General Fund for 2021 at approximately EUR 4.8 million, and that the WCF would likely be required to maintain liquidity during the year.

4.6 With regard to the status of assessed contributions from States Parties as at 31 May 2021, the ABAF noted that the collection rate was lower (46.32%) compared to the previous year (52.33%). The ABAF reiterated once again its serious concerns regarding the delays in the collection of assessed contributions and encouraged the Secretariat to continue to remind States Parties of their obligations to pay under Regulation 5.4 of the OPCW Financial Regulations and Rules.

- 4.7 Concerning the WCF, the Secretariat indicated that the current level of the WCF as at 31 May 2021 was approximately EUR 8.1 million. The Secretariat indicated that should the WCF need to be drawn upon in 2021, in the absence of significant movements in the receipt of assessed contributions, the WCF would sustain operational liquidity for only a short period. The ABAF noted the operational risk that this situation poses to the Organisation and reiterated its serious concerns regarding the delays in the collection of assessed contributions.
- 4.8 On the issue of the status of the Organisation's reimbursements under Articles IV and V of the Chemical Weapons Convention, the ABAF was informed that approximately EUR 6.8 million was outstanding for Article IV and V reimbursements as at 31 May 2021.
- 4.9 The ABAF restated its serious concern about the strategic impact that the cumulative outstanding balance of late assessed contributions and reimbursements of inspections invoiced under Articles IV and V is having on the OPCW.

5. Status of 2021 financial performance (to date)

- 5.1 The ABAF reviewed the Secretariat's implementation of the 2021 Programme and Budget and was informed that as at 30 April 2021, the budget of EUR 69,401,289 (before extraordinary provisions) had been 35.46% obligated, which was somewhat lower compared to the same point in the previous year. The Secretariat noted that operational restrictions imposed by the COVID-19 pandemic would inevitably lead to a relatively lower level of implementation in 2021, compared to pre-pandemic years, as the postponement of some activities requiring travel had led to lower operational running costs.
- 5.2 The ABAF was informed that the contingency margin was increased at the start of the year from the usual 10% of the non-staff portion of the budget to 12%. This somewhat larger margin provided a EUR 1.9 million buffer (i.e., a 2.7% contingency margin). The contingency margin was planned to ensure that 2021 income would exceed expenditure, taking into consideration the recent unbudgeted staff pay scale and post-adjustment increases mandated by decisions of the International Civil Service Commission (ICSC), assessed contribution collection patterns over past years, and mitigation of the potential risks of exposure to exchange rate fluctuations and other unforeseen factors such as price adjustments or unplanned activities in a very dynamic global context. Close control over the use of the contingency margin continued to be applied to the 2021 budget in accordance with the OPCW Financial Regulations and Rules. While staff costs had been allotted 100% of appropriations, for the most part, only 88% of operational cost budgets had been allocated.
- 5.3 The Secretariat informed the ABAF that for the 2021 budget, 55% was allocated to operational programmes and 45% to support programmes. The ABAF commended the ratio between operational programmes and support programmes.

6. 2020 budget transfers

- 6.1 The ABAF received a presentation on budget transfers in 2020. The Secretariat emphasised that all transfers had been processed in line with the stipulations prescribed in the Organisation's Financial Regulations and Rules. As a result, no transfers had been made between Chapters, and all other transfers had taken place within the

allowable parameters of transfers between programmes and subprogrammes. The ABAF was also pleased to note the Secretariat's assurance that all transfers had been made without detriment to the activities approved under their respective programmes.

- 6.2 The ABAF was informed that a total of EUR 1.8 million (86%) of inter-programme and subprogramme budget transfers made in 2020 were related to covering staff costs. The remaining amount of EUR 0.3 million (14%) was related to consultancy, other operating expenses, and transport costs. The primary driver behind the required staff cost-related budget transfers in 2020 was related to obligatory and unforeseen staff cost increases.
- 6.3 In response to an enquiry from the ABAF for further detail about the need for and the nature of the transfers, the Secretariat reiterated that the main reason for the transfers was related to staff costs and other minor elements in other non-staff costs. The Secretariat also commented that staff cost increases that take place during the budget cycle can pose challenges, and that these changes were beyond the control of the Organisation as they were mandated by the ICSC. Furthermore, the Secretariat confirmed that having the standing authority to transfer funds afforded the necessary flexibility to the Secretariat to manage operations effectively and report to the policy-making organs as appropriate when unforeseen costs were presented during the year. In addition, the ABAF noted the Secretariat's comment that the biennium budgeting process is expected to include an inflation increment on staff costs for each year, as is the practice at the International Atomic Energy Agency, in order to mitigate the substantial risk of in-year staff cost increases.

