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REPORT BY THE DIRECTOR-GENERAL

**FINANCIAL STATEMENTS OF THE ORGANISATION FOR THE PROHIBITION
OF CHEMICAL WEAPONS AND REPORT OF THE EXTERNAL AUDITOR FOR
THE YEAR ENDING 31 DECEMBER 2022**



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page 2

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TABLE OF CONTENTS¹

		Page
Annex 1	Financial Statements of the Organisation for the Prohibition of Chemical Weapons for the Year Ended 31 December 2022	4 – 98
Annex 2	Financial Statements of the Provident Fund of the Organisation for the Prohibition of Chemical Weapons for the Year Ended 31 December 2022	99 – 116
Annex 3	Independent Auditor’s Report to the Organisation for the Prohibition of Chemical Weapons 2022	117 – 166
Annex 4	Response of the Director-General to the Report of the External Auditor on the Financial Statements of the Organisation for the Prohibition of Chemical Weapons for the Year Ended 31 December 2022	167
Annex 5	Response of the Chairperson of the Provident Fund Management Board to the Report of the External Auditor on the Financial Statements of the Provident Fund of the Organisation for the Prohibition of Chemical Weapons for the Year Ended 31 December 2022	168

¹ The Financial Statements and the report of the External Auditor are copies of the original audited sets.

Annex 1



**ORGANISATION FOR THE PROHIBITION
OF CHEMICAL WEAPONS**

**FINANCIAL STATEMENTS
OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS
FOR THE YEAR ENDED 31 DECEMBER 2022**

**FINANCIAL STATEMENTS
OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS
FOR THE YEAR ENDED 31 DECEMBER 2022**

Statement by the Director-General

1. Financial Regulation 11.1 of the OPCW stipulates that the Director-General is responsible for submitting annually financial statements prepared in accordance with the International Public Sector Accounting Standards (IPSAS) for the financial period to which they relate. The Regulation further states that the Financial Statements and the notes to the Financial Statements, including significant accounting policies, shall include all funds, where such funds include, amongst other things, the Regular Budget Fund, the Working Capital Fund, and the Voluntary Fund for Assistance. The account(s) shall provide comparative figures for the financial period prior to that being reported on.
2. We believe that the Financial Statements for the year ended 31 December 2022 are presented fairly according to the requirements of IPSAS and the OPCW's Financial Regulations and Rules (reference OPCW-S/DGB/30, dated 31 January 2023).
3. Any other specific directions of the OPCW's policy-making organs, as well as additional information prescribed in Financial Regulations 11.1(a) to (e), are presented within the Appendix to the Financial Statements. The additional information in the Appendix is not part of the IPSAS compliant financial statements.
4. It is also our opinion that the Financial Statements present a view which is consistent with our understanding of the OPCW's financial position as at 31 December 2022, results of its operations, changes in net assets, and cash flows for the year then ended.
5. This statement of the Director-General is made pursuant to Financial Regulation 11.1(a).

[Signed]

Fernando Arias
Director-General

15 May 2023

[Signed]

Christopher Buck
Director, Administration
Principal Financial Officer

STATEMENT OF INTERNAL CONTROL FOR 2022

1. Scope of responsibility

As Director-General of the Organisation for the Prohibition of Chemical Weapons (OPCW), in accordance with the responsibility assigned to me and, in particular, Article 10 of the Financial Regulations, I am accountable for maintaining a sound system of internal control to “establish detailed financial rules and procedures to ensure: effective financial administration; the exercise of economy; the efficient use of resources; and the proper custody of the OPCW’s physical assets”.

2. Purpose of the system of internal control

Internal control is designed to reduce and manage rather than eliminate the risk of failure to achieve the Organisation’s aims, objectives, and related policies. Therefore, it can only provide a reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify the principal risks, evaluate the nature and extent of those risks, and manage them efficiently, effectively, and economically.

Internal control is a process effected by the policy-making organs, the Director-General, senior management, and other personnel, and designed to provide reasonable assurance on the achievement of the following internal control objectives:

- (a) effectiveness and efficiency of operations and the safeguarding of assets;
- (b) reliability of financial reporting; and
- (c) compliance with applicable rules and regulations.

Thus, on an operational level, the OPCW’s internal control system is not solely a policy or procedure that is performed at certain points in time but, rather, operated continually at all levels within the Organisation through internal control processes to ensure the objectives above.

My current statement on the OPCW’s internal control processes, as described above, applies for the year ended 31 December 2022, and up to the date of authorisation for issue of the Organisation’s 2022 Financial Statements.

3. Risk management and control framework

The Organisation’s risk management programme includes:

- (a) the identification of risks classified according to relevance, impact, and probability of occurrence, and are recorded in the risk register accordingly; and
- (b) a Risk Management Committee whose mandate is to review and monitor an integrated risk management framework, strengthen risk management capacities and a risk management culture, and regularly re-evaluate risks and the Organisation’s tolerance levels in light of the evolving environment.

In addition, the internal control system framework is designed to ensure that the Organisation's objectives are achieved efficiently and will continue to evolve and be strengthened over time. The policy framework for internal control is comprised of policies, procedures, and processes underpinned by appropriate ethical values. It includes, but is not limited to, current and comprehensive regulations, rules, and directives for the management and control of administrative processes such as financial management, contracting, travel, and human resources.

Furthermore, my senior team and I are committed to a continuous improvement programme to further strengthen the system of internal control across the Organisation.

3.1 Review of effectiveness

My review of the effectiveness of the system of internal control is mainly informed by:

- (a) my senior managers, in particular the division and office directors, who play important roles and are accountable for expected results, performance, and for controlling their respective division and office activities and the resources entrusted to them. The information channels rely mainly on periodic meetings held by the Management Board. For the year ended 31 December 2022, significant risk and internal control matters outlined below, together with appropriate mitigations, have been identified through a formal self-assessment process conducted twice during 2022, and confirmed by my Division and Office Directors' personal written attestations at the end of the financial year. The results are used to inform the governance frameworks in the Organisation as well as to inform in-year operational decisions;
- (b) the Office of Internal Oversight (OIO), on whose reports of internal audits and evaluations I rely. These reports are also provided to the individual division or office for strengthening the internal control, risk management, and governance processes. During 2022, the OIO has conducted audits and evaluations to assess the adequacy and effectiveness of internal controls in several high-risk areas and has made recommendations to further strengthen the system of internal controls, risk management, and governance. These high-risk areas were identified through a comprehensive risk assessment exercise carried out by the OIO so as to focus the audit effort on the areas that matter most to the Organisation. During 2022, the OIO conducted internal and confidentiality audits and evaluations on: the use of credit cards; control self-assessment for the statement of internal control (advisory); spot check of payments made to vendors, the enterprise resource planning (ERP) system – hire-to-separate cycle; recruitment and promotion of inspectors; and evaluation of gender and diversity in the Inspectorate, International Cooperation and Assistance, and Verification Divisions. In the reports on audits and evaluations issued in 2022, the OIO issued 28 recommendations. Of these, 11 were classified as "high" priority recommendations and the remaining 17 as "medium" priority. A brief summary of the key audit recommendations issued in 2022, and the impact of those issued and implemented will be provided in the annual report of the OIO for 2022 to the Conference of the States Parties (hereinafter "the Conference"). These have

contributed significantly to strengthening the system of internal control in the Organisation. Management accepted all the audit recommendations, and is taking action to implement them;

- (c) the Advisory Body on Administrative and Financial Matters whose purpose is to advise the Executive Council (hereinafter “the Council”) on administrative and financial issues;
- (d) the recommendations of the Risk Management Committee which provided updates of its work to the Management Board in March, June, and November 2022. The focus of the Risk Management Committee’s work will continue to be placed on the sustainability of the risk management process, and the evolving roles of key internal stakeholders within this, such as the OIO, the Risk Management Committee, and the Management Board. Its activities included: reviewing the risk register revised by risk owners; reviewing top risks to be submitted to the Management Board for its consideration; reviewing the summary of the internal control self-assessment questionnaire; reviewing the questionnaire questions to simplify and make them user-friendly while focusing on the questionnaire’s core objective; and work towards the further enhancement and integration of the various risk and control tools available in the Organisation into risk determination; and
- (e) the recommendations of the External Auditor, whose comments and audit opinion are submitted to the Council and the Conference.

3.2 Significant risk and internal control matters

The following significant risks and internal control issues are reported for 2022, as informed through the above-mentioned channels:

3.2.1 Global risks and challenges

The Organisation was significantly impacted by very high, unforeseeable price inflation with the Netherlands Consumer Price Index (CPI) rising by 10.0% in 2022. As will be further detailed below, many costs rose in line with inflation whereas some, such as utilities costs and travel, substantially exceeded this average increase. Salary costs, as promulgated by the International Civil Service Commission (ICSC), increased significantly beyond the level anticipated in the biennium budget 2022–2023. These extraordinary inflation increases were partially addressed in the context of the mid-biennium 2023 budget update and will be a significant factor in the biennium 2024–2025 budget formulation.

COVID-19 restrictions eased during the year, allowing the Organisation to resume more routine operational travel, though travel costs were substantially higher than pre-COVID-19 levels. The OPCW has developed robust flexible working and business continuity frameworks which will allow continued operations should the pandemic return.

3.2.2 Protection of classified and sensitive information and information systems

In 2022, the cybersecurity threat, related to the protection of classified and sensitive information and to the integrity and availability of the OPCW's information and systems, remained high as the cybersecurity landscape continued to evolve. The Office of Confidentiality and Security (OCS) continued to monitor and investigate attempted breaches and established a security operations centre to further enhance capabilities. OCS also implemented effective procedural measures and invested in the most appropriate technical solutions.

3.2.3 Implementation of the enterprise resource planning system

In 2022, the Organisation moved further into the stabilisation phase of its new core ERP system, and implementation of the remaining modules (travel and assets management) is commencing in 2023, following a planned upgrade to the latest version of the ERP software in order to gain additional functionalities.

3.2.4 Construction of the Centre for Chemistry and Technology (ChemTech Centre)

The ChemTech Centre is the largest capital investment ever undertaken by the OPCW, thereby presenting important risk management and control requirements. Through a robust process of Senior Management oversight, including the active engagement of the ChemTech Centre Project Board and a Project Team supported by expert consultancies to provide quality assurance over vendor delivery, the ChemTech Centre construction project has remained within budget and major construction works completed by the end of 2022 as scheduled, despite the current global inflation and challenges with materials supply chains. Following the conclusion of the construction phase, the overall risk assessment of the project was substantially reduced.

3.2.5 Non-payment of contributions by States Parties

In recent years, the Organisation has experienced significant financial issues due to the non-payment or delayed payment of assessed contributions and reimbursements of Article IV and Article V invoices by some States Parties. Remedial action, including recapitalisation of the Working Capital Fund and active budget management, took place between 2016 and 2022 to address this issue and improve the financial position as at 31 December 2022. The failure of some States Parties to pay their contributions, however, remains a significant risk to the Organisation, and as such the Organisation continues to closely monitor and actively address the cash situation, apprising States Parties of the financial position and outstanding contributions on a monthly basis. The Organisation also continues to maintain a budgetary contingency margin to mitigate the risk of delayed cash flow issues.

3.2.6 Budgetary impact of unforeseen costs

In 2022, significant costs arose following preparation of the 2022–2023 Programme and Budget. Although an inflationary provision in staff costs of 1.3% was included in the 2022 budget, unforeseeable additional extraordinary inflation affected both

non-staff and staff costs. Such unbudgeted costs included substantial increases in utilities and travel costs, as well as a significant increase in salary costs due to obligatory in-year changes in salary scales mandated by the ICSC, including retroactive application, as required by the OPCW Financial Regulations and Rules. Such variables are outside of the control of the Organisation and have continued to place an increased burden on the OPCW's regular budget. Overall programme and budget management measures, including the withholding of the contingency margin and the retention of savings generated by vacancies, were used to ensure that the Organisation remained within budget and adhered to budgetary transfer rules. The Revised Programme and Budget of the OPCW for 2023 includes a provision for dealing with non-staff costs to mitigate the significant inflation. However, additional staff cost inflation in 2023 will be addressed through the preservation of contingency margins against non-staff costs, budget savings on vacant staff positions, and the utilisation of the 2022 carry-over balance. The Programme and Budget of the OPCW for 2024–2025 will include budgetary adjustments for staff cost inflation to mitigate the impact of United Nations salary scale adjustments.

- 3.2.7 After the OPCW Headquarters intrusion on 3 December 2021, OCS completed a comprehensive security risk assessment early in 2022. The security risk assessment outlines all the required security measures to increase security at OPCW Headquarters, to lower the risks to an acceptable level, and to meet the United Nations minimum standards. The security risk assessment's conclusions and recommendations fully align with those of the assessment that was conducted by the Host Country's security services later in 2022.

Throughout 2022, OCS continued its engagement with the Host Country's security services to seek concrete support for the Headquarters' perimeter security. In the course of 2022, through reprioritisation of existing funds, some physical security systems were upgraded, and new secure garage gates were installed. The procurement and construction preparations for the upgrade of the security critical areas were finalised in 2022, with the installations expected to be completed in the first half of 2023. The procurement process for the establishment of a secure compartment in the Headquarters reception area was initiated in 2022, progressing to the tendering stage by the end of the year. Throughout 2022, OCS continued to optimise internal response to possible intrusion attempts and general security-related incidents by an ongoing review of OPCW physical security policies and procedures, and by training for its security staff.

To implement all recommended security measures related to the Headquarters' perimeter, including the replacement of the perimeter fence, replacement of the security gates, and replacement of the Front Guard House, EUR 5.7 million of additional funds is still required.

3.2.8 Business continuity planning

In 2022, a two-year consultancy was concluded that resulted in the appointment of Divisional/Branch Business Continuity Representatives who were trained and are coordinating their respective divisional level business impact analyses and business continuity plans. Significant progress in increasing the Organisation's resilience was

made by embedding business continuity into routine practices and by the implementation of a business continuity management system. A new business continuity policy, drafted by OCS, was promulgated and OCS facilitated the related strategic business continuity plan and business impact analysis. A designated business continuity tool, in support of planning, documentation, and storage, was purchased and is being implemented.

3.2.9 Risk management

Three virtual trainings on risk management for staff of the Technical Secretariat (hereinafter “the Secretariat”) were organised by the OIO in 2022. These included one advanced training on risk management for directors, branch heads, risk owners, and other staff that support risk management activities, attended by 73 participants, and two trainings with two sessions each on the new administrative directive on the risk management framework (AD/ADM/33/Rev.1, dated 29 December 2021), in which 57 staff members participated, including directors/branch heads. Therefore in the past two years (2021 and 2022), the OIO has provided training on risk management to 260 participants. These trainings helped to raise awareness of the importance of further embedding risk management into the Secretariat’s operations, and to improve the understanding of the risk management framework and methodology.

4. **Conclusion**

Effective internal control, no matter how well-designed, has inherent limitations, including the possibility of circumvention, and therefore, can only provide reasonable assurance. Furthermore, because of changes in conditions, the effectiveness of internal control may vary over time.

I am committed to addressing any weaknesses in internal control noted during the year and brought to my attention. In 2022, amongst other activities, this work included the continued use of an internal control self-assessment questionnaire for programme managers to further embed a more systematic process of risk management, as well as risk management training conducted by the OIO.

Based on the assurances I have received as set out in this statement, I conclude that, to the best of my knowledge and information, there have been no significant material weaknesses across a broad base of both financial and non-financial controls, nor have other significant matters arisen that would have come to my attention for the period that would need to be raised in the present document for the year ended 31 December 2022.

Fernando Arias
Director-General

15 May 2023

TABLE OF CONTENTS

REPORT OF THE DIRECTOR-GENERAL ON THE FINANCIAL STATEMENTS OF THE OPCW FOR THE YEAR ENDED 31 DECEMBER 2022.....	14
STATEMENT I – STATEMENT OF FINANCIAL POSITION.....	38
STATEMENT II – STATEMENT OF FINANCIAL PERFORMANCE	39
STATEMENT III – STATEMENT OF CHANGES IN NET ASSETS.....	40
STATEMENT IV – CASH FLOW STATEMENT	41
STATEMENT V(a) – STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 DECEMBER 2022.....	42
STATEMENT V(b) – STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021.....	43
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS	44
1. REPORTING ENTITY.....	44
2. BASIS OF PREPARATION.....	44
3. SIGNIFICANT ACCOUNTING POLICIES	46
4. MATERIALITY, CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS	53
5. FINANCIAL RISK MANAGEMENT	54
6. PROPERTY, PLANT, AND EQUIPMENT, AND INTANGIBLE ASSETS	57
7. ASSESSED CONTRIBUTIONS RECOVERABLE.....	60
8. ARTICLE IV AND ARTICLE V RECEIVABLES	61
9. VOLUNTARY CONTRIBUTIONS RECOVERABLE	62
10. OTHER ASSETS – CURRENT	63
11. PREPAYMENTS.....	63
12. INVENTORIES	63
13. CASH AND CASH EQUIVALENTS.....	64
14. CONTINGENT ASSETS	64
15. WORKING CAPITAL FUND	64
16. VOLUNTARY FUND FOR ASSISTANCE.....	65
17. CASH SURPLUS	65
18. EMPLOYEE BENEFITS.....	66
19. ACCOUNTS PAYABLE.....	69
20. OTHER NON-CURRENT LIABILITIES.....	69
21. DEFERRED REVENUE	70

22.	OTHER CURRENT LIABILITIES	71
23.	PROVISIONS	71
24.	ASSESSED CONTRIBUTIONS REVENUE	71
25.	VOLUNTARY CONTRIBUTIONS REVENUE.....	72
26.	ARTICLE IV AND ARTICLE V REVENUE	72
27.	OTHER REVENUE.....	72
28.	EMPLOYEE BENEFIT EXPENSES	73
29.	CONSULTANCY AND CONTRACTUAL SERVICES	73
30.	TRAVEL EXPENSES	74
31.	GENERAL OPERATING EXPENSES	74
32.	OTHER OPERATING EXPENSES	74
33.	FINANCE INCOME AND COSTS	75
34.	SERVICES IN KIND	75
35.	CONTINGENT LIABILITIES	76
36.	COMMITMENTS.....	76
37.	RELATED PARTY TRANSACTIONS.....	76
38.	KEY MANAGEMENT REMUNERATION	77
39.	SEGMENT INFORMATION.....	77
40.	BUDGETARY INFORMATION	82
41.	EVENTS AFTER THE REPORTING PERIOD.....	83

APPENDIX:	ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS	
	(UNAUDITED)	84

**REPORT OF THE DIRECTOR-GENERAL
ON THE FINANCIAL STATEMENTS OF THE OPCW
FOR THE YEAR ENDED 31 DECEMBER 2022**

Introduction

1. I have the honour to present the Financial Statements of the Organisation for the Prohibition of Chemical Weapons (OPCW) for the year ended 31 December 2022.
2. The OPCW is an international organisation which was established by the States Parties to the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction (hereinafter “the Convention”). The Convention entered into force on 29 April 1997, and the OPCW Headquarters is located at Johan de Wittlaan 32, 2517 JR, The Hague, the Netherlands.
3. The mission of the OPCW is to achieve the object and purpose of the Convention, to ensure the implementation of its provisions, including those for international verification, and to provide a forum for consultation and cooperation among States Parties.
4. The continued existence of the OPCW is dependent on States Parties and their continuing annual appropriations and financial contributions. The comprehensive Financial Statements prepared under the International Public Sector Accounting Standards (IPSAS) are a key enabler in allowing the Organisation to deliver its mandate efficiently.

