



NOTE BY THE DIRECTOR-GENERAL

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

1. At its Thirty-Fourth Session, the Executive Council (hereinafter “the Council”) requested that the Director-General, when submitting reports of the Advisory Body on Administrative and Financial Matters (ABAF) to the Council for its consideration, indicate what actions the Technical Secretariat (hereinafter “the Secretariat”) has taken in response to the recommendations of the ABAF, and what decisions are required by the Council on the report being submitted (paragraph 21.4 of EC-34/5, dated 26 September 2003).
2. The Director-General welcomes the continuing advice and support provided by the ABAF, as reflected in the conclusions it reached during its Fiftieth Session (ABAF-50/1, dated 4 June 2021).

Adoption of the agenda (paragraph 2.2 of ABAF-50/1)

3. The Secretariat notes that the following four agenda items were deferred to the ABAF’s Fifty-First Session, which is scheduled for July 2021:
 - (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.
4. The Secretariat reaffirms its readiness to support the work of the ABAF in the form of providing meeting documentation and making arrangements to help facilitate these discussions.

Review of the report of the previous session (paragraph 3 of ABAF-50/1)

5. The Secretariat notes that the ABAF had no comments on its previous report and notes further that follow-up areas had been included on the agenda of its Fiftieth Session.



Cash position, status of collection of assessed contributions and reimbursements, Working Capital Fund (paragraphs 4.2 to 4.9 of ABAF-50/1)

6. The Secretariat acknowledges the ABAF's observation of Financial Regulation 5.4, which stipulates that States Parties have a responsibility to pay their assessed contributions in full within 30 days of being notified by the Secretariat, or on the first day of the financial period to which the assessment relates, whichever is later.
7. The Secretariat notes the ABAF's reiteration of its serious concern regarding the number of States Parties that were in arrears or facing delayed payment of assessed contributions, and restated its serious concern about the strategic impact that the cumulative outstanding balance of late assessed contributions and reimbursement of inspections invoiced under Articles IV and V is having on the Secretariat. The Secretariat notes that it continues to issue periodic formal reminders to States Parties with outstanding balances owed to the Organisation. The most recent batch of these reminders was issued in May of this year.

Status of the 2021 financial performance report (paragraphs 5.1 to 5.3 of ABAF-50/1)

8. The Secretariat was pleased to note that the ABAF commended the ratio between operational programmes and support programmes costs.

2020 budget transfers (paragraphs 6.1 to 6.3 of ABAF-50/1)

9. The Secretariat was pleased to note that the ABAF welcomed the presentation, which confirmed that all transfers were within the requirements of the Financial Regulations and Rules and, as a result, no transfers were made between chapters. All other transfers were conducted within the allowable parameters of transfers between programmes and subprogrammes. The Secretariat also notes the ABAF's observation that all transfers took place without any detriment to the approved activities of the respective programmes.
10. 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 ICSC-mandated staff cost increases that take place during the budget implementation cycle or late in the budget planning process can pose challenges, and that such changes were beyond the control of the Organisation. 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 Secretariat noted that the biennial 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.

Programme performance report for 2020 (paragraph 7 ABAF-50/1)

11. The Secretariat is pleased to note the ABAF's review of the programme performance report for the year 2020 (S/1961/2021, dated 27 May 2021).

Financial Statements of the OPCW and the report of the External Auditor for the year ending 31 December 2020 (paragraphs 8.1 to 8.22 of ABAF-50/1)

12. The Secretariat notes the ABAF's appreciation of the presentation by the External Auditor of the OPCW, the National Audit Office of the United Kingdom of Great Britain and Northern Ireland (hereinafter "the External Auditor") on the 2020 Financial Statements, as well as the External Auditor's offer to brief the next ABAF session on the long-form report, which is expected to be completed in the near future.
13. Furthermore, the Secretariat acknowledges that 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.
14. On the issue of audit adjustments, the ABAF sought clarification on the reported difference between the views of the Secretariat and the External Auditor on the designation of the employee 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.
15. The Secretariat notes the ABAF's advice to devote additional attention to the External Auditor's findings—specifically with regard to accounts payable, where 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. The Secretariat shall proceed accordingly.
16. The Secretariat notes that 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 Secretariat acknowledges that 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. The Secretariat stands ready to actively support this process as and when requested.
17. In response to the ABAF's questions regarding the final cash deficit for 2019, the Secretariat explained that the amount came to EUR 1.2 million, and that the last time such a cash deficit had arisen was in 2014. At that time, States Parties had opted to wait until the next cash surplus to pay down the pending deficit. 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.