7. 2020 programme performance

The ABAF addressed programme performance for the year 2020 (S/1961/2021, dated 27 May 2021) and the effect of the COVID-19 pandemic on the implementation of activities.

8. Financial Statements of the OPCW and the report of the External Auditor for the year ending 31 December 2020

- 8.1 The ABAF received a presentation on the External Auditor's report for the 2020 Financial Statements; the final report is pending the completion of the External Auditor's long-form report on the broader work performed under the External Auditor's mandate.
- 8.2 The ABAF expressed its appreciation to the External Auditor for his offer to brief the next ABAF session on the long-form report, which was expected to be completed in the near future.
- 8.3 The ABAF noted with approval that the External Auditor anticipated recommending to the Comptroller and Auditor General of the National Audit Office of the United Kingdom that the 2020 OPCW Financial Statements and 2020 Provident Fund Financial Statements should receive an unqualified audit opinion without modification in terms of both regularity and the true and fair view of the Financial Statements.

- 8.4 The External Auditor reported that the constraints of the COVID-19 pandemic had required a fully-remote auditing approach and methodology for the 2020 OPCW Financial Statements. In spite of the extraordinary challenges, the External Auditor expressed full confidence in the audit findings and praised the efforts of the Secretariat, particularly the staff of the Accounts and Reporting Section, for their excellent achievement under the difficult circumstances.
- 8.5 With regard to the key audit findings, the External Auditor indicated that there were no issues. With regard to the previously identified risk of management potentially overriding the system of internal controls within the OPCW or the Provident Fund, the External Auditor noted that there was no indication that this risk had materialised. The External Auditor mentioned that the accounting treatment of ERP implementation was assessed to be materially accurate and appropriately disclosed in the OPCW's accounts.
- 8.6 Moreover, the External Auditor commented that even though an audit adjustment was identified concerning the employee benefit liability, the relevant elements were materially accurate and appropriately disclosed in the final version of the OPCW's accounts. The ABAF sought clarification on the reported difference between the views of the Secretariat and the External Auditor on the designation of these benefits as a liability. The Secretariat informed the ABAF that the OPCW's position was supported by its external actuary, who had confirmed in conjunction with their technical experts in International Public Sector Accounting Standards (IPSAS) that the OPCW's position was in line with IPSAS. In spite of the respectful disagreement on this narrow issue, the External Auditor assessed that there was an excellent overall understanding of IPSAS embedded within the Organisation.
- 8.7 On other areas of audit focus, the External Auditor noted that accounting for the ChemTech Centre had been reviewed in detail and found to be materially compliant with accounting standards and appropriately disclosed. In addition, regarding OPCW reserves, the significant increase in the receipt in December 2020 of advance 2021 assessed contribution payments provided vital cash flow at the end of the year. The ABAF took note of the External Auditor's findings regarding accounts payable, according to which some expenditures relating to the following year had been included in the 2020 accounts. Though these instances were low in value and immaterial when extrapolated, it was identified as an area warranting additional attention in the future.
- 8.8 The External Auditor commented on the list of adjusted misstatements, agreeing with the Secretariat's observations that they were exceptional, low in number, and related to IPSAS treatment, and that the related underlying financial and programme management was solid.
- 8.9 With regard to audit recommendations, the External Auditor commented on one conclusion concerning revenue recognition, which was a consequence of the fact that the OPCW had experienced a significant increase in voluntary contribution agreements in the past year, and that the IPSAS recognition process was predominantly manual in 2020. The External Auditor anticipated that the new ERP system should improve data processing in the future.