Analysis of Financial Statements

5. The OPCW Financial Statements are general purpose financial statements providing information about the financial position, performance, and cash flows of the Organisation to a wide spectrum of users for decision making, consideration in future planning, and to demonstrate the accountability of the OPCW for the resources entrusted to it.
6. The Financial Statements of the Organisation have been prepared on the accrual basis in accordance with IPSAS. The Organisation’s significant accounting policies within the context of IPSAS are detailed in the Financial Statements. The budget, as well as the budgetary basis information contained in the Financial Statements, continue to be prepared on a modified cash basis. Therefore, there are differences in the accounting bases used for the recognition of revenue, expenses, assets, and liabilities in the budget and the IPSAS Financial Statements for 2022, including timing differences. The Organisation’s functional currency is the euro. Unless otherwise stated, all financial information in this analysis is quoted on an IPSAS accounting basis.
7. During 2022, the Organisation continued to focus on the effective implementation of the Convention and the efficiency of processes supporting such implementation.
8. Detailed information on the financial year 2022 can be found within the Financial Statements and accompanying disclosure notes. Within this context, the following analysis provides the reader of the Financial Statements with some of the key highlights of the financial year 2022.

Global risks and challenges

9. The COVID-19 pandemic continued to affect certain OPCW activities in 2022. While the Technical Secretariat (hereinafter “the Secretariat”) made every effort to effectively implement the Programme and Budget for 2022 throughout the year, continuing COVID-19 pandemic restrictions inevitably impacted some programmatic activities, particularly those relying heavily on official travel for execution, as international travel continued to face some restrictions in 2022.
10. The financial context of the Organisation has also remained subject to other major global risks in 2022 and beyond, principally the impact on international security, energy supplies, travel, and supply chains of the war in Ukraine, which has continued against a backdrop of already historically high inflation affecting goods and services required by the Secretariat to conduct its routine operations. The impact of the resulting high inflation on cost-of-living indices caused the International Civil Service Commission, which sets the salary levels of the United Nations and related agencies including the OPCW, to increase salaries and allowances for employees in the Netherlands substantially more than anticipated in the biennium Programme and Budget for 2022 and the revised Programme and Budget for 2023.
11. The pandemic had caused a tightening of the interest rate environment in the Eurozone in 2021 and early 2022, resulting in a decline in fixed income interest. However, later in 2022, central banks moved to increase interest rates in an attempt to offset high inflation. Despite some concerns over the capacity of some banks to accommodate declining asset values given lower bond yields, all of the financial institutions with which the Organisation operates have maintained a Moody’s Investors Service Global short-term rating of P-1 indicating their continued strength. The Secretariat continues to closely monitor a variety of indices on the creditworthiness of the Organisation’s financial institutions.
12. Financial highlights of importance are presented below:
 - (a) The regular budget (General Fund) recorded an implementation rate of 97.0% for 2022, as compared to 91.7% in the prior year. The higher budget implementation partly reflects the increasing normalisation of programmatic activities following the COVID-19 pandemic, particularly those relying heavily on official travel for their execution. However, the impact of unprecedented inflation was the most significant component of the increased implementation rate, with both staff costs and non-staff costs rising far beyond those foreseeable when the Programme and Budget for 2022–2023 was approved.
 - (b) The level of assessed contributions for 2022 increased to EUR 68.4 million (2021: EUR 67.1 million) as per the Programme and Budget for 2022. The OPCW Programme and Budget (excluding extraordinary provisions) increased by 1.5% in 2022 compared to the prior year for Chapter 1 and Chapter 2 programmes.² Including extraordinary provisions in 2021, there was a decrease of 1.8% in 2022 compared to the prior year.

² The total approved OPCW Programme and Budget for 2021 was EUR 71.7 million, including an appropriation of EUR 2.3 million for extraordinary provisions (C-25/DEC.7, dated 1 December 2020).

- (c) Trust funds experienced a net decrease in revenue from voluntary contributions of EUR 7.1 million compared to 2021. Whereas the most significant contributions in 2021 were towards the Centre for Chemistry and Technology (ChemTech Centre), those recognised as revenue in 2022 include mainly contributions towards the Trust Fund for Syria Missions, the Trust fund for EU Council decision 2019, and the Trust fund for the implementation of Article X, totalling EUR 4.4 million, EUR 2.2 million, and EUR 2.1 million, respectively.
- (d) Overall expenses³ inclusive of the General Fund, trust funds, and special funds, increased by EUR 11.9 million, to EUR 83.1 million, in 2022. Employee benefit expenses increased by EUR 3.7 million, primarily due to inflation increases in the post-adjustment multiplier, an increase in the accrual for home leave and an increase in common staff costs in 2022. This increase was accompanied by an increase in travel expenses (+ EUR 5.5 million) and consultancy and contractual services (+ EUR 2.3 million).
- (e) The net deficit (across all funds) for 2022 was EUR (0.1) million, compared to a net surplus of EUR 18.8 million in the previous year. This EUR 18.9 million decrease in net surplus is largely explained by a 7.1 million decrease in voluntary contributions revenue to EUR 14.0 million and a significant increase in delivery during the year under the General Fund. The decrease in voluntary contributions revenue primarily reflects the decrease in income for the ChemTech Centre project, for which most of the funding was already received in 2021, while significant spending continued during the year as the project approached completion.
- (f) The overall value of cash and cash equivalents across the General Fund, trust funds, and special funds decreased to EUR 47.8 million in 2022, from EUR 58.3 million in 2021, and was comprised primarily of a decrease of EUR 14.6 million in trust fund cash balances and an increase in General Fund cash balances of EUR 9.7 million. The increase in the General Fund cash balance includes a EUR 5.0 million drawdown from the Working Capital Fund (WCF) in Q4 2022.
- (g) A higher collection rate for assessed contributions of 94.6% was experienced during 2022, as compared to a rate of 92.8% in 2021.
- (h) Outstanding total Article IV and Article V net receivables decreased by EUR 0.2 million, to EUR 2.2 million.
- (i) The overall net book value of property, plant, and equipment increased by EUR 17.1 million, which includes mainly construction costs of EUR 17.0 million for the ChemTech Centre capitalised in 2022, and the finalisation of new Headquarters access and control systems of EUR 0.3 million. The increase was partially offset by the annual depreciation of in-use assets (EUR 1.2 million). The net book value of intangible assets decreased by EUR 0.8 million in 2022.

³ Including net finance income and costs.

- (j) The Organisation's total liabilities in 2022 decreased by EUR 4.1 million, mainly due to a reduction in deferred revenue from voluntary contributions of EUR 4.8 million, countered by an increase in accounts payable of EUR 0.9 million and employee benefits liabilities of EUR 0.7 million. The level of the WCF remained consistent with 2021, with no change to the overall approved level.
- (k) The total employee benefit liability increased from EUR 7.8 million in 2021 to EUR 8.5 million in 2022. This was primarily due to an increase in annual leave liabilities by EUR 0.9 million. The liability continues to be unfunded on a long-term basis and addressed on a pay-as-you-go approach as considered and recommended by the Advisory Body on Administrative and Financial Matters at its Forty-Sixth Session.
- (l) The total net assets position increased by EUR 3.7 million, primarily due to a net deficit of EUR 0.1 million reported in 2022, which was offset by the allocation of prior year surplus of EUR 3.3 million and the actuarial gain of EUR 0.3 million. The closing net asset surplus for the General Fund is EUR 7.8 million (net asset surplus of EUR 7.9 million in 2021), mainly attributable to the allocation of the prior year cash surplus to the General Fund of EUR 2.3 million and the 2022 net deficit of EUR 2.8 million. Net assets for trust funds and special funds were EUR 41.8 million, representing resources which will be spent in future years.
- (m) In 2022, a final cash surplus was determined for 2021 in the amount of EUR 5.9 million, an increase from the cash surplus for 2020 reported in 2021 of EUR 4.5 million. Similar to the 2020 cash surplus, the 2021 cash surplus was largely due to COVID-19-related operational constraints generating enforced savings and the collection of prior years' annual contributions paid belatedly in 2022. The treatment of the cash surplus for 2021 will be determined through a decision by the Conference of the States Parties (hereinafter "the Conference") in future reporting periods.

Financial performance

13. A summary of the financial performance by all trust funds and special funds for 2022 is shown in Table 1 below.

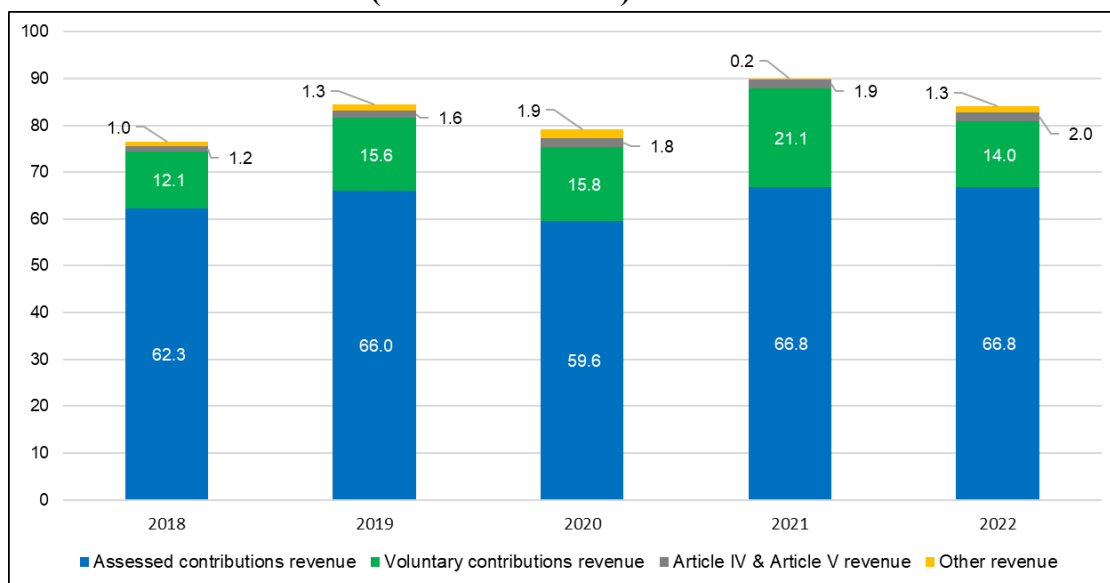
TABLE 1: SUMMARY OF FINANCIAL PERFORMANCE BY ALL TRUST FUNDS AND SPECIAL FUNDS FOR THE YEAR ENDED 31 DECEMBER 2022 (EUR MILLIONS)

	Regular Budget	Trust Funds and Special Funds	Total
Total revenue	69.0	14.0	83.0
Total expenses ⁴	(71.8)	(11.3)	(83.1)
Net surplus/(deficit) for the year	(2.8)	2.7	(0.1)

14. Considering all funds and special funds of the OPCW, the difference between revenue and expenses for 2022 resulted in a net deficit of EUR (0.1) million, compared to a net surplus of EUR 18.8 million in the previous year.

Revenue analysis

FIGURE 1: COMPOSITION OF REVENUE FOR FINANCIAL YEARS 2018 – 2022 (EUR MILLIONS)

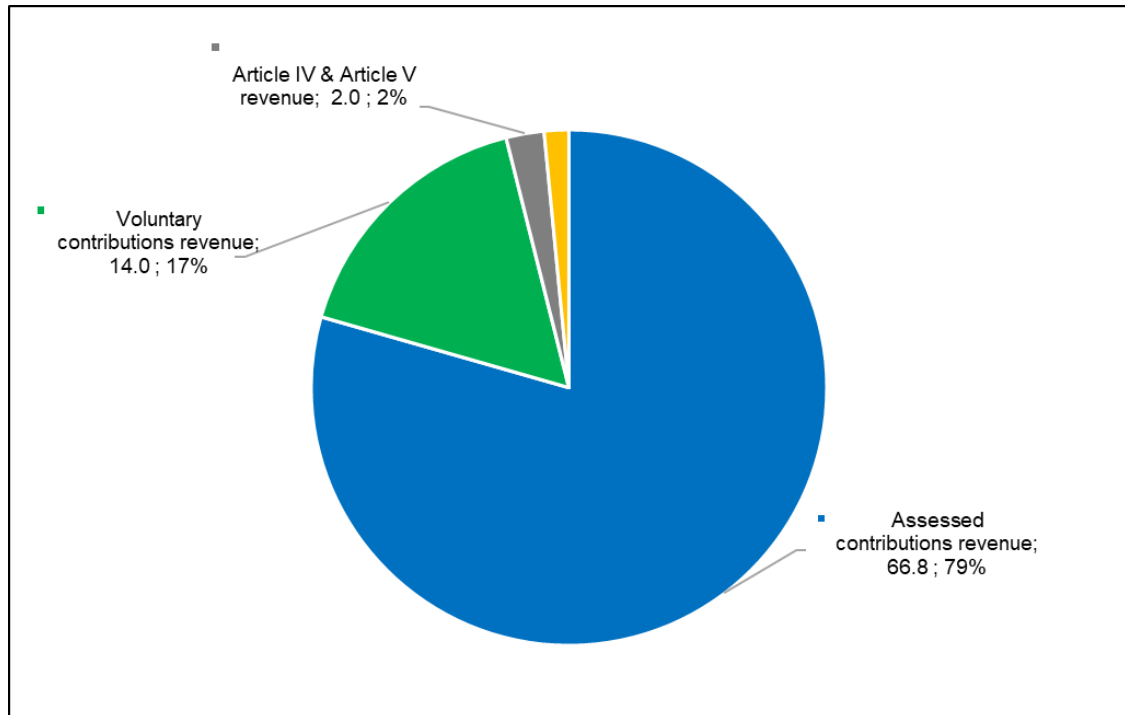


15. Figure 1 above shows the composition of revenue by type over the past five financial years. Having shown a gradual increase between 2018 and 2019, total revenue fell slightly to EUR 79.1 million in 2020, due to a decrease in assessed contributions revenue recognised on an IPSAS basis, and then rose significantly in 2021 before falling back down in 2022, due to a decrease in trust fund contributions. Gross assessed contributions as per the OPCW Programme and Budget increased by 5% between 2021 and 2022. Voluntary contributions revenue reduced by 34% to EUR 14.0 million in 2022 from EUR 21.1 million in 2021, and Article IV and Article V revenue increased by 5% from 2021 levels.

⁴ Including net finance income and costs.

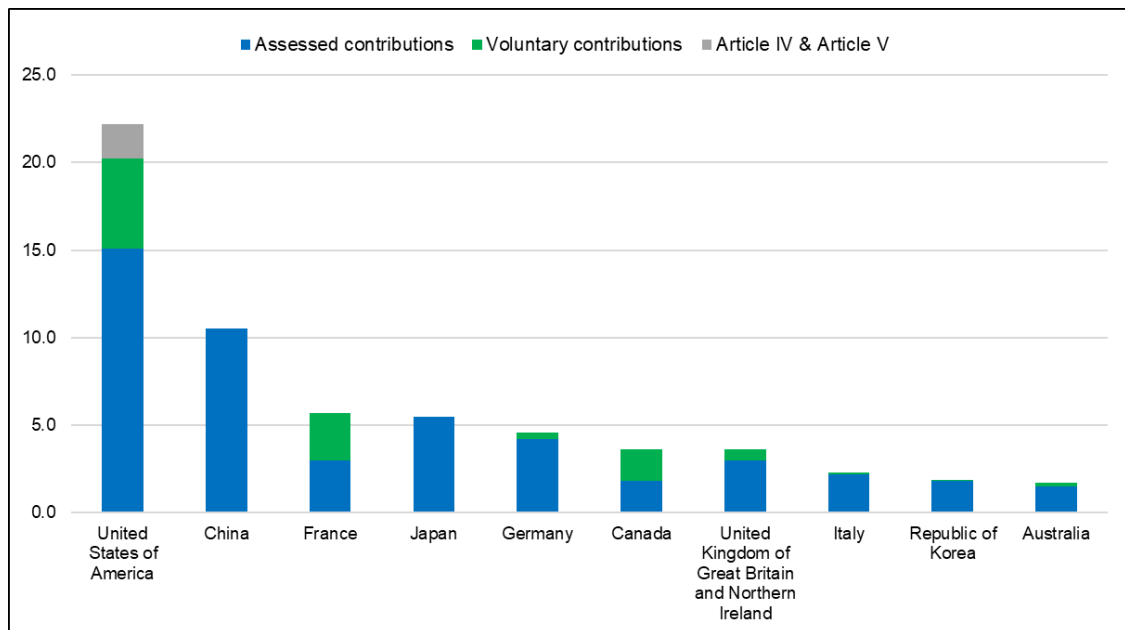
16. Assessed contributions revenue remains the largest revenue stream for the Organisation, forming 79% of total revenue for 2022, with voluntary contributions accounting for 17% of revenue, as noted in Figure 2 below.