18. 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 due to the pandemic, some of the savings were needed to cover increased staff costs due to unbudgeted ICSC-mandates remuneration increases. Also, 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 2020, 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)).
19. 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.
20. The Secretariat is pleased to receive the ABAF's congratulations on the completion of 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 January 2021 ERP go-live.

Review of death benefit liability recognition in OPCW Financial Statements (paragraphs 9.1 to 9.3 of ABAF-50/1)

21. On the issue of death benefit liability recognition in the OPCW's Financial Statements and the related presentation made on a benchmarking exercise among organisations within the United Nations Common System based on their financial statement disclosures, the Secretariat welcomed the fact that the ABAF noted the difference of interpretation on this matter with the External Auditor and that the ABAF was content with the Secretariat's decision to continue to recognise the death benefit liability as a post-employment benefit.

Report of the Office of Internal Oversight for the year ending 31 December 2020 (paragraphs 10.1 to 10.8 of ABAF-50/1)

22. The Secretariat is pleased to acknowledge the ABAF's recognition of the Office of Internal Oversight (OIO) for the positive outcome of the fifth quality assessment of the OPCW's internal audit function in 2020, which was conducted by the Institute of Internal Auditors (IIA) in the Netherlands (IIA Netherlands). It was also pleased to note the ABAF's appreciation of the OIO's progress in executing its annual work programme, implementing new tools, and conducting a comprehensive review of all outstanding audit recommendations.

OPCW Statement of Internal Control: update (paragraphs 11.1 to 11.5 of ABAF-50/1)

23. The Secretariat welcomes the ABAF's positive assessment of the progress that has been made with the Secretariat's internal control mechanisms. The Secretariat reaffirms that the Statement of Internal Control framework will continue to be enhanced in the context of the Risk Management Committee, under the leadership of the Deputy Director-General and in close coordination with senior management.

Progress on transitioning to a biennial Programme and Budget for 2022 and 2023 (paragraphs 12.1 to 12.3 of ABAF-50/1)

24. On the transition to a biennial programme and budget, the Secretariat notes the ABAF's advice on this matter in recent years and looks forward to the ABAF's review of the OPCW's first biennial Draft Programme and Budget for 2022 and 2023, which is to be presented at the ABAF's Fifty-First Session.

Tenure policy update (paragraphs 13.1 to 13.4 of ABAF-50/1)

25. The Secretariat acknowledges the ABAF's continuing interest in the financial and administrative implications of the OPCW's tenure policy, and looks forward to providing updates to the ABAF at its future sessions.

Enterprise resource planning (ERP) project update (paragraphs 14.1 to 14.3 of ABAF-50/1)

26. The Secretariat notes with appreciation the ABAF's commendation for bringing the core components of the new ERP system into live service, in light of the challenges and difficulties presented by this complex project. The Secretariat notes the ABAF's decision that it no longer needed to consider this matter as a separate standalone item on future session agendas.

Update on the OPCW Centre for Chemistry and Technology project (paragraphs 15.1 to 15.10 of ABAF-50/1)

27. The Secretariat notes with appreciation the ABAF's positive assessment of the progress that has been achieved on the project to upgrade the OPCW Laboratory and Equipment Store to the Centre for Chemistry and Technology. The Secretariat will continue to provide detailed updates to the ABAF on the project's implementation.

Update on the appointment of a new External Auditor for the OPCW (paragraphs 16.1 to 16.2 of ABAF-50/1)

28. The Secretariat notes that the ABAF welcomed the Comptroller and Auditor General of India as the next External Auditor of the OPCW. The Secretariat looks forward to supporting briefings to the ABAF by the next External Auditor in future.

Any other business (paragraph 18 of ABAF-50/1)

29. The Secretariat was pleased to support the work of the ABAF at its Fiftieth Session, and looks forward to supporting the ABAF's upcoming Fifty-First Session.

Next session and agenda (paragraph 19 of ABAF-50/1)

30. The Secretariat notes the ABAF's agreement of the dates of 27 to 30 July 2021 for its Fifty-First Session, as well as the provisional agenda for said session.