- 8.10 Concerning recommendations issued in the year prior, the External Auditor commented on accounts payable cut-off errors, where progress has been made, and noted further that the Secretariat had reported that training would be provided to staff in 2021. Training was also to be provided on the use of the new ERP system, which would be used to replace the heavy manual element of the accruals process. In addition, the External Auditor commented on the prepayment control environment, in which the new ERP system allows more accurate identification of prepayment and support.
- 8.11 The External Auditor underlined that the OPCW faces continued pressure when it comes to managing cash flow, which in turn creates operational implications resulting from delayed assessed contribution payments.
- 8.12 The ABAF sought clarification on the planning process for the transition to the incoming OPCW External Auditor (the Comptroller and Auditor General of India). The outgoing External Auditor reassured the ABAF that the British and Indian audit institutions had extensive previous collegial experience, and that they were confident that the handover process would be smooth and successful.
- 8.13 The Secretariat provided the ABAF with a presentation on the Financial Statements of the OPCW for the year ending as at 31 December 2020, formulated in accordance with IPSAS.
- 8.14 The ABAF was advised that for 2020, taking into account all OPCW funds and accounts, there had been an overall surplus of EUR 7.0 million (compared to a surplus of EUR 7.2 million in 2019). However, the Organisation's General Fund continued to show a negative asset position of EUR 6.1 million (EUR 4.5 million in 2019), primarily due to an increase in employee benefit liabilities relating to accrued home leave and annual leave. The ABAF was also informed that fixed assets were becoming increasingly important due to investments in the ChemTech Centre and major software development projects.
- 8.15 The ABAF noted that there had been a final cash deficit for 2019 of approximately EUR 1.2 million, and asked about the different possible mechanisms to cover the cash deficit. The Secretariat explained that the last such cash deficit had arisen in 2014 and at that time, States Parties had opted to wait until the next cash surplus to pay down the pending deficit.
- 8.16 The Secretariat mentioned to the ABAF that the overall outstanding amounts due to the General Fund had increased in 2020 as a result of a decrease in the payment of assessed contributions for the year compared to 2019. The level of gross outstanding assessed contributions (for 2020 and prior years) had increased by EUR 3.0 million to EUR 10.1 million. Similar to 2019, a high proportion of assessed 2020 contributions had been received in the final quarter of the year. The late receipt of funds makes it difficult for the Secretariat to fully implement planned activities. In addition, outstanding Article IV and V reimbursements slightly decreased by EUR 0.2 million, reaching EUR 7.8 million.
- 8.17 The ABAF noted that in 2020, the 10 States Parties that had contributed the most revenue to the OPCW had accounted for 74% of total income (EUR 58.4 million). The ABAF also noted the significant impact of late assessed contributions on the part of some of these top 10 contributors.

- 8.18 The Secretariat informed the ABAF of the key expenditure categories in 2020 for all funds combined (extra-budgetary and General Fund), as well as for the General Fund alone. As in past years, employee benefits were the primary cost driver at 78% (EUR 49.6 million) for the General Fund, with general operating expenses at 8% (EUR 5.5 million), consultancy and contractual expenses at 7% (EUR 4.2 million), and travel at 3% (EUR 1.9 million).
- 8.19 With regard to budget implementation, the ABAF noted that the Inspectorate and the International Cooperation and Assistance Division had been particularly affected by the travel restrictions imposed due to the COVID-19 pandemic and the inability to conduct many in-person activities. The ABAF sought clarification on the nature of the implementation of the Inspectorate Division's budget, particularly with regard to inspection-related travel. The Secretariat explained that even though there had been savings in travel costs for the Inspectorate Division caused by the forced reduction in inspection travel, in addition to covering increased staff costs, the average cost per inspection was higher due to special COVID-19 safety measures and other logistical constraints, such as quarantine requirements. Moreover, during the second half of the year, the opportunity had been taken to make a long-planned purchase of an approved but previously unfunded system (the Portable Isotopic Neutron Spectroscopy System (PINS)).
- 8.20 With regard to the Organisation's assets, the ABAF noted that a significant portion of the asset categories (including property, plant, equipment, and intangible assets such as software) contained depreciated assets that would need to be replaced through use of the MCIF. The Secretariat informed the ABAF that the asset data in the Financial Statements remained a vital indicative component, highlighting the need for asset replacement and the necessary resources required. The ABAF emphasised the importance of the MCIF in this regard, and encouraged the Secretariat to continue to draw the attention of States Parties to the Organisation's ageing asset base and related funding requirements.
- 8.21 Pending completion of the long-form report by the External Auditor, the ABAF decided that the agenda item on the status of implementation of external audit recommendations would be deferred to the Fifty-First Session of the ABAF. The ABAF observed that several recommendations were related to the implementation of the new ERP, and that it therefore made sense to look at them at the next session.
- 8.22 The ABAF congratulated the Secretariat on being able to complete the 2020 accounts closure and Financial Statements on time and to high quality, in spite of the complexities of COVID-19-related remote working arrangements and the ERP go-live.