FIGURE 2: COMPOSITION OF REVENUE FOR 2022 (EUR MILLIONS)



17. The top 10 contributors to the OPCW accounted for a combined total of EUR 61.6 million of total revenue in 2022, as indicated in Figure 3 below, a decrease of EUR 2.2 million when compared with 2021.

FIGURE 3: TOP 10 CONTRIBUTORS TO OPCW REVENUE IN 2022, COMBINING ASSESSED CONTRIBUTIONS, VOLUNTARY CONTRIBUTIONS, AND ARTICLE IV AND ARTICLE V REVENUE (EUR MILLIONS)⁵



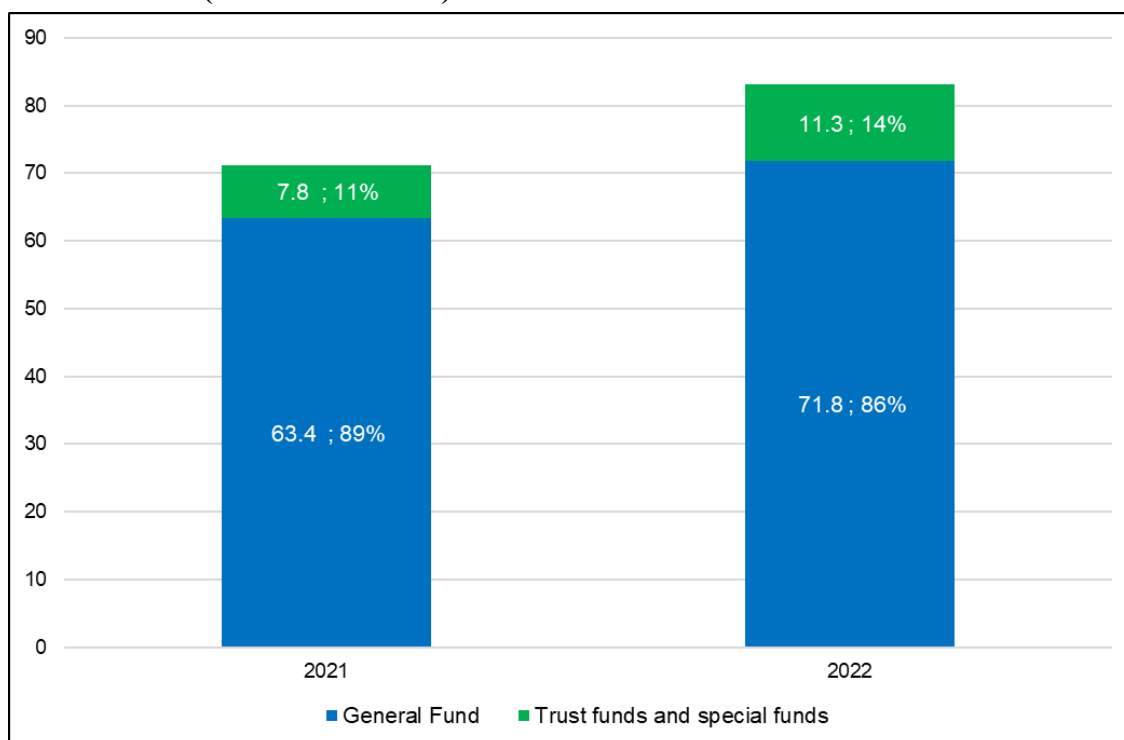
18. Article IV and Article V revenue increased slightly by EUR 0.1 million (5%) to EUR 2.0 million in 2022 (2021: EUR 1.9 million), and includes amounts accrued but not yet invoiced.
19. Other revenue increased by EUR 1.1 million to EUR 1.3 million in 2022, compared to EUR 0.2 million in 2021.

⁵ Including net finance income and costs.
 Figures included for assessed contributions and Article IV and Article V revenue represent amounts invoiced to States Parties, while not all amounts have been received in 2022. Voluntary contributions figures represent the cash received in 2022.

Expense analysis

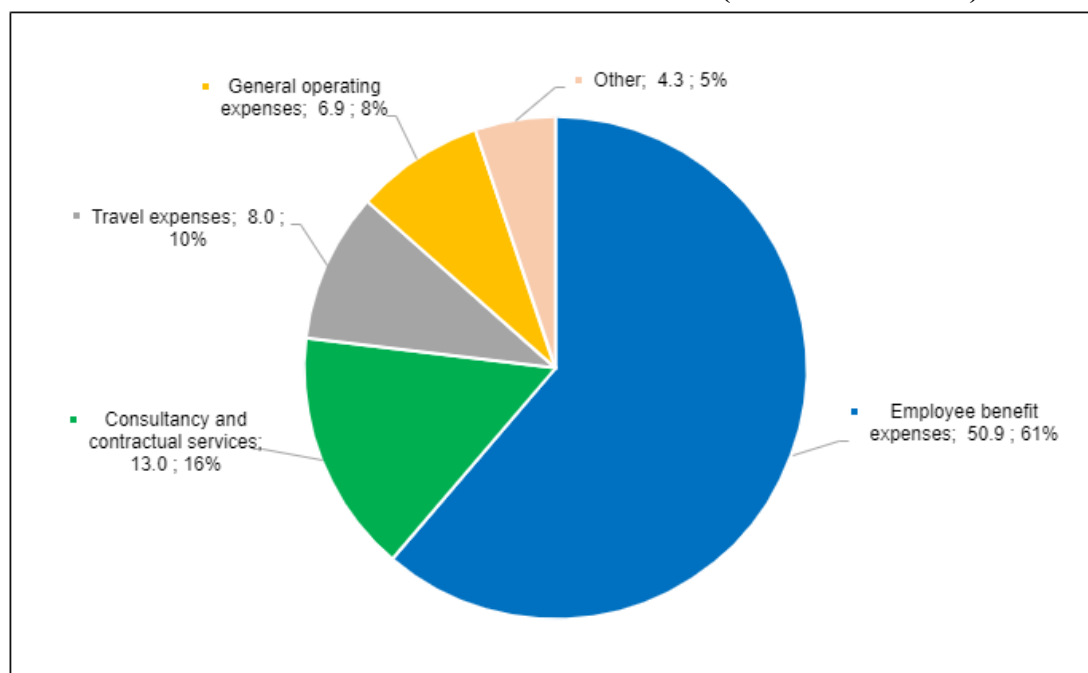
20. Figure 4 below shows a comparison of expenses between 2021 and 2022.

FIGURE 4: EXPENSE ANALYSIS BY FUNDING SOURCE FOR 2021 AND 2022 (EUR MILLIONS)



21. In 2022, total expenses (including net finance income and costs) were EUR 83.1 million, denoting an increase of EUR 11.9 million (16.7%) compared to the previous year. While there was a decrease in general and other operating expenses of EUR 0.4 million, this was offset by an increase in all remaining expense categories, including increases in travel and consultancy and contractual services expenses of EUR 5.5 million and EUR 2.3 million, respectively, in addition to an increase of EUR 3.7 million in employee benefits.
22. The proportion of activities funded by General Fund resources remained comparable to 2021, at around 86%, and the General Fund expenses increased by EUR 8.3 million, to EUR 71.8 million, in 2022. Trust funds and special funds expenses increased from EUR 7.8 million in 2021 to EUR 11.3 million in 2022.
23. Employee benefit expenses (including salaries) represent the largest cost category in 2022 at EUR 50.9 million (61%), followed by consultancy and contractual services (EUR 13.0 million, 16%), and travel expenses (EUR 8.0 million, 10%). Figure 5 below shows the breakdown of 2022 expenses by nature for all funds.

FIGURE 5: EXPENSE ANALYSIS FOR THE PERIOD ENDED 31 DECEMBER 2022 – ALL FUNDS (EUR MILLIONS)



24. Table 2 below shows that total expenses in 2022 increased significantly compared to 2021, such that an increase in expenses was observed in four out of the five categories of expenditure.

TABLE 2: COMPARATIVE EXPENSE ANALYSIS FOR 2021 AND 2022 (EUR MILLIONS)

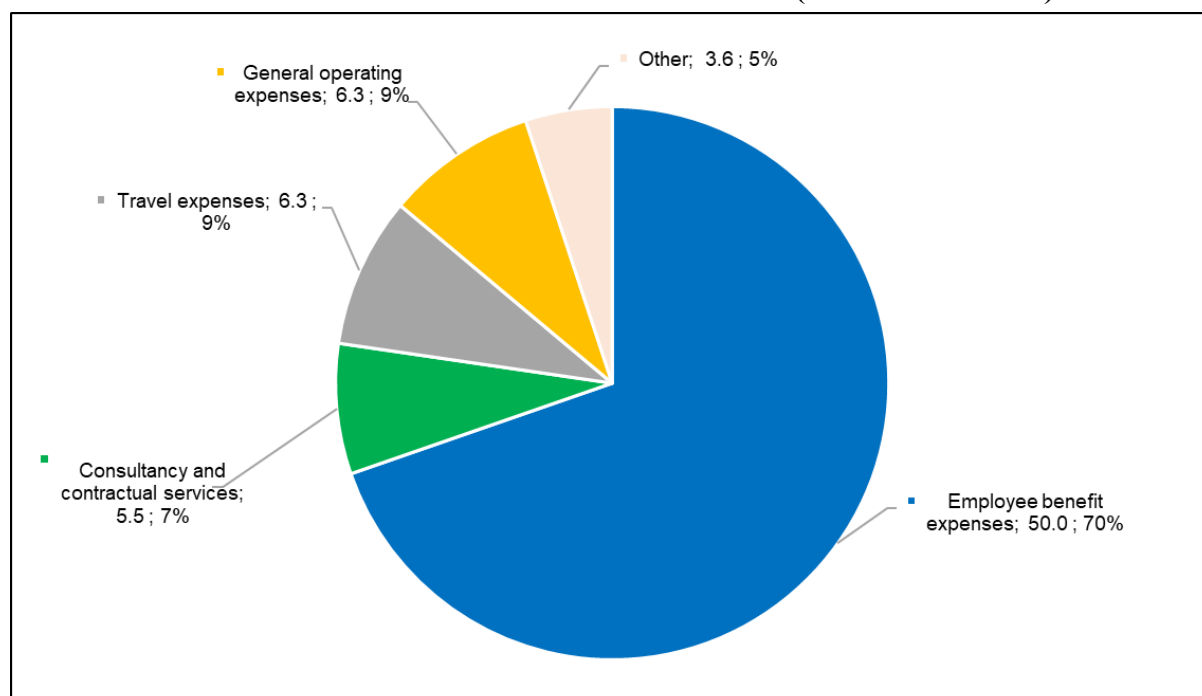
	2022	2021	Difference	Change (%)
Employee benefits	50.9	47.2	3.7	7.8%
Consultancy and contractual services	13.0	10.7	2.3	21.5%
Travel expenses	8.0	2.5	5.5	220%
General operating expenses	6.9	7.3	(0.4)	(5.5%)
Other expenses ⁶	4.3	3.5	0.7	22.9%
Total expenses	83.1	71.2	11.8	16.7%

25. Salaries and employee benefits include the accrued costs of post-employment and other long-term employee benefits which better account for the true cost of employing staff on an annual basis. The increase of 7.8% in 2022 compared to the prior year relates primarily to an increase in the short-term employee benefit expenses, which includes salaries and post-adjustment expenses and common staff costs.

⁶ Including other operating expenses, depreciation, impairment and amortisation, and net finance income and costs.

26. Travel expenses increased substantially by EUR 5.5 million, to EUR 8.0 million, in 2022, which is comparable to the pre-pandemic level (2019: EUR 8.3 million). However, increases in travel prices were the principal component of the increase whilst the volume of activity was still relatively lower than pre-pandemic levels due to some continuing restrictions on international travel. The most significant element (51%) of travel expenses in 2022 was for official travel—non-staff (EUR 4.1 million).
27. General operating expenses was the only category to decrease in 2022 compared to 2021, primarily due to lower impairment charges for assessed contributions recoverable in 2022.
28. Expenses relating to consultancy and contractual services increased by 21.5% to EUR13.0 million between 2021 and 2022, owing to the use of short-term contractors to fill staff vacancies.
29. Figure 6 below further shows the analysis of expenses for the General Fund only, highlighting that a lower proportion of consultancy and contractual services is paid from the General Fund. This is partly due to the cost of contractual services work related to various projects that are frequently being funded through trust fund resources. The figure also highlights that the majority (98%) of employee benefit costs are funded through the General Fund.

FIGURE 6: EXPENSE ANALYSIS FOR THE PERIOD ENDED 31 DECEMBER 2022 – GENERAL FUND (EUR MILLIONS)⁷

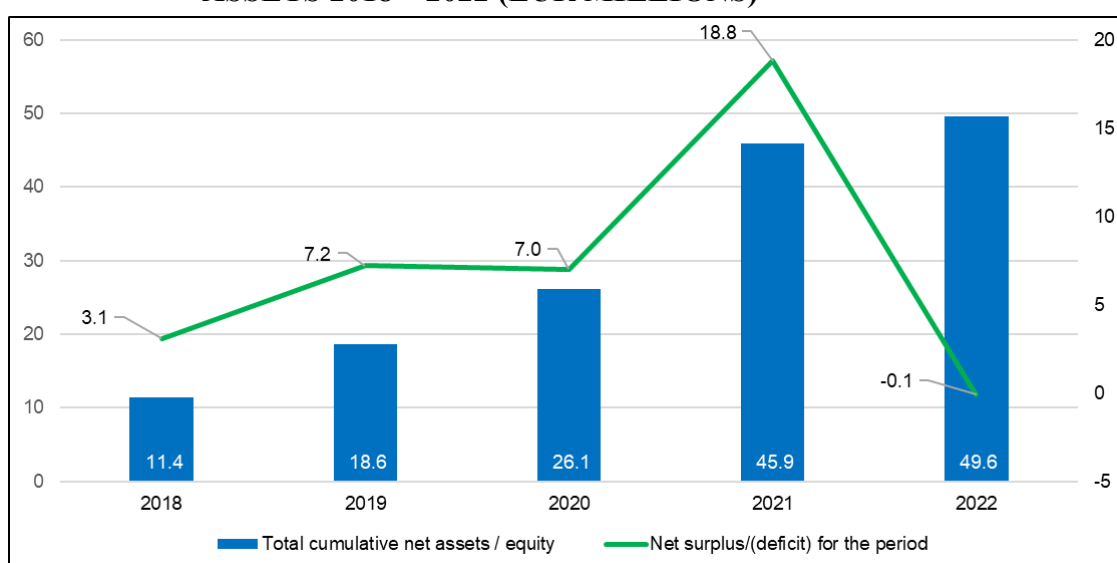


⁷ Expenses reported on an IPSAS basis.

Net surplus/deficit for the year

30. The overall net deficit for 2022 was EUR (0.1) million, a decrease from a net surplus of EUR 18.8 million in 2021. This change is largely explained by lower voluntary contributions revenue recognised of EUR 14.0 million, as well as significant increase in expenditure during the year.
31. Overall net assets increased by 8%, to EUR 49.6 million in 2022, from EUR 45.9 million in 2021, as noted in Figure 7 below.

FIGURE 7: EVOLUTION OF ANNUAL SURPLUS/(DEFICIT) AND NET ASSETS 2018 – 2022 (EUR MILLIONS)



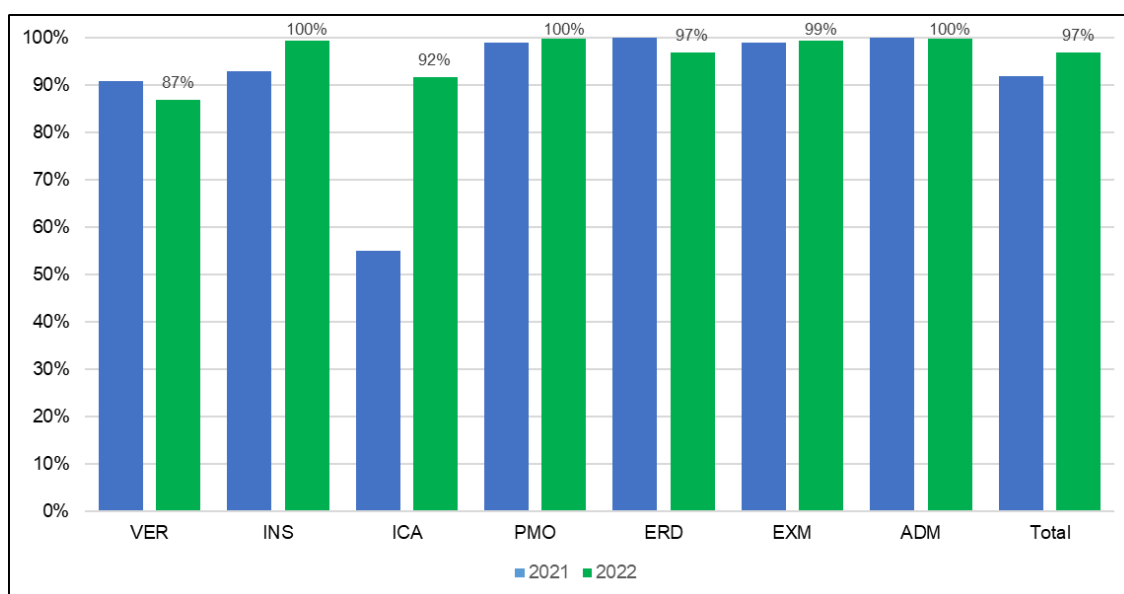
Budgetary performance

32. The regular budget of the Organisation continues to be prepared on a modified cash basis and is presented in the Financial Statements as Statement V(a), Statement of Comparison of Budget and Actual Amounts for 2022. To facilitate a comparison between the Programme and Budget and the Financial Statements that are prepared under IPSAS, reconciliation of the budget to the cash flow statement is included in note 39.8 to the Financial Statements.
33. The regular budget appropriation for 2022 was approved for EUR 70.5 million for Chapter 1 and Chapter 2 programmes⁸ (EUR 69.4 million in 2021). Total operational regular budget expenditures for Chapter 1 and Chapter 2 programmes, measured on a modified cash basis, were EUR 68.3 million. In 2021, these expenditures totalled EUR 63.6 million. The total General Fund budget implementation rate for Chapter 1 and Chapter 2 programmes for 2022 was 97.0%, an increase of 5.3% from 2021 (91.7%).

