



NOTE BY THE DIRECTOR-GENERAL

SUBMISSION OF THE 2021 OPCW FINANCIAL STATEMENTS TO THE EXTERNAL AUDITOR

1. The Financial Regulations and Rules of the OPCW govern the preparation of the OPCW Financial Statements and their submission to the External Auditor. In line with Financial Regulations 11.1 and 11.2, the Director-General shall submit annually Financial Statements for the financial period to which they relate as submitted for, and subject to, examination by the External Auditor.
2. In accordance with Financial Rule 11.1.02, “[t]he financial statements shall, after approval by the Director-General, be submitted to the External Auditor not later than three months following the end of the financial year, together with such statements as may be required”. The application of this Rule to the Financial Statements for 2021 would imply that they be submitted to the External Auditor no later than 31 March 2022.
3. In the report of the External Auditor on the 2017 Financial Statements (Annex 3 to EC-89/DG.3 C-23/DG.4, dated 7 August 2018), the External Auditor noted that there can be significant burdens on finance staff following the implementation of a new enterprise resource planning (ERP) system and that the Organisation “should consider the operational impact of the final go-live date and, if necessary, approach States Parties to agree a one-off amendment to the normal timeline for accounts submission at an early point”.
4. In the report of the External Auditor on the 2018 Financial Statements (Annex 3 to EC-92/DG.2 C-24/DG.5, dated 13 August 2019), the External Auditor noted that there could continue to be significant burdens on finance staff following the implementation of a new ERP system and that the Organisation “should consider the cost and benefits of a final quarter implementation in September 2019, and the extent to which this timeline will provide adequate time for testing, training and to reinforce the cultural changes to enable the ERP launch to be a success”.
5. In the report of the External Auditor on the 2019 Financial Statements (Annex 3 to EC-95/DG.3 C-25/DG.4, dated 17 August 2020), the External Auditor noted that “the Organisation should consider the practical implications and cost benefits of a mid-year/final quarter implementation, and the extent to which this timeline will provide adequate time for testing, training and to reinforce the cultural changes to enable the ERP launch to be a success”.



6. In the report of the External Auditor on the 2020 Financial Statements (Annex 3 to EC-98/DG.7 C-26/DG.6, dated 30 August 2021), the External Auditor noted that “over 2021 and 2022 the budget and finance function will undergo further change as a result of significant staff turnover as a result of tenure policies. This will create reporting pressures, especially since there are also likely to be further developments and iteration of the ERP systems which will create demands on the finance process owners; a change in external auditor; and the ongoing financial pressures”.
7. In the report of the Advisory Body on Administrative and Financial Matters (ABAF) at its Fifty-First Session (ABAF-51/1, dated 30 July 2021), the ABAF noted the exceptional request by the Technical Secretariat (hereinafter “the Secretariat”) for an extension of the submission date for the 2021 Financial Statements to the External Auditor:

considering that 2021 would be the first year for which the OPCW would be preparing the Financial Statements using the new ERP system, in addition to having a change in key staff members in the unit responsible for the preparation of the Financial Statements as well as transitioning to the Organisation’s new External Auditor. Consequently, the Secretariat believed it would be prudent at this point to anticipate that there could be delays in the finalisation and issuance of the Financial Statements, although the Secretariat would endeavour to meet the requirement to submit the Financial Statements to the External Auditor by 31 March.
8. In ABAF-51/1, the ABAF also indicated its agreement with the exceptional request, which would be submitted for approval to the Executive Council (hereinafter “the Council”) and to the Conference of the States Parties at their Ninety-Eighth and Twenty-Sixth Sessions, respectively.
9. In consideration of the above factors, the Director-General hereby requests the suspension, on an exceptional basis, of the application of Financial Rule 11.1.02 in respect of the submission of the 2021 Financial Statements to the External Auditor, to allow additional time to prepare the 2021 Financial Statements.
10. The Director-General also wishes to inform the Council that, should this proposal be accepted, the Secretariat will publish the 2021 Financial Statements document at a later date, for the consideration of the Council at its 101st Session.