9. Review of death benefit liability recognition in OPCW Financial Statements

- 9.1 The Secretariat reported that in response to the request made at the ABAF's Forty-Eighth Session, the Secretariat had conducted a review of 10 United Nations entities based on their financial statement disclosures. The classification of the death benefit liability as a post-employment or short-term benefit determines the accounting treatment under IPSAS 39. The Secretariat's calculation as a post-employment benefit was supported by its actuary, who had confirmed their view in conjunction with their IPSAS technical experts that the position was correctly stated in line with IPSAS 39.

- 9.2 The Secretariat further noted that not all United Nations entities reported on this topic at a level of detail sufficient to enable a full review. There were different categories of benefit, and differing accounting treatments amongst the benchmarked organisations. The results of the survey had identified four international organisations that had lump-sum grant payments (the OPCW, the International Criminal Court, the United Nations Office on Drugs and Crime, and the United Nations Secretariat). The Secretariat maintained that the magnitude of the issue at the OPCW was immaterial, and therefore the Secretariat would plan to retain its treatment of the death benefit liability as a post-employment benefit in line with its actuary's advice.
- 9.3 The ABAF noted the difference of interpretation on this matter with the External Auditor. However, noting that the magnitude of the issue was not a material issue, the ABAF was content with the Secretariat's decision to continue to recognise the death benefit liability as a post-employment benefit.

10. Report of the Office of Internal Oversight for the year ending 31 December 2020

- 10.1 The ABAF received a presentation from the Office of Internal Oversight (OIO) on its annual report for the period from 1 January to 31 December 2020 (EC-97/DG.6 C-26/DG.2, dated 17 May 2021) and the Note by the Director-General of the recommendations contained in the OIO's annual report for the period 1 January to 31 December 2019 (EC-97/DG.4, dated 14 May 2021).
- 10.2 The ABAF congratulated the OIO on the outcome of the fifth quality assessment conducted by the Institute of Internal Auditors (IIA) in the Netherlands (IIA-Netherlands) of the OPCW's internal audit function in 2020, and the conclusion that the OIO "generally conforms" to the professional practices embodied in the IIA's International Professional Practices (the highest rating offered by the IIA, indicating 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").
- 10.3 In 2020, the OIO's Strategic Master Plan for 2020 to 2024 had been approved by the Director-General after due consideration by the ABAF. The Master Plan provided the strategic objectives of the OIO, which were focused on three key pillars—people, processes, and technology—to enable the OIO to add value to the Organisation and to keep its services fit for purpose. The ABAF expressed its appreciation of the fact that the OIO had carried out its annual work programme for 2020 diligently, in spite of the disruptions caused by the COVID-19 pandemic. The OIO informed the ABAF that they had issued five reports related to internal audits, confidentiality audits and evaluations, and four reports related to quality management systems audits in 2020. In presenting the OIO's review of key performance indicators (KPIs), it was highlighted that the work plan was modified due to the disruptions caused by the COVID-19 pandemic, which led to some audits being rescheduled. The OIO had to modify its work programme for 2020, as some of the audits planned for the year had to be postponed to later years.