⁸ Before extraordinary provisions.

34. The Secretariat made every effort to effectively implement the 2022 Programme and Budget throughout the year in the context of increasing normalisation of operations permitted by the attenuation of the COVID-19 pandemic, particularly with regard to those programmatic activities relying heavily on official travel for their execution. Combined with historic levels of price inflation, this increasing operational tempo resulted in a nominal regularisation of the implementation rate for the year, back to the historic OPCW norm.

FIGURE 8: REGULAR BUDGET IMPLEMENTATION BY PROGRAMME IN 2021 AND 2022

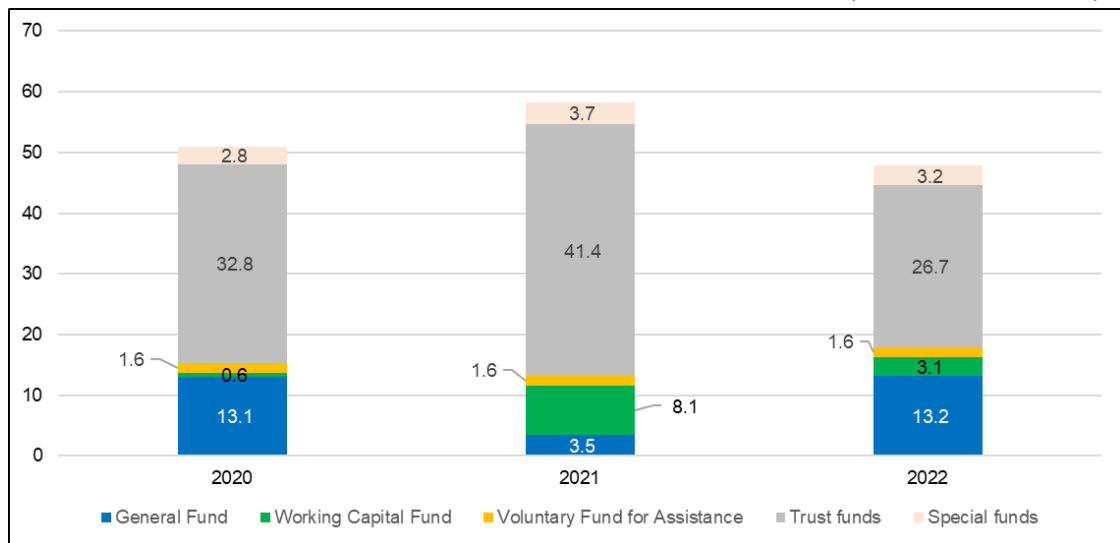


Financial position

Cash, investments, and liquidity analysis

35. In 2022, total cash and cash equivalents decreased by EUR 10.5 million (18%), to EUR 47.8 million, as at 31 December 2022, as noted in Figure 9 below. Cash balances in the General Fund increased by EUR 9.7 million (277%), to EUR 13.2 million, as at 31 December 2022. This increase reflects a EUR 5.0 million drawdown from the WCF in November 2022, coupled with collections of some early 2023 and some late 2022 assessed contributions in December 2022. Cash balances in the trust funds decreased by EUR 14.7 million (-36%) to EUR 26.7 million at the end of 2022 as a result of reduced voluntary contributions received compared to the prior year.

FIGURE 9: COMPOSITION OF CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER 2020, 2021, AND 2022 (EUR MILLIONS)

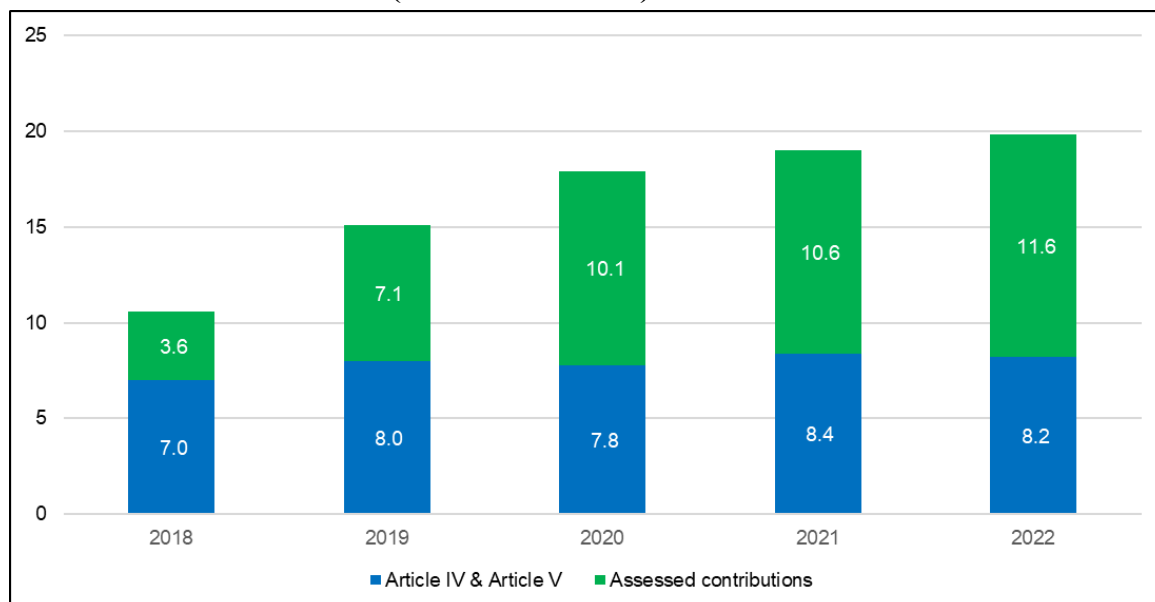


Accounts receivable

36. Overall, the total gross receivables⁹ for assessed contributions and Article IV and Article V reimbursements increased by EUR 0.8 million, to EUR 19.8 million as at 31 December 2022. Receivables for assessed contributions on a gross basis increased by EUR 1.0 million and receivables for Article IV and Article V reimbursements decreased by EUR 0.2 million. As indicated in Figure 10 below, the amount of cumulative outstanding assessed contributions for all periods as at 31 December 2022 (EUR 11.6 million) is at the highest level in the past five years, placing significant cash pressures on the Organisation.

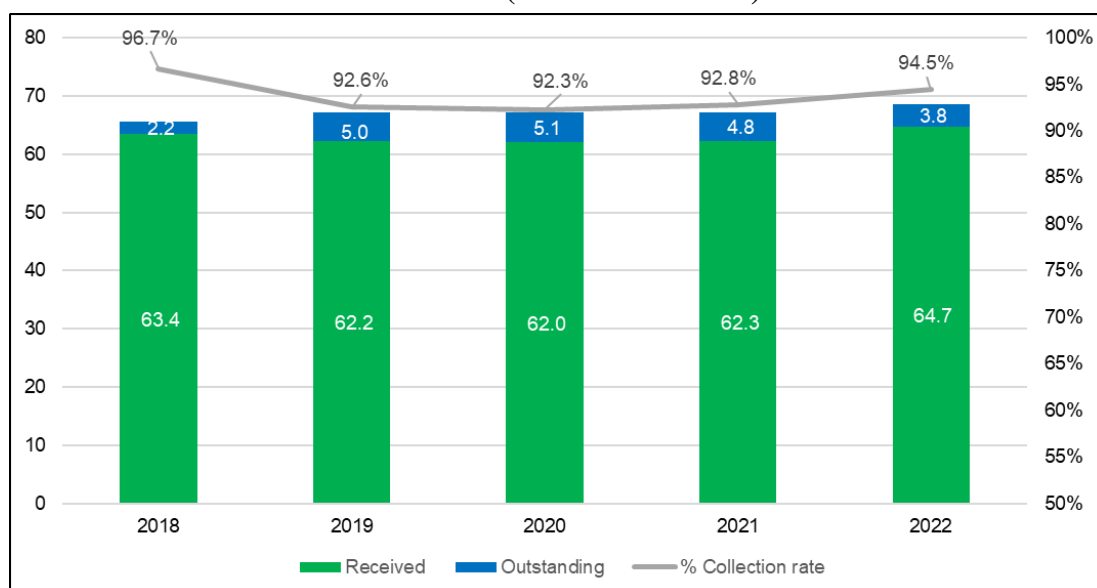
⁹ Receivables are reported net of impairment on the face of the statement of financial position. Gross receivables prior to impairment are reported in notes 7 and 8 to the Financial Statements.

FIGURE 10: OUTSTANDING TOTAL ASSESSED CONTRIBUTIONS AND ARTICLE IV AND ARTICLE V REIMBURSEMENTS 2018 – 2022 (EUR MILLIONS)



37. The collection rate for assessed contributions increased between 2021 and 2022, and it is higher than the previous three years, as represented in Figure 11 below. The figure shows the collection rate for the specific year as at 31 December of the year (i.e., the collection after 12 months).
38. The late payment of assessed contributions to the Organisation continues to present challenges to the General Fund cash flow, and the Secretariat continues to report on outstanding balances to States Parties on a monthly basis, as well as to provide timely reminders to States Parties that have not met their financial obligations to the OPCW.

FIGURE 11: ASSESSED CONTRIBUTIONS BALANCES AND COLLECTION RATES 2018 – 2022 ¹⁰ (EUR MILLIONS)

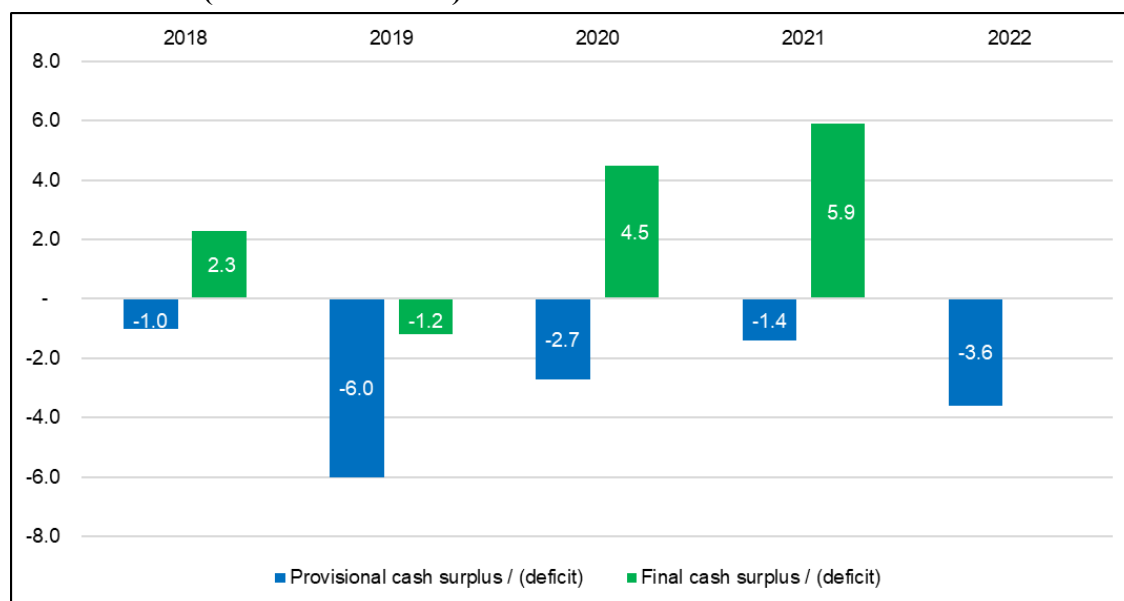


Cash surplus/deficit

39. Figure 12 below highlights the provisional and final cash surplus/deficit for the budgetary years 2018 to 2022. The provisional cash surplus/deficit is determined at the end of the financial year in question, and the final cash surplus/deficit is determined in the following financial year.
40. In 2022, the final cash surplus for 2021 was determined to be EUR 5.9 million, an increase of EUR 1.4 million from the final cash surplus for 2020 (EUR 4.5 million). The increase is mainly due to lower budget implementation and higher collection of prior year assessed contributions received belatedly in 2022. The Conference will be required to decide the manner in which to distribute the 2021 surplus.
41. The final cash surplus for 2022 will be determined in 2023 and reported in the Financial Statements for 2023. The provisional cash deficit for 2022 is EUR (3.6) million; this may result in a final cash deficit for 2022 unless significant 2022 and prior year assessed contributions are received in 2023.

¹⁰ As of 31 December each year.

FIGURE 12: PROVISIONAL AND FINAL CASH SURPLUSES 2018 – 2022 (EUR MILLIONS)

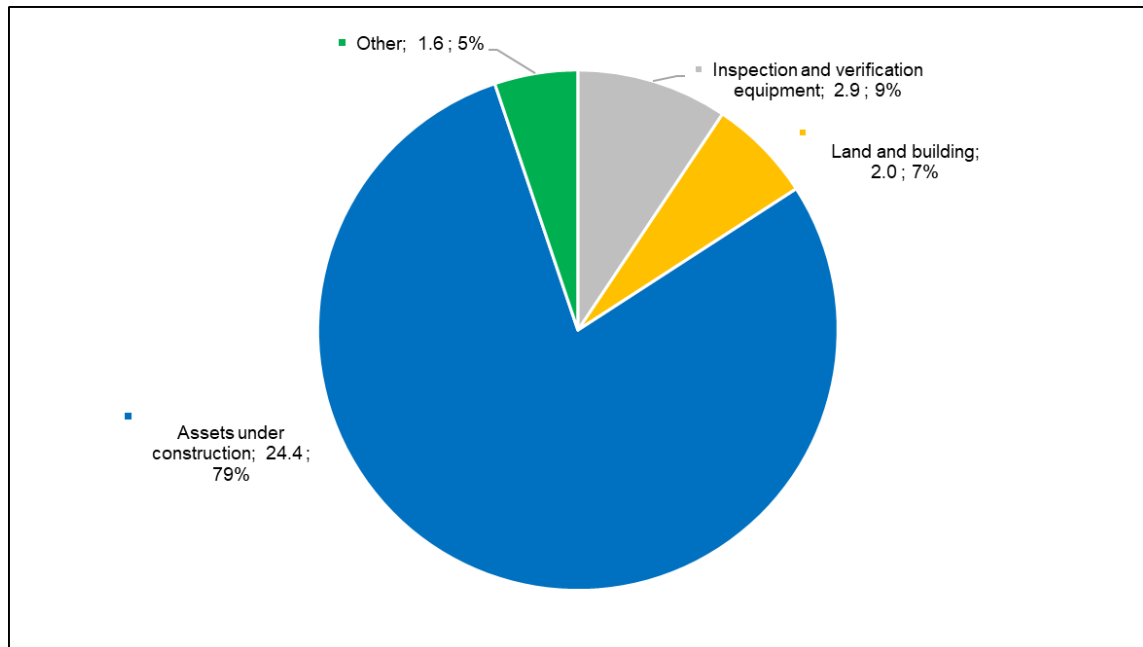


Long-term assets

Property, plant, and equipment

42. The total net book value of property, plant, and equipment increased by EUR 17.1 million in 2022, which relates primarily to the capitalisation of design and construction costs for the ChemTech Centre as an asset under construction (EUR 17.0 million), and the finalisation of new Headquarters access and control systems (EUR 0.3 million), partially offset by the ongoing depreciation charges.
43. As indicated in Figure 13 below, the assets under construction related to the ChemTech Centre account for the largest aggregate component (EUR 24.4 million) of the net book value of property, plant, and equipment. Inspection and verification equipment decreased by EUR 0.2 million, to EUR 2.9 million as at 31 December 2022, due to the depreciation charge outweighing additions in the year.