- 10.4 The OIO informed the ABAF of the key initiatives that it undertook in 2020, including: the OIO Strategic Master Plan for 2020 – 2024, a SWOT¹ exercise to support the Strategic Master Plan, an update to the risk assessment process for the OIO annual work plan, and an advanced training course on risk management. In addition, the OIO had conducted regular follow-up activities on the status of the implementation of the OIO’s recommendations, which was a standing agenda item at Management Board meetings. In collaboration with the Information Services Branch (ISB), the OIO had also deployed software tools to help monitor and support the follow-up of audit recommendations and increase the OIO’s operational efficiency.
- 10.5 The OIO provided an update on the status of the implementation of its audit recommendations as at 31 December 2020. The overall implementation rate stood at 63%, and the percentage of the implementation of high-priority recommendations had increased from 40% in 2018 to 67% in 2020. The OIO provided an update on the pending recommendations by year, from 2015 to 2020, and informed the ABAF of the OIO’s initiatives to improve the implementation rate and continuous oversight. Training had been provided for tools such as Audit Tracker and Audilytics, the OPCW Central Analytical Database, on-site databases, and management requirements. The implementation rate of recommendations was hindered by COVID-19 operational challenges—which have since been overcome—as well as delays in the implementation of the new ERP system, resource dependencies, and some management-level vacancies in 2020. All recommendations included in audit reports issued in 2020 were accepted by management.
- 10.6 The OIO provided independent advice at the request of management on improvements in internal control, risk management, and governance. Advisory services were provided on revisions of many Administrative Directives, as well as improvements in internal controls, risk management (with a special focus on fraud risk), the confidentiality policy, crisis management concerning the COVID-19 pandemic, and IT governance, in addition to a number of other areas.
- 10.7 In presenting the OIO’s review of KPIs, it was highlighted that the work plan had been modified due to the disruptions caused by the COVID-19 pandemic, which had led to some audits being rescheduled. All recommendations included in audit reports issued in 2020 had been accepted by senior management.
- 10.8 The ABAF expressed appreciation to the OIO for the good progress with its implementation of new tools and its comprehensive review of all outstanding audit recommendations. The Board also expressed the hope that more recommendations relating to the ERP system would be closed soon after the OIO’s review.

11. OPCW Statement of Internal Control: update

- 11.1 The Secretariat presented an update on the OPCW Statement of Internal Control. The ABAF expressed its satisfaction with the significant progress that had been made by the Secretariat with the internal control mechanism.

¹ Analysis of strengths, weaknesses, opportunities, and threats.

- 11.2 In terms of recent progress, the ABAF noted with approval the decision from the Management Board to elevate the chairmanship of the Risk Management Committee (RMC) to the level of the Deputy Director-General and to ascribe to the RMC responsibility for the management of the Statement of Internal Control framework. In addition, the ABAF noted the following: the risk management training provided to senior management, the review of top risks to be submitted to the Management Board, the organisational risk register review by the programmes coordinated by the RMC, the assessment and management of risks, and the development of a revised draft Administrative Directive on risk management that is currently in progress.
- 11.3 The ABAF noted the internal control self-assessment questionnaire timeline, including the responses and response rates of the latest survey based on a red/amber/green rating, reflecting an overall positive statement of control. In addition, the ABAF noted the inclusion of COVID-19-related items in the questionnaire.
- 11.4 The Secretariat mentioned that the Statement of Internal Control framework would continue to be improved, focusing in particular on improving the internal control self-assessment questionnaire, and integrating further risk management, internal control and budget processes, and delegation of authority.
- 11.5 The ABAF expressed the view that the Secretariat had come a long way and had implemented important improvements in this area.

12. Progress on transitioning to a biennial Programme and Budget for 2022 and 2023

- 12.1 The Secretariat gave a presentation on its progress on the transition to a biennial Programme and Budget, including a status update regarding the first biennial Programme and Budget for 2022 and 2023.
- 12.2 With regard to the forthcoming Programme and Budget for 2022 and 2023, the ABAF noted the Secretariat's reporting that comprehensive guidelines had been provided to programme managers, including strategic guidance from the Director-General, an overview of the context, key considerations, technical guidance, and an indicative timetable.
- 12.3 The ABAF recalled its previous advice on this matter, and noted that the policy-making organs had given the necessary approvals at all stages of the transition to biennial budgeting. The ABAF recognised the potential benefits for the OPCW of having a biennial budget, and reiterated the importance of continuous review and the refinement of business processes. The ABAF will revert back to this matter in due time.

13. Tenure policy update

- 13.1 The Secretariat provided an update on the status of the tenure policy.
- 13.2 The ABAF noted that no inspectors had been rehired by the Secretariat in 2020, and that at the end of the year, six rehired inspectors continued to serve within the Secretariat (within the 20% ceiling imposed by decision C-24/DEC.10, dated 28 November 2019).

- 13.3 The ABAF noted that in the context of ongoing facilitations under the Council, States Parties are currently reviewing possible options for providing some operational flexibility to the Secretariat in relation to the tenure policy, while remaining consistent with the non-career nature of the OPCW. The Secretariat had specifically requested the consideration of some tenure policy elements currently permitted at analogue organisations, namely the authority to extend a very limited number of staff subject to tenure by one year at a time, to a maximum of three years, and the authority to rehire tenured staff after a minimum three-year break in OPCW service. The Secretariat further clarified that should these proposals be authorised by the Conference, it was envisioned that the extension of the narrower, already existing rehiring provision—for inspectors only—would not be necessary.
- 13.4 The ABAF enquired as to whether any assessment of the financial impact of the turnover rate had been considered, and the extent to which the turnover rate could affect operating costs. The Secretariat noted that the analysis carried out had indicated that the limited flexibilities envisioned would not be expected to generate significant direct cost savings, but they would mitigate the potential negative operational impact of tenure on vital projects and expertise at crucial junctures on a very limited basis. The ABAF raised a question related to possible rehiring flexibilities and the relevance of the mandatory retirement age of 65 years. The Secretariat confirmed that under the existing administrative framework, candidates for any fixed-term post could only be considered for appointment if they would be able to serve two years at the OPCW prior to reaching the mandatory retirement age.

14. Enterprise resource planning project update

- 14.1 The ABAF reviewed the Director-General's Report on the Status of Implementation of the ERP system (EC-96/DG.11, dated 18 February 2021) and noted that the core System of Record solution had gone live on 4 January 2021 and had transitioned to stabilisation activities under application managed services.
- 14.2 The ABAF took note of the Secretariat's update, according to which the current special project team would complete its work by the end of July 2021, and that the last remaining components of the ERP, consisting of asset management and travel management modules, were planned to be delivered by the ISB in the second half of 2021, following an upgrade of the UBW software to the latest version, Milestone 7, which would support the delivery of the remaining components.
- 14.3 Acknowledging the challenges and difficulties presented by this complex project, the ABAF commended the Secretariat for bringing into live service the core components of the new system. In light of the status of implementation of the system, the ABAF decided that it no longer needed to consider this matter as a separate standalone item on future session agendas.

15. Update on the OPCW Centre for Chemistry and Technology project

- 15.1 The ABAF was provided with a comprehensive presentation on the project to upgrade the OPCW Laboratory and Equipment Store to ChemTech Centre. A Note by the Secretariat entitled "Progress in the Project to Upgrade the OPCW Laboratory and Equipment Store to a Centre for Chemistry and Technology" (S/1956/2021, dated 17 May 2021) was also circulated to the ABAF. The ABAF welcomed both the briefing and the Note by the Secretariat.

- 15.2 The Secretariat informed the ABAF that several milestones had been achieved since the issuance of the previous report in November 2020, and that the irrevocable permit for construction of the ChemTech Centre had been granted in February 2021.
- 15.3 The ABAF was informed that in March 2021, the project funding target of EUR 33.5 million had been reached and that the current funding level now stood at EUR 33.6 million. In April 2021, the main construction contract had been signed, marking the end of the project's design phase and the start of the construction phase.
- 15.4 The Secretariat explained that the cost of the main construction contract was higher than originally anticipated, but that this was affordable within available resources, and the project remained on budget. The outcome of the main construction tender substantially reduced the project's risk level. Construction was on schedule, to begin as planned in June 2021, and to be completed by the end of 2022. The ABAF took note of the modest projected increase in costs of maintenance for installations and equipment for the ChemTech Centre compared to the existing facility, and noted that this was mainly due to the larger size of the ChemTech Centre compared to the laboratory facility at Rijswijk, but also in part due to the increased complexity of its installations.
- 15.5 The Secretariat informed the ABAF that it continued to closely monitor the potential impact of the COVID-19 pandemic on the project. To date, the pandemic had not had a material impact on the project. Furthermore, the Secretariat would continue with its efforts to assess and mitigate, to the extent possible, the existing and potential impact of the pandemic on the project and would keep States Parties informed.
- 15.6 The ABAF was informed that the Secretariat was planning a groundbreaking ceremony in September, if conditions allowed, and that the details would be developed considering the potential impact of the COVID-19 pandemic. The Secretariat would keep States Parties updated on the details.
- 15.7 Regarding communication and outreach activities, the Secretariat would continue to provide States Parties with briefings and written reports to keep them informed of the status of the project.
- 15.8 In the coming months, the Secretariat would work with the main construction company and other consultants to prepare for the start of construction. The Secretariat would also continue its work on the tenders for the security and laboratory furnishing contracts.
- 15.9 The Secretariat would also continue its public communication and outreach activities related to the project, including regular updates to the ChemTech Centre webpage.
- 15.10 The ABAF noted that although the budget had been re-balanced, it had maintained the total overall bottom line, and the funding situation was now satisfactory. Although there was a revised project timeline, the project was still anticipated to be completed on time. The ABAF congratulated the Secretariat and the project staff on the progress that had been achieved.