**FIGURE 13: COMPOSITION OF PROPERTY, PLANT, AND EQUIPMENT
(NET BOOK VALUE AS AT 31 DECEMBER 2022)
(EUR MILLIONS)¹¹**

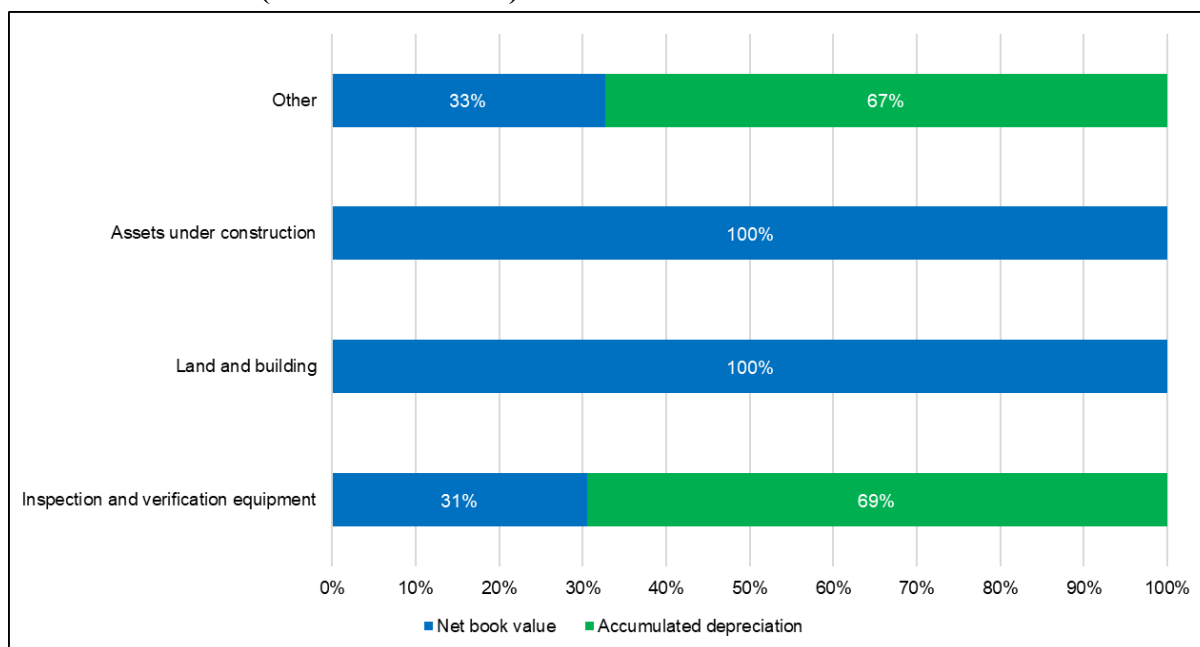


44. Inspection and verification equipment has passed on average 69% of its useful life, reflecting the annual asset replacement programme for significant items of equipment, as noted in Figure 14 below.
45. The net book value of other asset types was lower, indicating that replacements may be required in the near-term. The special fund for major capital investments¹² is intended to address such recurring capital requirements but will require regular and substantial replenishment in order to fulfil this role.
46. Land is assumed to have an infinite useful life, and hence the land and building component in Figure 14 has no accumulated depreciation as at 31 December 2022. Similarly, depreciation for assets under construction starts when the asset is available for use, which will be the case for the ChemTech Centre in 2023.

¹¹ Other assets include hardware equipment, office furniture and equipment, vehicles, and leasehold improvements.

¹² C-24/DEC.12, dated 28 November 2019.

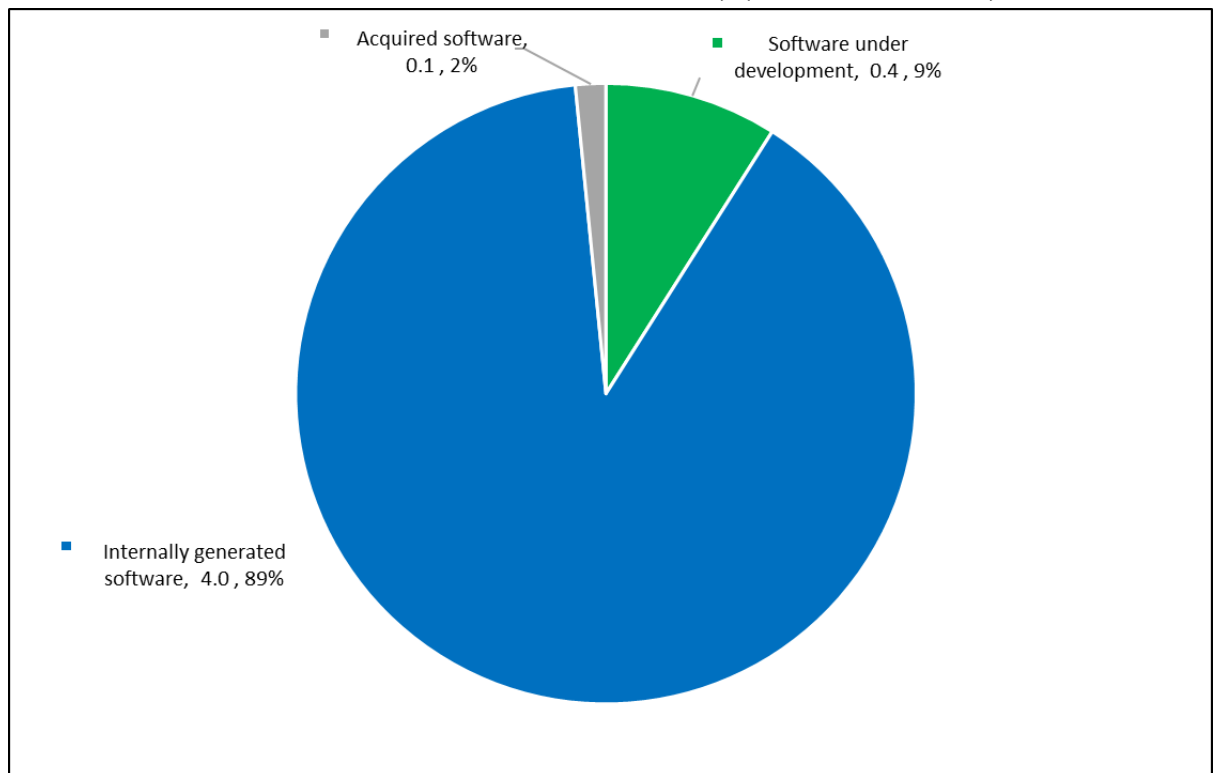
FIGURE 14: NET BOOK VALUE AND DEPRECIATION OF PROPERTY, PLANT, AND EQUIPMENT AS AT 31 DECEMBER 2022 (EUR MILLIONS)



Intangible assets

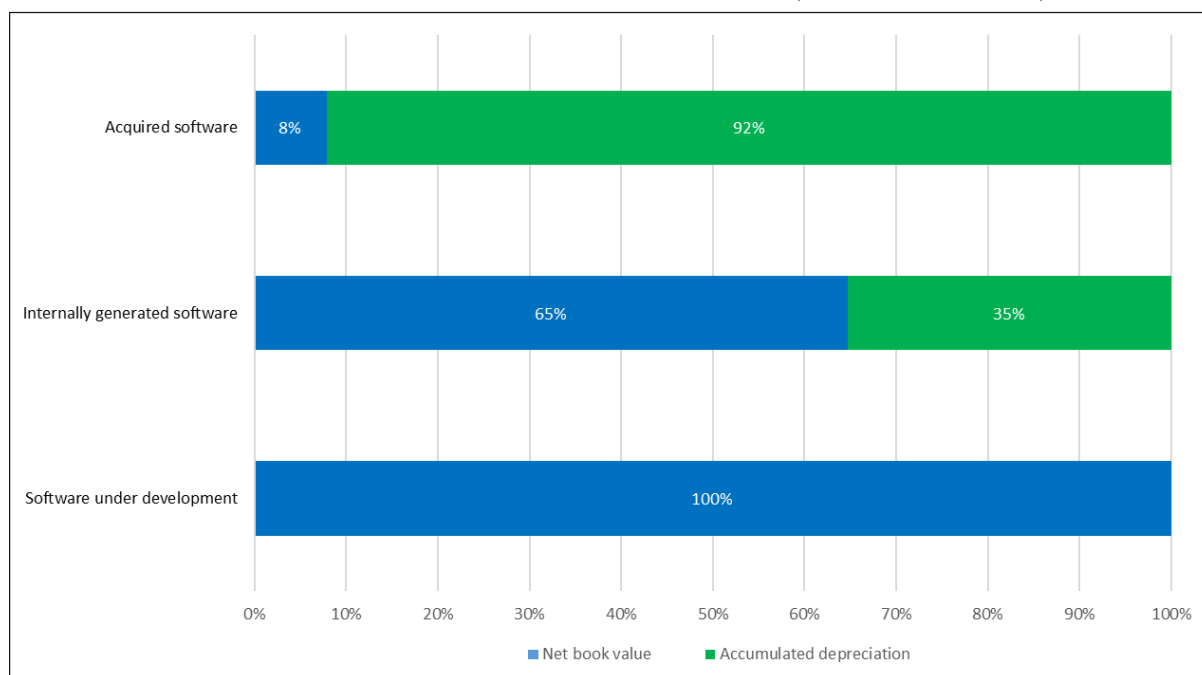
47. The total net carrying amount of intangible assets decreased to EUR 4.5 million as at 31 December 2022 (2021: EUR 5.3 million). As shown in Figure 15 below, the major component of intangible assets at this date was the internally generated software (EUR 4.0 million), representing 89% of the intangible asset of the Organisation, which mainly relates to the enterprise resource planning (ERP) system book value (EUR 3.2 million).

FIGURE 15: COMPOSITION OF INTANGIBLE ASSETS (NET BOOK VALUE AS AT 31 DECEMBER 2022) (EUR MILLIONS)



48. Internally generated software accounts for 89% of the net book value of intangible assets as at 31 December 2022, and is 35% through its useful life (2021: 22%), reflecting the recent go-live in 2021 of the new ERP system, which is at the early stage of its life cycle.
49. Acquired intangible assets are 89% of the way through their useful lives (2021: 89%). It should be noted that the market for software provision has shifted predominantly towards a model of Software as a Service (SaaS). This results in substantially less acquired intangible assets being registered by the Organisation, with the cost of software being expensed as incurred on a yearly basis. The aforementioned special fund for major capital investment is also applicable for the replacement of intangible assets.
50. Amortisation for software under development does not start until the system go-live, and hence the net book value of the assets under development is equal to their cost. Figure 16 below shows the remaining net book value for acquired software and internally generated software which is currently in use.

FIGURE 16: NET BOOK VALUE AND AMORTISATION OF INTANGIBLE ASSETS AS AT 31 DECEMBER 2022 (EUR MILLIONS)

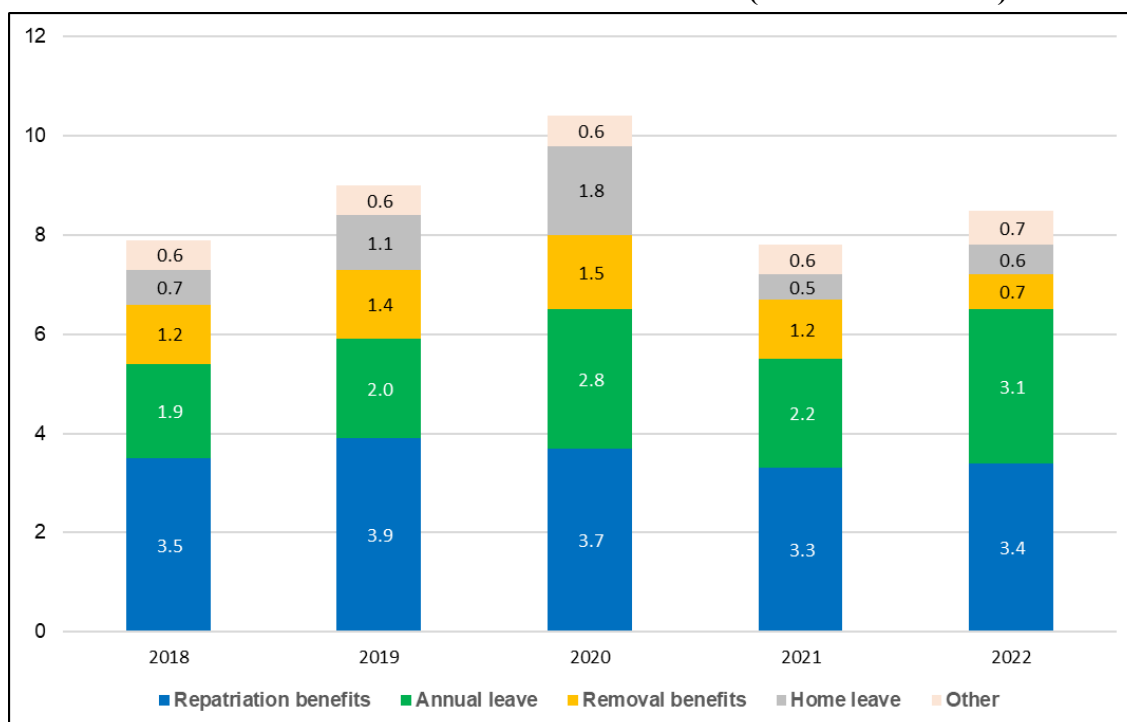


Employee benefit liabilities

51. Employee benefit liabilities consist of short-term employee benefits payable (such as salaries, annual leave, and education grants), and long-term employee benefits (such as accrued home leave and removal/repatriation entitlements). Long-term employee benefits are accrued as staff members earn the rights to entitlements and as such an actuarial method is used to calculate such liabilities as at the end of the financial year.
52. Total employee benefit liabilities increased by EUR 0.7 million, to EUR 8.5 million as at 31 December 2022, from EUR 7.8 million as at 31 December 2021. As shown in Figure 17 below, the most significant increase is related to the annual leave liability (increased by EUR 0.9 million), explained by the extension of the carry-over of annual leave to 31 January 2023, resulting in higher year-end balances for staff. On the other hand, the removal benefits liability decreased from EUR 1.2 million in 2021 to EUR 0.7 million as at 31 December 2022.
53. Employee benefit liabilities continue to be unfunded, meaning that specific funds are not set aside as the entitlements to these benefits are earned by staff members. Instead, the necessary funding is provided on a pay-as-you-go basis through the annual budget cycle. In 2019, the Advisory Body on Administrative and Financial Matters at its Forty-Sixth Session¹³ recommended that the Organisation continue to use the “pay-as-you-go” approach to liquidate the long-term unfunded employee benefit liabilities as they come due.

¹³ Paragraph 9.5 of ABAF-46/1 (dated 7 June 2019).

FIGURE 17: EVOLUTION OF THE COMPOSITION OF THE MAIN EMPLOYEE BENEFIT LIABILITIES (EUR MILLIONS)



Working Capital Fund

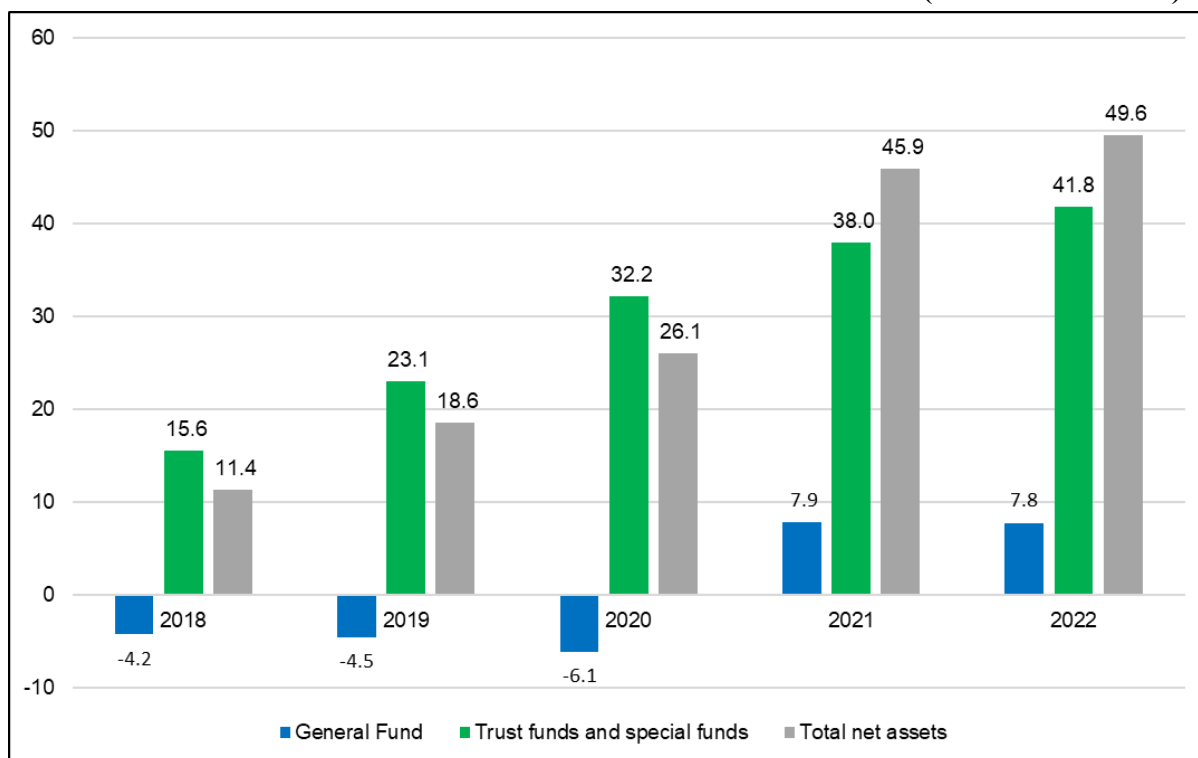
54. The overall level of the WCF remained at EUR 8.1 million in 2022. During 2021, due to the cash pressures faced in the financial year resulting from unreceived assessed contributions, a borrowing of EUR 5.0 million was made from the WCF to the General Fund, highlighting the vital importance of the WCF in providing financial liquidity to the Organisation. The drawings from the WCF were reimbursed by the General Fund in early 2023. The WCF—at its current level—provides liquidity coverage for a period of less than two months of expenditure.
55. The Conference has reaffirmed that the WCF shall be maintained at a target level of EUR 8.0 million to EUR 9.0 million in 2022 and 2023, including by proposing additional steps when necessary to maintain the target level.¹⁴

Net assets/equity

56. Net assets represent the difference between an Organisation's assets and its liabilities, which is illustrated in Figure 18 below. In 2022, total assets decreased by EUR 0.5 million and total liabilities decreased by 4.2 million, leading to an overall increase in net assets of EUR 3.7 million.

¹⁴ C-26/DEC.11, dated 1 December 2021.

FIGURE 18: EVOLUTION OF NET ASSETS 2018 – 2022 (EUR MILLIONS)



57. The General Fund net assets were EUR 7.8 million as at 31 December 2022 compared to the General Fund net assets of EUR 7.9 million in 2021. This decrease is explained by the deficit generated in 2022 of EUR 2.8 million and partially offset by the reclassification of net assets totalling EUR 2.3 million and actuarial gain of EUR 0.3 million.
58. The net asset values of trust funds and special funds increased by EUR 3.8 million (10%) in 2022 to EUR 41.8 million as at 31 December 2022, reflecting the surplus for the period of EUR 2.7 million, supplemented by the reclassification of the net assets indicated above. The decrease in the surplus generated by trust funds is mainly related to the decrease in contributions received in 2022 versus 2021, as well as the implication of the application of IPSAS 23 on revenue from non-exchange transactions, where an organisation is required to recognise revenue in the period in which it is received when there is no expectation for the funds to be refunded. This leads to surpluses in periods when there are significant inflows to fund activities occurring in future periods, and to deficits where the outflow is higher than the funds coming in, due to utilisation of funds received in prior periods.

Risk management

59. The Financial Statements prepared under IPSAS provide details of how the Organisation manages its financial risk, including credit risk, market risk (foreign currency exchange and interest rate), and liquidity risk. From an overall perspective, the Organisation maintains only euro and United States dollar current accounts, and primarily instant access savings accounts in euros with P-1 rated financial institutions, ensuring sufficient liquidity to meet cash operating requirements and limiting exposure to foreign currency fluctuations. Despite the downwards re-rating of some financial institutions by rating agencies as a result of the COVID-19 pandemic, all of the banks used by the OPCW continued to retain the highest ratings (P-1) as at 31 December 2022.

Summary

60. The Financial Statements presented for 2022 show an overall increase of EUR 3.7 million in the net assets of the Organisation. The General Fund generated a deficit of EUR 2.8 million in 2022 compared to a surplus of EUR 5.5 million the year before. The surplus generated by trust funds and special funds decreased from EUR 13.3 million in 2021 to EUR 2.7 million in 2022, explained by a decline in voluntary contributions received and recognised as revenue in 2022.
61. The Organisation's fixed asset base has increased with the capitalisation of design and construction costs for the Centre of Chemistry and Technology and other software development projects in 2022. Whilst major items of equipment are replaced on a regular basis, there remains a substantial volume of equipment which requires replacement, as well as important and as yet only partially funded urgent physical security upgrades required at the OPCW Headquarters building. The initial funding of the Major Capital Investment Fund (MCIF) in 2020 has laid the foundations to enable needed capital investments in property, plant, and equipment as well as intangible assets. However, the viability of this approach to capital replacement will require reliable and significant periodic replenishment of the MCIF.
62. The final cash surplus generated in 2021 (EUR 5.9 million) was the result of lower than anticipated budget implementation rate, due to operational constraints imposed by the COVID-19 pandemic, and an increase in collections of assessed contributions owed for in prior years. The Conference will consider how the cash surplus should be allocated.
63. As noted above, the financial context of the Organisation is subject to significant global risks. Principal among these are the impacts on international security, energy supplies, travel, and supply chains of the war in Ukraine, as well as generally high inflation in regard to key goods and services required by the Secretariat to conduct its routine operations.

64. This year has been challenging, both operationally and financially, as the persistent yet attenuating impact of the COVID-19 pandemic required the Organisation to demonstrate agility in the delivery of operations and the management of financial resources, while the unforeseeable emergence of historically high inflation strained already limited financial resources. The Organisation's ability to continue to implement its mandate during 2022, despite these significant challenges has been an important achievement reflecting the dedication of the Secretariat's staff and the strong support of States Parties. Mindful of current challenges and risks, the Secretariat will continue to apply utmost vigilance, transparency, and innovation in its stewardship of State Party resources in fulfilment of its mandates.

[signed]

Fernando Arias
Director-General
15 May 2023

THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS

STATEMENT I – STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

(in EUR, thousands)

	Note	2022	2021
Assets			
Current assets			
Cash and cash equivalents	13	47,768	58,273
Assessed contributions recoverable	7	7,302	6,946
Article IV and Article V receivables	8	2,160	2,370
Voluntary contributions recoverable	9	1,989	7,307
Other assets	10	2,192	2,222
Prepayments	11	2,203	3,138
Inventories	12	600	672
Total current assets		64,214	80,928
Non-current assets			
Property, plant, and equipment	6.1	30,895	13,801
Intangible assets	6.2	4,488	5,329
Total non-current assets		35,383	19,130
Total assets		99,597	100,058
Liabilities			
Current liabilities			
Accounts payable	19	4,562	3,692
Employee benefits	18	6,320	4,309
Cash surplus—current	17	18	18
Deferred revenue	21	14,367	19,199
Other current liabilities	22	3,535	2,684
Total current liabilities		28,802	29,902
Non-current liabilities			
Employee benefits	18	2,223	3,481
Other non-current liabilities*	20	3,106	6,298
Cash surplus—non-current	17	5,884	4,545
Voluntary Fund for Assistance	16	1,568	1,568
Working Capital Fund	15	8,140	8,140
Provisions	23	250	200
Total non-current liabilities		21,171	24,232
Total liabilities		49,973	54,134
Net assets		49,624	45,924
Net assets			
Accumulated surplus		49,624	45,924
Total net assets		49,624	45,924

THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS

**STATEMENT II – STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2022**

(in EUR, thousands)

	Note	For the Year Ended 31 December 2022	For the Year Ended 31 December 2021
Revenue			
Assessed contributions	24	68,422	67,120
Estimated cash surplus/(deficit) adjustment		(2,693)	(299)
Voluntary contributions	25	13,973	21,090
Article IV and Article V	26	1,987	1,865
Other revenue	27	1,317	194
Total revenue		83,006	89,970
Expenses			
Employee benefit expenses	28	50,943	47,196
Consultancy and contractual services	29	12,994	10,658
Travel expenses	30	7,970	2,464
Depreciation, amortisation, and impairment	6.1 – 6.4	2,164	1,903
General operating expenses	31	6,856	7,265
Other operating expenses	32	2,337	2,354
Total expenses		83,264	71,840
Net finance income/(cost)	33	175	689
Net surplus for the period		(83)	18,819

THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS

**STATEMENT III – STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2022**

(in EUR, thousands)

	Note	Attributable to States Parties		
		General Fund	Trust Funds, Working Capital Fund, and Special Funds	Total Net Assets
Balance as at 1 January 2021		(6,141)	32,238	26,097
Changes recognised in net assets:				
Actuarial gains/(losses) on post-employment benefit obligations	18.6	1,008	-	1,008
Surplus/(deficit) for the period		7,504	(7,504)	-
Balance as at 31 December 2021		5,527	13,292	18,819
Balance as at 1 January 2022		7,898	38,026	45,924
Changes recognised in net assets:				
Actuarial gains/(losses) on post-employment benefit obligations	18.6	324		324
Transfer of fixed assets from trust funds to the General Fund		2,349	959	3,308
Prior year adjustments*			151	151
Surplus/(deficit) for the period		(2,788)	2,705	(83)
Balance as at 31 December 2022		7,783	41,841	49,624

* Adjustment in net assets for the recognition of voluntary contributions revenue that was omitted in 2021.

THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS

**STATEMENT IV – CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

(in EUR, thousands)

	Note	For the Year Ended 31 December 2022	For the Year Ended 31 December 2021
Cash flows from operating activities			
Net surplus/(deficit) for the period		(83)	18,819
Non-cash movements			
Depreciation, amortisation, and impairment	6.1 – 6.4	2,164	1,903
(Gains)/losses on disposal of property, plant, and equipment	27, 32	160	(6)
Increase/(decrease) in provision for impairment of recoverables and receivables	7.4, 8.5	690	2,301
Unrealised currency exchange (gain)/loss	33	(192)	(781)
Repayments of cash surplus	17.3	-	-
Changes in assets			
(Increase)/decrease in recoverables and receivables (current)	7 – 11	5,451	8,258
(Increase)/decrease in inventories	12	72	57
Changes in liabilities, net assets/equity			
Increase/(decrease) in cash surplus (non-cash)	17.3	1,339	4,545
Movement in employee benefits (liability)	18.1 – 18.6	1,077	(1,620)
Increase/(decrease) in “other non-current liabilities”	20	(3,191)	(4,387)
Increase/(decrease) in provisions	23	50	-
Increase/(decrease) in deferred income, accounts payable, and other current liabilities	19, 21, 22	(3,116)	(14,583)
Net cash flows from operating activities			
		4,421	14,506
Cash flows from investing activities			
Proceeds from sale of property, plant, and equipment		-	26
Purchases of property, plant, and equipment	6.1, 6.2	(18,449)	(7,187)
Purchases of intangible assets	6.3, 6.4	(128)	(730)
Net cash flows used in investing activities			
		(18,577)	(7,891)
Cash flows from financing activities			
Proceeds received for the Voluntary Fund for Assistance	16	-	-
Allocation of 2020 surplus		3,308	-
Net cash flows from financing activities			
		3,308	-
Prior year adjustments		151	-
Net increase/(decrease) in cash and cash equivalents			
		(10,697)	6,615
Cash and cash equivalents at beginning of the period	13	58,273	50,877
Unrealised currency exchange gain/(loss)	33	192	781
Cash and cash equivalents at end of the period			
	13	47,768	58,273

THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS

**STATEMENT V(a) – STATEMENT OF COMPARISON
OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2022**
(in EUR, thousands)

	Budgeted Amounts for the Year Ended 31 December 2022		Actual Amounts on Comparable Basis ¹⁵	Difference Final Budget and Actual
	Original	Final		
Receipts				
Assessed contributions	68,422	68,422	68,422	-
Voluntary contributions ¹⁶	-	-	-	-
Article IV and Article V	2,007	2,007	1,987	20
Miscellaneous income	25	25	(21)	46
Cash surplus for major capital investment projects	-	-	-	-
Total receipts	70,454	70,454	70,388	66
Expenditure				
Chapter 1				
Verification	9,838	9,838	8,554	1,284
Inspectorate	20,472	20,472	20,371	101
Total Chapter 1	30,310	30,310	28,925	1,385
Chapter 2				
International Cooperation and Assistance	7,582	7,582	6,955	627
Support to the Policy-Making Organs	5,269	5,293	5,289	4
External Relations	2,175	2,151	2,085	66
Executive Management	10,044	10,037	9,984	53
Administration	15,076	15,083	15,074	9
Total Chapter 2	40,146	40,146	39,387	759
Total expenditure	70,456	70,456	68,312	2,144
Cash surplus for major capital investment projects (transfer) ¹⁷	-	-	-	-
Total expenditure and transfers	70,456	70,456	68,312	2,144
Net receipts/(expenditure)¹⁸	(2)	(2)	2,076	(2,078)

¹⁵ The actual amounts are based on the budgetary accounts, which are maintained on a modified cash basis.

¹⁶ Voluntary contributions received as services in kind are disclosed in note 34.

¹⁷ Please refer to the Programme and Budget of the OPCW for 2022–2023 (C-26/DEC.11).

¹⁸ A reconciliation of the actual amounts from the budgetary basis to the net cash flows from operating, investing, and financing activities is presented in note 40.

THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS

**STATEMENT V(b) – STATEMENT OF COMPARISON
OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2021**
(in EUR, thousands)

	Budgeted Amounts for the Year Ended 31 December 2021		Actual Amounts on Comparable Basis ¹⁹	Difference Final Budget and Actual
	Original	Final		
Receipts				
Assessed contributions	67,120	67,120	67,120	-
Voluntary contributions ²⁰	170	170	170	-
Article IV and Article V	2,086	2,086	1,868	218
Miscellaneous income	25	25	73	(48)
Cash surplus for major capital investment projects	2,341	2,341	2,341	-
Total receipts	71,742	71,742	71,572	170
Expenditure				
Chapter 1				
Verification	9,481	9,481	8,652	829
Inspectorate	20,866	20,866	19,410	1,456
Total Chapter 1	30,347	30,347	28,062	2,285
Chapter 2				
International Cooperation and Assistance	7,485	7,425	4,096	3,329
Support to the Policy-Making Organs	5,049	4,904	4,853	51
External Relations	2,093	2,093	2,085	8
Executive Management	9,896	9,844	9,784	60
Administration	14,531	14,788	14,766	22
Total Chapter 2	39,054	39,054	35,584	3,470
Total expenditure	69,401	69,401	63,646	5,755
Cash surplus for major capital investment projects (transfer) ²¹	2,341	2,341	2,341	-
Total expenditure and transfers	71,742	71,742	65,987	5,755
Net receipts/(expenditure)	-	-	5,585	(5,585)

¹⁹ The actual amounts are based on the budgetary accounts, which are maintained on a modified cash basis.

²⁰ Voluntary contributions received as services in kind are disclosed in note 34.

²¹ Please refer to the Programme and Budget of the OPCW for 2021 (C-25/DEC.7).

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

- 1.1 The Organisation for the Prohibition of Chemical Weapons (OPCW) is an international organisation which was established by the States Parties to the Convention. The Convention entered into force on 29 April 1997, and the OPCW is located at Johan de Wittlaan 32, 2517 JR, The Hague, the Netherlands.
- 1.2 The mission of the OPCW is to achieve the object and purpose of the Convention, to ensure the implementation of its provisions, including those for international verification, and to provide a forum for consultation and cooperation among States Parties.
- 1.3 The continued existence of the OPCW in its present form, with its present programmes of activity, is dependent on States Parties and their continuing annual appropriations and financial contributions.
- 1.4 The reporting entity, the OPCW, comprises the General Fund, the Working Capital Fund (note 15), special funds (note 39.1), the Voluntary Fund for Assistance (note 16), and trust funds (note 39.1).
- 1.5 The General Fund is funded through the regular budget of the Organisation as per the biennial Programme and Budget of the OPCW and covers activities related to Verification, Inspections, International Cooperation and Assistance, Support to the Policy-Making Organs, External Relations, Executive Management, and Administration.
- 1.6 Special funds are established for specific purposes, with funding derived from the General Fund through the transfer of cash surpluses and/or budgetary surpluses in specific programmes.
- 1.7 The Voluntary Fund for Assistance is created to coordinate and deliver assistance, in terms of Article X of the Convention, to a State Party when requested.
- 1.8 Trust funds are funded through voluntary contributions for clearly defined activities that are consistent with the policies, aims, and activities of the OPCW for the implementation of the Convention.

2. BASIS OF PREPARATION

- 2.1 The Financial Statements have been prepared on an accrual and going concern basis and comply with the requirements of IPSAS. Where IPSAS is silent concerning any specific standard, the IPSAS Conceptual Framework and subsequently the appropriate International Financial Reporting Standards (IFRS) are applied.
- 2.2 OPCW applies the historical cost principle unless stated otherwise. Accounting policies have been applied consistently throughout the year.

- 2.3 The Financial Statements are presented in euros, rounded to the nearest thousand. These Financial Statements cover the calendar year ended 31 December 2022. The financial period is the calendar year.

Future accounting pronouncements

- 2.4 The following significant future accounting pronouncements from the International Public Sector Accounting Standards Board have been issued as at 31 December 2022, but are not yet effective:

Standard	Objective of Standard	Effective Date	Estimated Impact on OPCW Financial Statements
IPSAS 41 Financial Instruments	To establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing, and uncertainty of an entity's future cash flows.	1 January 2023	Changes may apply to the classification of OPCW financial instruments and consideration of impairment of financial assets. Hedge accounting changes are expected to have a minimal impact as OPCW does not engage in hedging activities. The OPCW will further review and consider the impact of the changes prescribed in this Standard.
IPSAS 42 Social Benefits	To provide guidance on accounting for social benefits expenditure, defining social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk.	1 January 2023	Not applicable as the OPCW does not incur expenditure on social benefits.
IPSAS 43 Leases	To increase transparency related to assets and liabilities that arise from lease contracts, eliminate information asymmetry, and increase comparability between financial statements of lessees that buy assets from those that lease assets.	1 January 2025	Changes will apply to the operating leases concluded by the OPCW. The OPCW will further review and consider the impact of the changes prescribed in this Standard in the period prior to the effective date.

3. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

- 3.1 The scope of consolidation of the OPCW comprises one entity, the OPCW. No associates or joint operations or controlled entities have been identified for inclusion in the scope of consolidation of these Financial Statements.

Foreign currency translation

- 3.2 The following exchange rates have the most significant impact on the preparation of these Financial Statements:

Period	USD/EUR	JPY/EUR	GBP/EUR
31 December 2022	0.939	0.00706	1.130
Average 12 months	0.948	0.00727	1.172
Period	USD/EUR	JPY/EUR	GBP/EUR
31 December 2021	0.881	0.00767	1.187
Average 12 months	0.843	0.00771	1.159

Functional and presentation currency

- 3.3 Items included in the Financial Statements are measured using the euro, the functional currency, which is the currency of the primary economic environment in which the OPCW operates. The Financial Statements are also presented in euros, the presentation currency of the OPCW.

Transactions and balances

- 3.4 Foreign currency transactions are translated into the functional currency using the United Nations Operational Rate of Exchange (UNORE), prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance. Year-end balances of monetary assets and liabilities denominated in foreign currencies are converted into euros on the basis of the exchange rates applicable on 31 December 2022.

Cash and cash equivalents

- 3.5 Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to cash and subject to insignificant risk of changes in value, with original maturities of three months or less, and bank overdrafts. The OPCW is prohibited from having any bank overdrafts, and accordingly does not have any.

Financial assets

Classification

- 3.6 The OPCW classifies its financial assets as loans and receivables. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months of the reporting date, which are classified as non-current. The OPCW's loans and receivables comprise "receivables and recoverables from 'non-exchange transactions' and receivables from exchange transactions".