16. Update on the appointment of a new External Auditor for the OPCW

16.1 The ABAF noted that at its Twenty-Fifth Session, the Conference had appointed the Comptroller and Auditor General of India as the External Auditor of the OPCW, for the financial years 2021 to 2023 (C-25/DEC.10, dated 21 April 2021).

16.2 The ABAF further noted that the Conference had requested the Council to establish a working group to develop a proposal for the manner in which the Conference would appoint the External Auditor of the OPCW in the future. The ABAF noted in particular that this working group had the ability to call on the ABAF for advice. The Conference had requested the Council to report to the Conference at its Twenty-Sixth Session on the results of its working group. The ABAF confirmed that it is at the disposal of the future working group to provide advice on the future selection process for the External Auditor. The ABAF also noted that the current External Auditor transition process was under way. The ABAF welcomed the Comptroller and Auditor General of India as the next External Auditor of the OPCW, and looked forward to working constructively with them in the future.

17. Election of the Vice-Chairperson of the ABAF

At this session, the ABAF membership re-elected Mr Milan Kerber as Vice-Chairperson.

18. Any other business

The ABAF noted with thanks and appreciation the Secretariat's work to facilitate and support its Fiftieth Session.

19. Next session and agenda

The ABAF adopted the following provisional agenda for its Fifty-First Session, which will be held from 27 to 30 July 2021:

1. Opening of the session
2. Adoption of the agenda
3. Review of the report of the previous session
4. Review of the status of previous ABAF recommendations
5. Introductory matters
 - (a) ABAF membership nominations and changes
 - (b) Financial updates: cash position, status of collection of assessed contributions and reimbursements, Working Capital Fund recommendations for write-offs (if any)
6. Status of 2021 financial performance (first half of 2021)
7. Update on long-standing trust fund and reserve balances

8. External Auditor briefing: the 2020 External Audit Report
9. Draft biennial Programme and Budget for 2022 and 2023
10. Progress in results-based management
11. Progress in programme support cost methodology
12. Tenure policy update
13. Update on the OPCW Centre for Chemistry and Technology
14. Election of the Chairperson of the ABAF
15. Any other business
16. Next session and agenda
17. Adoption of the report

20. Adoption of the report

The ABAF adopted the report of its Fiftieth Session by correspondence on 7 June 2021.

Annex: List of Information Papers and Other Documents Presented to the Advisory Body on Administrative and Financial Matters at its Fiftieth Session

Annex

**LIST OF INFORMATION PAPERS AND OTHER DOCUMENTS PRESENTED
TO THE ADVISORY BODY ON ADMINISTRATIVE AND FINANCIAL MATTERS
AT ITS FIFTIETH SESSION**