Recognition and measurement

- 3.7 Loans and receivables are initially recognised at fair value plus transaction costs, and are derecognised when the rights to receive cash flows have expired or have been transferred and the OPCW has transferred substantially all risks and rewards of ownership.

Subsequent measurement

- 3.8 Loans and receivables are carried at amortised cost using the effective interest method.

Impairment

- 3.9 All financial assets are subject to review for impairment at each reporting date. Assessed contributions recoverable are impaired in line with paragraph 8 of Article VIII of the Convention concerning the voting rights of States Parties. Assessed contributions recoverable are therefore impaired in full if a State Party has over three years of unpaid assessed contributions. The impairment is calculated net of any outstanding cash surpluses eligible for distribution. Assessed contributions recoverable may also be impaired if there is objective evidence such assets are impaired. The impairment of other financial assets (including Article IV and Article V receivables) as at the reporting date is based on whether there is objective evidence that a financial asset is impaired.

Inventories

- 3.10 Inventories are stated at the lower of cost and current replacement cost. The cost of finished goods comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined using the first in, first out (FIFO) method. Current replacement cost is the cost the entity would incur to acquire the asset on the reporting date. Inventory items acquired in non-exchange transactions are measured at their fair value on the date of acquisition in accordance with IPSAS 12.

Property, plant, and equipment

- 3.11 Property, plant, and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items, including costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended

by management. Items of property, plant, and equipment equal to or exceeding EUR 5,000 per unit, and leasehold improvements equal to or exceeding EUR 50,000 per unit are capitalised. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits or service potential, associated with the item, will flow to the OPCW and the cost of the item can be reliably measured. All other repairs and maintenance are charged to the statement of financial performance during the financial period in which they are incurred. Assets under construction are not depreciated but are subject to impairment. Subsequent to construction completion and upon the in-service date, the assets are transferred to the above categories and the corresponding useful life will be applied.

- 3.12 Depreciation is calculated using the straight-line method to allocate costs to their residual values over their estimated useful lives, which are as follows:

Asset	Estimated Useful Life
Inspection and verification equipment	Shorter of operational period of asset or 10 years
Security and health equipment	5 years
Office furniture and equipment	7 years
Hardware equipment	4 years
Vehicles	5 years
Leasehold improvements	Shorter of lease term or useful life
Freehold land	Indefinite

- 3.13 The residual value will be set at nil value as per the acquisition date. An asset's carrying amount is written down immediately to its recoverable service amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to note 3.17 "impairment of non-cash-generating assets" below). Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in "other income" and "other operating expenses", respectively within the statement of financial performance.

Leases

Operating lease

- 3.14 An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. As a lessee, the OPCW rents premises, equipment, and other facilities under contracts that are considered operating leases. As a lessor, the OPCW rents small portions of office space to third parties on the OPCW's premises at Johan de Wittlaan 32 in The Hague. The rent receipts are recognised as other income.

Intangible assets

- 3.15 Intangible assets are carried at cost less accumulated amortisation and impairment. Donated intangible assets are recognised at cost, using the fair value at the acquisition date. The OPCW recognises as intangible assets both acquired software with a cost equal to or exceeding EUR 5,000 and internally generated software with a cost equal to or exceeding EUR 50,000. Internally generated software is capitalised when the criteria stated in note 3.16 below are met. The development of new software or the development of new functionalities of software that is already in operation, and purchased software which requires significant customisation or configuration before it can be used by the OPCW may be recognised as internally generated software. Acquired computer software meeting the recognition criteria is capitalised based on costs incurred to acquire and bring the specific software to use. The cost of internally generated software comprises all directly attributable costs to create, produce, and prepare the asset to be capable of operating in the manner intended by management, including costs of materials and services, and employee benefits determined based on a standard rate that includes an appropriate portion of relevant overheads. Costs associated with maintaining computer software programmes are recognised as expenses as incurred.
- 3.16 Development costs that are directly associated with the development of software for use by the OPCW are capitalised as an intangible asset in line with the development criteria set out in IPSAS 31:
- (a) it is technically feasible to complete the software product so that it will be available for use;
 - (b) management intends to complete the software product and use or sell it;
 - (c) there is an ability to use or sell the software product;
 - (d) it can be demonstrated how the software product will generate probable future economic benefits or service potential;
 - (e) adequate technical, financial, and other resources to complete the development and to use or sell the software product are available; and
 - (f) the expenditure attributable to the software product during its development can be reliably measured.
- 3.17 Expenditures that do not meet these criteria are recognised as expenses as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Research costs are recognised as an expense in the financial period in which they are incurred.
- 3.18 Amortisation is recorded on a straight-line basis on all intangible assets of finite life, at rates that will write off the cost or value of the assets to their estimated residual values. Intangible assets under construction are not amortised but are subject to impairment. The useful lives of major classes of intangible assets have been estimated as follows:

Asset	Estimated Useful Life
Acquired software	3 to 5 years
Internally developed software	3 to 10 years

Impairment of non-cash-generating assets

- 3.19 Non-cash-generating assets are property, plant, and equipment, and intangible assets (note 6). As such, these are assessed at each reporting date to determine whether there are any indications that the carrying amount of the assets may not be recoverable and that such assets may be impaired. The asset's recoverable service amount is the higher of the asset's fair value less costs to sell and its value in use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. Impairment losses are recognised immediately in the statement of financial performance.

Employee benefits

Short-term employee benefits

- 3.20 Short-term employee benefits are expected to be settled within 12 months of the reporting period and are measured at their nominal values based on accrued entitlements at current rates of pay. Short-term employee benefits comprise: recurring benefits, deductions, and contributions (including salaries, special post allowances, and dependency allowances); compensated absences (annual leave, special leave, and sick leave); and other short-term benefits (salary advances, retroactive payments, education grants, employee income tax reimbursement, travel and removal costs at initial appointment, and assignment grants). These are treated as current liabilities.

Post-employment benefits

- 3.21 Post-employment benefits include travel and removal costs at separation, and repatriation grants and death benefits after the completion of employment. Post-employment benefit plans are classified as either defined contribution or defined benefit plans.
- 3.22 For defined contribution post-employment plans, such as the OPCW Provident Fund, the obligation for each period is determined by the amounts to be contributed for that period, and no actuarial assumptions are required to measure the obligation or the expense. Actuarial gains and losses for post-employment benefits are recognised in net assets in the period in which they occur.

Other long-term employee benefits

- 3.23 Other long-term employee benefits include home leave and long-term sick leave. Long-term employee benefits which are expected to be settled more than 12 months after the end of the reporting period are treated as non-current liabilities and are measured at the present value of the estimated future cash flows if the payments and the impact of discounting are considered to be material.

Financial liabilities

- 3.24 The OPCW's financial liabilities include accounts payable, "Working Capital Fund", "Voluntary Fund for Assistance", and "cash surplus". These financial liabilities are recognised initially at fair value. The financial liabilities "Working Capital Fund",

“Voluntary Fund for Assistance”, and “cash surplus” are not discounted considering the specific objectives and the indefinite nature of these amounts (similar to a permanent advance) and the restrictions imposed on these amounts.

Provisions and contingencies

Provisions

- 3.25 Provisions are recognised for future expenditures of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event; it is probable that expenditures will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not made for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent liabilities

- 3.26 A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of future events not wholly within the control of the entity. A contingency is also recognised when it is not probable that a present obligation exists, but all other aspects of the definition of a provision are met. Contingent liabilities are not recognised in the Financial Statements but are disclosed in the notes to the Financial Statements.

Contingent assets

- 3.27 A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognised in the Financial Statements but are disclosed in the notes to the Financial Statements.

Taxes

- 3.28 The OPCW enjoys privileged tax exemption, and as such, assets, income, and other properties are exempt from all direct taxation.

Revenue recognition

Revenue from non-exchange transactions

- 3.29 The OPCW's major categories of non-exchange revenue are assessed contributions and voluntary contributions (as described in notes 23 and 24). Assessed contributions are assessed annually based on the scale of assessments as approved by the Conference. Voluntary contributions are received from various States Parties and other parties (hereinafter “donors”) for various purposes as specified in each donor agreement. In certain agreements, donors advance a proportion of the total agreement amount at the project inception and pay the remaining amount upon receipt of a final project report.

- 3.30 Voluntary contributions can include specified performance obligations by the OPCW, the consideration payable by the donor, and other general terms and conditions. Conditions that may be attached to the contributions include, inter alia, stipulations that a training or workshop be organised in a certain region, conditions related to progress and completion of research performed, and refund of unspent amounts contributed. The carrying amounts of the voluntary contributions are primarily denominated in euros.
- 3.31 Non-exchange revenue represents transactions in which the OPCW receives value from another entity without providing approximately equal value to another entity in exchange. Non-exchange revenue is measured at the amount of the increase in net assets recognised by the OPCW. IPSAS require that inflow of resources from a non-exchange transaction are recognised as an asset and revenue, except to the extent that a present obligation exists in respect of the same inflow (a performance obligation), which is recognised as a liability (deferred revenue). As the OPCW satisfies this present obligation, it reduces the carrying amount of the liability and recognises revenue. Further information regarding the judgement required in determining performance obligations is included in note 4.6.
- 3.32 For non-exchange revenue which has not yet been received by the OPCW, but where a donor agreement has been signed, a recoverable relating to non-exchange revenue is recognised at the net realisable amount, after reducing any impaired receivable from the carrying amount. Goods in kind are recognised as assets when the goods are received or when there is a binding agreement to receive the goods and no conditions are attached. The measurement of goods in kind is based on the fair value of the goods received as determined by the OPCW as recipient services in kind are not recognised.
- 3.33 Balances in relation to these agreements are reported within voluntary contributions revenue (note 25) and/or deferred revenue (note 21), and voluntary contributions recoverable (note 9).

Revenue from exchange transactions

- 3.34 The OPCW's major category of exchange revenue is Article IV and Article V revenue, amounts that are invoiced to States Parties for various services (as described in note 26 "Article IV and Article V revenue") provided in the verification and destruction of chemical weapons.
- 3.35 Revenue from exchange transactions is measured at the fair value of the consideration received or receivable and is recognised as services are rendered according to the estimated stage of completion when the outcome of a transaction can be estimated reliably.

Expenses

- 3.36 The OPCW recognises expenses when goods and services are delivered or provided, and accepted.

Segment information

- 3.37 A segment is a distinguishable activity or group of activities for which it is appropriate to separately report financial information. At the OPCW, segment information is based on the principal distinguishable services that are engaged in achieving the OPCW's objectives. Assets and liabilities are not allocated to segments.

4. MATERIALITY, CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS

- 4.1 In accordance with IPSAS and generally accepted accounting principles, the Financial Statements include amounts based on estimates and assumptions, based on the materiality of the relevant transactions and events. The OPCW makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Employee benefits: Post-employment benefits and other long-term employee benefits

- 4.2 The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Actuarial assumptions are established to anticipate future events and are used in calculating post-employment benefits expense and liability. Assumptions have been made with respect to the discount rate, inflation, indexation, rates of future compensation increases, turnover rates, and life expectancy. Any changes in these assumptions will impact the amount of benefits expense and the related liability.
- 4.3 The OPCW determines the discount rate annually. This is the interest rate that should be used to determine the present value of the estimated future cash outflows expected to be required to settle the employee benefit obligations. In determining the appropriate discount rate, the OPCW considers the interest rate of government bonds within the Eurozone that have terms to maturity approximating the terms of the related employee benefit liabilities.
- 4.4 The other assumptions are based in part on current market conditions and historical experience of the OPCW. Additional information is disclosed in note 18 (employee benefits).
- 4.5 As of the current reporting period, the OPCW has discontinued the use of actuarial valuation to determine the value of home leave liability after reviewing the nature and value of the liability as well as the practice of other similar international organisations and United Nations entities.

Receivables: Determination of impairment

- 4.6 The OPCW's receivables are required to be reviewed at the end of each reporting period for impairment and indications of uncollectibility. The OPCW makes an estimate of the amount of receivables that it is not able to recover based on prior payment history and expectations of future amounts it expects to recover from these receivables.

Revenue recognition: Conditions on voluntary contributions

- 4.7 Revenue for non-exchange transactions is recognised by the OPCW in line with the policy set out in notes 3.29 to 3.33, and with IPSAS 23 (revenue from non-exchange transactions). When reviewing stipulations linked to voluntary contributions and assessing the extent to which revenue may be recognised, the OPCW makes a judgement to determine whether a present obligation to the OPCW exists which would give rise to a financial liability. The OPCW uses contractual information and past practice with donors to inform this judgement.

5. FINANCIAL RISK MANAGEMENT

Financial risk factors

- 5.1 The OPCW's activities expose it to a variety of financial risks, including market risk (currency risk, interest rate risk, and price risk), credit risk, and liquidity risk. The OPCW's overall financial risk management programme is carried out by the Treasury Section under policies approved by the Investment Committee. The OPCW does not enter into hedging activities and does not use derivative financial instruments.

Market risk: Foreign exchange risk

- 5.2 Foreign exchange risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The OPCW operates internationally and is exposed to limited foreign exchange risk arising from certain currency exposures. The OPCW holds cash in bank accounts denominated in euros and United States dollars.
- 5.3 The OPCW's cash inflows are predominantly denominated in euros, with some voluntary contributions denominated in United States dollars, pounds sterling, and Canadian dollars. Unless non-euro currencies are required for operational purposes, the OPCW seeks to minimise this risk by immediately converting most foreign currency denominated voluntary contributions into euros at the spot rate of the receiving bank.
- 5.4 The OPCW's cash outflows relate primarily to payments to employees and payments to vendors. Employee salaries for professional staff categories are denominated in United States dollars, however, are paid in euros. In 2022, 97% of payments to vendors were denominated in euros.
- 5.5 As at 31 December 2022, if the euro had weakened/strengthened by 10% against the United States dollar, net surplus/deficit for the year would have been EUR 1,048 thousand higher/lower, mainly as a result of foreign exchange gains/losses on translation of United States dollar denominated assets including cash, assessed contributions recoverable, and other receivables.

Market risk: Interest rate risk

- 5.6 Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The OPCW mitigates interest rate risks by investing cash and cash equivalents in accounts with financial institutions for short-term maturities at fixed interest rates, as per the investment policy established by the OPCW's Investment Committee. Further, the OPCW is not dependent on interest income as a revenue stream.

Credit risk

- 5.7 Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents with banks and financial institutions (note 13) and exposures to receivables from States Parties (notes 7 and 8).

- 5.8 The OPCW's Investment Committee meets at least quarterly to review the OPCW's investment policy for management of financial assets and reviews financial institutions used for the investment of cash and cash equivalents. The OPCW will only invest deposits in financial institutions with a Moody's Investors Service Global short-term rating of no lower than P-1. Furthermore, the OPCW investment policy limits the amount that the OPCW may routinely invest with a single financial institution.

(in EUR, thousands)

Moody's Investors Service Rating	31-Dec-2022	31-Dec-2021
P-1 rating ²²	47,768	58,273
Non-rated	-	-
Total cash and cash equivalents	47,768	58,273

Liquidity risk

- 5.9 Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The OPCW has obligations to make certain payments for financial liabilities; liquidity risk arises in that the OPCW may encounter difficulties in meeting these obligations. Cash flow forecasting is performed by the OPCW on a daily, weekly, and monthly basis. The Treasury Section may invest surplus cash in short-term deposits, investing these amounts for periods of no longer than 12 months. Investments are denominated in euros to avoid foreign currency fluctuations. The tables below analyse the OPCW's financial liabilities into relevant maturity groupings based on their contractual undiscounted cash flows.

As at 31 December 2022:

(in EUR, thousands)	Less Than 1 Year	1 to 5 Years	5 to 10 Years	Beyond 10 Years	Undefined Maturity	Total
Working Capital Fund	-	-	-	-	8,140	8,140
Voluntary Fund for Assistance	-	-	-	-	1,568	1,568
Cash surplus eligible for distribution	18	5,884	-	-	-	5,902
Accounts payable	4,562	-	-	-	-	4,562
Total financial liabilities	4,580	5,884	-	-	9,708	20,172

As at 31 December 2021:

(in EUR, thousands)	Less Than 1 Year	1 to 5 Years	5 to 10 Years	Beyond 10 Years	Undefined Maturity	Total
Working Capital Fund	-	-	-	-	8,140	8,140
Voluntary Fund for Assistance	-	-	-	-	1,568	1,568
Cash surplus eligible for distribution	18	4,545	-	-	-	4,563
Accounts payable	3,692	-	-	-	-	3,692
Total financial liabilities	3,710	4,545	-	-	9,708	17,963

²² Issuers (or supporting institutions) rated Prime-1 (P-1) have a superior ability to repay short-term debt obligations.

- 5.10 Liquidity risk is generally managed on an individual fund basis. For all funds except the General Fund, commitments can generally only be made once funds are available, and therefore liquidity risk is minimal. For the General Fund, the appropriation-based framework for expense authorisation ensures that expenses do not exceed revenue streams for any given year, while the WCF is a mechanism for providing liquidity should issues arise around the timing of cash outflows and cash inflows (relating primarily to State Party assessed contributions).
- 5.11 Regulation 6.4 of the OPCW Financial Regulations and Rules states that the WCF should not exceed two-twelfths of the budget provision for the financial period. The WCF provides a liquidity buffer for the OPCW's General Fund of approximately one month's (one-twelfth) cash flow. Furthermore, a contingency margin is applied to regular budget appropriations and managed in line with incoming cash flows to mitigate liquidity risk. In paragraph 9(q) of the decision adopting the Programme and Budget of the OPCW for 2022–2023 (C-26/DEC.11), the Conference has also reaffirmed that the WCF shall be maintained at a target level of EUR 8.0 million to 9.0 million in 2022 and 2023, including by proposing additional steps when necessary to maintain the target level.