Title	
1.	Agenda of the Fiftieth Session of the Advisory Body on Administrative and Financial Matters
2.	Introductory Remarks from the Deputy Director-General of the OPCW
3.	Report of the Forty-Ninth Session of the Advisory Body on Administrative and Financial Matters (ABAF-49/1, dated 31 July 2020)
4.	Note by the Director-General: Comments on the Report of the Advisory Body on Administrative and Financial Matters at its Forty-Ninth Session (EC-95/DG.24, dated 1 October 2020)
5.	Note by the Technical Secretariat: Nomination for Membership of the Advisory Body on Administrative and Financial Matters (EC-94/S/6, dated 15 June 2020)
6.	Note by the Technical Secretariat: Nomination for Membership of the Advisory Body on Administrative and Financial Matters (EC-95/S/1, dated 17 August 2020)
7.	Note by the Technical Secretariat: Nomination for Membership of the Advisory Body on Administrative and Financial Matters (EC-95/S/3, dated 16 September 2020)
8.	Note by the Technical Secretariat: Nomination for Membership of the Advisory Body on Administrative and Financial Matters (EC-95/S/4, dated 16 September 2020)
9.	Note by the Technical Secretariat: Nomination for Membership of the Advisory Body on Administrative and Financial Matters (EC-95/S/7, dated 6 October 2020)
10.	Note by the Technical Secretariat: Nomination for Membership of the Advisory Body on Administrative and Financial Matters (EC-96/S/2, dated 8 February 2021)
11.	Note by the Technical Secretariat: Nomination for Membership of the Advisory Body on Administrative and Financial Matters (EC-96/S/3, dated 8 February 2021)
12.	Note by the Technical Secretariat: Nomination for Membership of the Advisory Body on Administrative and Financial Matters (EC-96/S/6, dated 3 March 2021)
13.	Report of the Ninety-Fifth Session of the Executive Council (EC-95/4, dated 9 October 2020)
14.	Report of the Ninety-Sixth Session of the Executive Council (EC-96/2, dated 12 March 2021)
15.	Report by the Director-General: OPCW Income and Expenditure for the Period 1 January to 31 December 2020 (Fourth Quarter of the Financial Year Ending 31 December 2020) (S/1948/2021, dated 13 April 2021)
16.	Report by the Director-General: OPCW Income and Expenditure for the Period 1 January to 31 March 2021 (First Quarter of the Financial Year Ending 31 December 2021) (S/1960/2021, dated 27 May 2021)
17.	Note by the Director-General: Monthly Financial Situation Report as at 30 April 2021 (S/1959/2021, dated 27 May 2021)
18.	Presentation: OPCW Cash Position and Forecast as at 31 May 2021
19.	Presentation: OPCW 2021 Financial Performance—Budget Overview as at 30 April 2021 (first quarter plus April)
20.	Presentation: Transfers of Funds During 2020

21.	Note by the Technical Secretariat: Programme Performance for the Year 2020 (S/1961/2021, dated 27 May 2021)
22.	Report of the Director-General on the Financial Statements of the OPCW for the year Ending 31 December 2020 (included in the published final version of the OPCW Financial Statements)
23.	Financial Statements (OPCW and OPCW Provident Fund) of the Organisation for the Prohibition of Chemical Weapons and Report of the External Auditor for the Year Ending 31 December 2020 (includes the status of External Auditor recommendations from prior years)
24.	External Auditor Audit Completion Report on the 2020 OPCW Financial Statement Audit
25.	Note by the Technical Secretariat: Report on the Status of Implementation of the Recommendations of the External Auditor (EC-96/S/1, dated 28 January 2021)
26.	Presentation: Review of Death Benefit Liability Recognition in OPCW Financial Statements
27.	Note by the Director-General: Implementation in 2020 of the Recommendations Contained in the 2019 Annual Report of the Office of Internal Oversight (EC-97/DG.4, dated 14 May 2021)
28.	Note by the Director General: Annual Report of the Office of Internal Oversight for the Period from 1 January to 31 December 2020 (EC-97/DG.6 C-26/DG.2, dated 17 May 2021)
29.	Presentation: Office of the Internal Oversight Audit Plan
30.	Note by the Director-General: Report on the Status of Implementation of the Enterprise Resource Planning System (EC-96/DG.11, dated 18 February 2021)
31.	Presentation: Status of Implementation of the Enterprise Resource Planning System
32.	Presentation: Update – Transition to a Biennial Programme and Budget
33.	Presentation: OPCW Tenure Policy – Status of Implementation
34.	Note by the Technical Secretariat: Progress in the Project to Upgrade the OPCW Laboratory and Equipment Store to a Centre for Chemistry and Technology (S/1956/2021, dated 17 May 2021)
35.	Presentation: Upgrade the OPCW Laboratory and Equipment Store to a Centre for Chemistry and Technology
36.	Decision: Appointment of the External Auditor of the OPCW (C-25/DEC.10, dated 21 April 2021)