6. PROPERTY, PLANT, AND EQUIPMENT, AND INTANGIBLE ASSETS

Property, plant, and equipment

As at 31 December 2022:

(in EUR, thousands)	Land and Buildings	Inspection and Verification Equipment	Security and Health Equipment	Office Furniture and Equipment	Hardware Equipment	Vehicles	Leasehold Improvements	Assets Under Construction	Total
As at 1 January 2022:									
Cost	2,046	9,066	1,272	451	1,473	351	209	7,727	22,595
Accumulated depreciation & impairment	-	(5,979)	(1,028)	(343)	(1,047)	(188)	(209)	-	(8,794)
Net book amount	2,046	3,087	244	108	426	163	-	7,727	13,801
Year ended 31 December 2022:									
Opening net book amount	2,046	3,087	244	108	426	163	-	7,727	13,801
Additions	-	593	432	6	503	-	108	16,659	18,301
Impairment	-	(3)	-	-	-	-	-	-	-
Disposals	-	(137)	-	(17)	-	-	-	-	(169)
Accumulated depreciation on disposed assets	-	140	-	17	-	-	-	-	157
Depreciation charge	-	(720)	(184)	(20)	(227)	(42)	(2)	-	1,195
Closing net book amount	2,046	2,948	492	94	702	121	106	24,386	30,895
As at 31 December 2022:									
Cost	2,046	9,507	1,704	440	1,976	351	317	24,386	40,727
Accumulated depreciation & impairment	-	(6,559)	(1,212)	(346)	(1,274)	(230)	(211)	-	(9,832)
Net book amount	2,046	2,948	492	94	702	121	106	24,386	30,895

6.1 There are no restrictions on the title to the OPCW's property, plant, and equipment.

6.2 Tangible assets include additional investment to the new ChemTech Centre construction project, with a total cost of EUR 16,954 thousand added to the "assets under construction", out of a total of EUR 17,819 thousand in 2022.

6.3 Costs of EUR 204 thousand for the installation of new Headquarters access and control systems were additionally capitalised in 2022. The total capitalised value of these assets of EUR 417 thousand transferred from "assets under construction" to "security and health equipment".

As at 31 December 2021:

(in EUR, thousands)	Land and Buildings	Inspection and Verification Equipment	Security and Health Equipment	Office Furniture and Equipment	Hardware Equipment	Vehicles	Leasehold Improvements	Assets Under Construction	Total
As at 1 January 2021:									
Cost	2,046	9,540	1,281	340	1,302	276	209	1,228	16,222
Accumulated depreciation & impairment	-	(5,829)	(842)	(321)	(1,032)	(248)	(209)	-	(8,481)
Net book amount	2,046	3,711	439	19	270	28	-	1,228	7,741
Year ended 31 December 2021:									
Opening net book amount	2,046	3,711	439	19	270	28	-	1,228	7,741
Additions	-	91	-	111	309	176	-	6,500	7,187
Disposals	-	(565)	(8)	-	(138)	(102)	-	-	(813)
Accumulated depreciation on disposed assets	-	558	8	-	138	102	-	-	806
Depreciation charge	-	(709)	(194)	(22)	(153)	(42)	-	-	(1,120)
Closing net book amount	2,046	3,086	245	108	426	162	-	7,728	13,801
As at 31 December 2021:									
Cost	2,046	9,066	1,273	451	1,473	350	209	7,728	22,596
Accumulated depreciation & impairment	-	(5,980)	(1,028)	(343)	(1,047)	(188)	(209)	-	(8,795)
Net book amount	2,046	3,086	245	108	426	162	-	7,728	13,801

6.4 There are no restrictions on the title to the OPCW's property, plant, and equipment. No items of property, plant, and equipment were impaired in 2021.

6.5 Additions to "assets under construction" in 2021(EUR 4,796 thousand) included mainly design and construction costs for the new ChemTech Centre.

Intangible assets

As at 31 December 2022:

(in EUR, thousands)	Acquired Software	Internally Generated Software	Intangible Assets Under Construction	Total
Balance as at 1 January 2022:				
Cost	871	5,852	675	7,398
Accumulated amortisation & impairment	(779)	(1,268)	(22)	(2,069)
Net book amount	92	4,584	653	5,329
Year ended 31 December 2022:				
Opening net book value	92	4,584	653	5,329
Additions	25	-	103	128
Disposals	-	-	-	-
Transfers	-	352	(352)	-
Amortisation charge	(46)	(923)	-	(969)
Net book amount as at 31 December 2022	71	4,013	404	4,488
As at 31 December 2022:				
Cost	896	6,204	426	7,526
Accumulated amortisation & impairment	(825)	(2,191)	(22)	(3,038)
Net book amount as at 31 December 2022	71	4,013	404	4,488

As at 31 December 2021:

(in EUR, thousands)	Acquired Software	Internally Generated Software	Intangible Assets Under Construction	Total
Balance as at 1 January 2021:				
Cost	775	1,317	4,589	6,681
Accumulated amortisation & impairment	(686)	(578)	(22)	(1,286)
Net book amount	89	739	4,567	5,395
Year ended 31 December 2021:				
Opening net book value	89	739	4,567	5,395
Additions	96	-	634	730
Disposals	-	-	(13)	(13)
Transfers	-	4,534	(4,534)	-
Amortisation charge	(93)	(690)	-	(783)
Net book amount as at 31 December 2021	92	4,583	654	5,329
As at 31 December 2021:				
Cost	871	5,851	676	7,398
Accumulated amortisation & impairment	(779)	(1,268)	(22)	(2,069)
Net book amount as at 31 December 2021	92	4,583	654	5,329

- 6.6 At the beginning of 2022, the development of the Electronic Inspections Tool (eINS) was completed and began preliminary use within the Organisation. Costs related to this system were transferred from intangible assets under construction to internally generated software.
- 6.7 Other intangible assets under construction also include investment totalling EUR 98.9 thousand relating to the development of the enterprise content management system, Verification Industry System (VIS) modernisation.

7. ASSESSED CONTRIBUTIONS RECOVERABLE

(in EUR, thousands)	2022	2021
Assessed contributions	11,610	10,564
Less: allowance for impairment of assessed contributions	(4,308)	(3,618)
Total assessed contributions – net	7,302	6,946

7.1 Every State Party is assessed an annual contribution due to the OPCW. The assessed contributions are issued at the beginning of each calendar year and are payable in full within 30 days of States Parties' receipt of the requests for payments or on the first day of the financial period to which they relate, whichever is later.

7.2 As at 31 December 2022, assessed contributions of EUR 7,302 thousand were past due but not impaired (2021: EUR 6,946 thousand). These include assessed contributions recoverable of States Parties with arrears of less than three years old and receivables from States Parties who have proposed multi-year payment plans, irrespective of the age of the receivables, but they exclude assessed contributions recoverable of States Parties who are in arrears in such multi-year payment plans. The ageing analysis of these assessed contributions is as follows:

(in EUR, thousands)	2022	%	2021	%
Up to 1 year old	2,585	36%	3,605	52%
Older than 1 year and up to 2 years old	2,796	38%	3,076	44%
Older than 2 years and up to 3 years old	1,903	26%	265	4%
Older than 3 years and up to 10 years old	-	0%	-	-
Older than 10 years	18	0%	-	-
Total	7,302	99%	6,946	100%

7.3 As at 31 December 2022, assessed contributions of EUR 4,308 thousand (2021: EUR 3,618 thousand) were deemed to be impaired. The assessed contributions recoverable in the statement of financial position are shown net of an allowance for impairment. This, however, does not constitute legal discharges of concerned States Parties from their obligations to make these payments to the OPCW. The ageing analysis of these assessed contributions is as follows:

(in EUR, thousands)	2022	%	2021	%
Up to 1 year old	1,173	27%	1,205	34%
Older than 1 year and up to 2 years old	694	16%	594	16%
Older than 2 years and up to 3 years old	694	16%	594	16%
Older than 3 years and up to 10 years old	1,534	36%	1,027	28%
Older than 10 years	213	5%	198	6%
Total	4,308	100%	3,618	100%

- 7.4 Movements in the OPCW's allowance for impairment of assessed contributions are as follows:

(in EUR, thousands)	2022	2021
As at 1 January	3,618	1,391
Increase in allowance for impairment of assessed contributions (write-down)	1,417	2,683
Reversal of allowance for impairment of assessed contributions	(727)	(456)
As at 31 December	4,308	3,618

8. ARTICLE IV AND ARTICLE V RECEIVABLES

(in EUR, thousands)	2022	2021
Article IV and Article V receivables	8,160	8,371
Less: allowance for impairment of Article IV and Article V receivables (write-down)	(6,000)	(6,000)
Total Article IV and Article V receivables – net	2,160	2,371

- 8.1 The OPCW charges States Parties for its services provided in the verification and destruction of chemical weapons. The amounts charged to States Parties for services provided include amounts to cover OPCW staff costs, travel expenses, daily subsistence allowance, and transportation charges for hazardous materials. The rates relating to staff costs charged to States Parties by the OPCW are established annually by agreement of the States Parties, taking into account actual expenses incurred. The OPCW provides services in exchange for generating this revenue in the form of expertise of its employees regarding chemical weapons.
- 8.2 As at 31 December 2022, Article IV and Article V receivables were EUR 2,160 thousand (2021: EUR 2,370 thousand).
- 8.3 The ageing analysis of net Article IV and Article V receivables is as follows:

(in EUR, thousands)	2022	%	2021	%
Up to 3 months old	1,727	80%	1,129	48%
Older than 3 months and up to 6 months old	433	20%	1,241	52%
Older than 6 months and up to 1 year old	0	0%	-	-
Older than 1 year and up to 2 years old	0	0%	-	-
Older than 2 years and up to 3 years old	0	0%	-	-
Total	2,160	100%	2,370	100%

- 8.4 As at 31 December 2022, Article IV and Article V receivables of EUR 6,000 thousand (2021: EUR 6,000 thousand) were deemed to be impaired, without legally discharging the concerned States Parties of their obligations to make payments to the OPCW. The Article IV and Article V receivables in the statement of financial position are shown net of this allowance. The ageing analysis of impaired Article IV and Article V receivables is as follows:

(in EUR, thousands)	2022	%	2021	%
Up to 3 months old	0	0%	77	1%
Older than 3 months and up to 6 months old	0	0%	-	-
6 months to 1 year old	0	0%	-	-
Older than 1 year and up to 2 years old	77	1%	46	1%
Older than 2 years and up to 3 years old	46	1%	140	2%
Older than 3 years and up to 10 years old	5,877	98%	5,737	96%
Total	6,000	100%	6,000	100%

- 8.5 Movements in the OPCW's allowance for impairment of Article IV and Article V receivables are as follows:

(in EUR, thousands)	2022	2021
As at 1 January	6,000	5,927
Increase in allowance for impairment of Article IV and Article V receivables	-	80
Reversal of allowance for impairment of Article IV and Article V receivables	-	(7)
As at 31 December	6,000	6,000

9. VOLUNTARY CONTRIBUTIONS RECOVERABLE

(in EUR, thousands)	2022	2021
Trust Fund for OPCW Conference of the States Parties and Special Sessions Meetings	611	-
Trust funds for Syria	389	1,897
Trust fund for training	337	139
Trust fund for EU Council decision 2019	224	224
Trust fund for security and business continuity	200	516
Trust fund for a Centre for Chemistry and Technology	192	4,319
Other trust funds	36	212
Voluntary contributions recoverable	1,989	7,307

Voluntary contributions recoverable represent balances due to the OPCW under signed contribution agreements. Voluntary contributions receivable for the trust fund for EU Council decision 2019 include amounts for the ChemTech Centre.

10. OTHER ASSETS – CURRENT

(in EUR, thousands)	2022	2021
Receivables from staff members	1,354	1,381
Value-added tax and other recoverable taxes	718	802
Receivables from vendors	86	35
Working Capital Fund contributions receivable	4	4
Interest receivable	2	-
Miscellaneous	28	-
Other assets	2,192	2,222

10.1 Value-added tax and other recoverable taxes include refundable taxes primarily relating to environmental taxes, energy taxes, and US income taxes. These receivables arise due to the OPCW's tax-exempt status.

10.2 Receivables from staff members comprise receivables due for advances made relating to travel expenses and employee benefit advances.

11. PREPAYMENTS

(in EUR, thousands)	2022	2021
Prepayments – vendors	1,614	1,500
Prepayments – UNOPS	589	1,621
Prepayments – other	0	17
Total prepayments	2,203	3,138

Prepayments to vendors primarily comprise prepaid rent for the Headquarters building. Prepayments to the United Nations Office for Project Services (UNOPS) primarily comprise advances for the provision of services to support OPCW operations in the Syrian Arab Republic.

12. INVENTORIES

(in EUR, thousands)	2022		
	Primary	Secondary	Total
As at 1 January 2022	262	410	672
Purchases	64	41	105
Inventory consumed	(103)	(103)	(207)
Other adjustments	4	27	30
As at 31 December 2022	227	375	600

(in EUR, thousands)	2021		
	Primary	Secondary	Total
As at 1 January 2021	305	424	729
Purchases	24	28	52
Inventory consumed	(68)	(53)	(121)
Other adjustments	1	11	12
As at 31 December 2021	262	410	672

- 12.1 The OPCW's inventories relate primarily to its inspection and verification activities and are located in the OPCW Equipment Store in the Netherlands. Primary consumables consist of consumable items that are listed by name within the "List of Approved Equipment with Operational Requirements and Technical Specifications" (C-I/DEC.71*, dated 30 November 2010) as approved by the Conference. Secondary consumables consist of consumable items that are integral parts of the approved inspection equipment.
- 12.2 The physical stock count of primary and secondary consumables was carried out as at 31 December 2022. The carrying amount of inventories is shown at lower of cost or current replacement cost as at 31 December 2022.

13. CASH AND CASH EQUIVALENTS

(in EUR, thousands)	2022	2021
Unrestricted		
Current accounts	43,046	48,572
Total unrestricted	43,046	48,572
Restricted		
Current accounts	4,722	9,701
Total restricted	4,722	9,701
Total cash and cash equivalents	47,768	58,273

The following amounts of cash and cash equivalents are not available for use by the OPCW without prior approval.

(in EUR, thousands)	2022	2021
Restricted cash and cash equivalents		
Working Capital Fund	3,139	8,133
Voluntary Fund for Assistance	1,583	1,568
Total restricted cash and cash equivalents	4,722	9,701

14. CONTINGENT ASSETS

There were no contingent assets as at 31 December 2022.

15. WORKING CAPITAL FUND

- 15.1 The WCF has been established to meet short-term liquidity problems, including temporarily funding appropriated budgetary expenditures pending the receipt of contributions. The WCF is financed from advances by all States Parties in accordance with the scale of assessments determined by the Conference.
- 15.2 Any new States Parties joining the OPCW make an advance to the WCF in accordance with the scale of assessments applicable to the budget of the year of their ratification of, or accession to, the Convention. In 2022, no new State Party joined the OPCW and therefore no new contributions were made to the WCF (2021: none).

- 15.3 The movement in the approved level of the WCF during the reporting period, and the amount held in it, is explained as follows:

(in EUR, thousands)	2022	2021
Movement in the WCF liability		
As at 1 January	8,140	8,140
Total WCF as at 31 December	8,140	8,140
Of which:		
Non-current portion of WCF liability	8,140	8,140
Current portion of WCF liability	-	-
Total WCF as at 31 December	8,140	8,140

16. VOLUNTARY FUND FOR ASSISTANCE

- 16.1 The Voluntary Fund for Assistance was established by the Conference at its First Session (C-I/DEC.52, dated 16 May 1997). Its objective is to provide funding to coordinate and deliver assistance to a State Party, in terms of Article X of the Convention, when requested in the event of use or threat of use of chemical weapons. The Fund is financed through voluntary contributions from States Parties. Receipts are recorded as liabilities until the related performance obligations are fulfilled, based on which revenue will be recognised.

- 16.2 The movement of the Voluntary Fund for Assistance during the reporting period is as follows:

(in EUR, thousands)	2022	2021
Balance as at 1 January	1,568	1,568
Contributions received/disbursement from States Parties	-	-
Net proceeds received for Voluntary Fund for Assistance	-	-
Total Voluntary Fund for Assistance as at 31 December	1,568	1,568
Of which:		
Non-current portion	1,568	1,568
Current portion	-	-
Total Voluntary Fund for Assistance as at 31 December	1,568	1,568

17. CASH SURPLUS

- 17.1 In accordance with the OPCW's Financial Regulations and Rules, a cash surplus based on the cash basis of accounting is applied to the OPCW's budget. After finalisation, this amount, including any necessary adjustments, is eligible for distribution to States Parties in line with Financial Regulation 6.3 proportional to the assessed contributions in the year in which the surplus arose, by means of an adjustment to the assessed contributions, unless otherwise decided by the Conference.

- 17.2 Current liabilities as at 31 December 2022 of EUR 18 thousand (2021: EUR 18 thousand) represent cash surpluses from 2013 and prior years withheld from the States Parties due to non-payment of assessed contributions to the OPCW.

17.3 The following amounts have been recognised as a financial liability in the statement of financial position:

(in EUR, thousands)	2022	
	Non-current	Current
Balance as at 1 January 2022	-	18
Final cash surplus for 2021	5,884	-
Balance as at 31 December 2022	5,884	18

(in EUR, thousands)	2021	
	Non-current	Current
Balance as at 1 January 2021	-	18
Final cash surplus for 2020	4,545	-
Balance as at 31 December 2021	4,545	18

17.4 Further details regarding the calculation of the cash surplus are presented in the Appendix.

18. EMPLOYEE BENEFITS

18.1 Employee benefit liabilities comprise the following items:

(in EUR, thousands)	Note	2022			2021		
		Non-current	Current	Total	Non-current	Current	Total
Employee Benefit							
Long-term employee benefits							
Post-employment benefits							
Repatriation grant	18.6	1,374	1,689	3,063	1,979	968	2,947
Removal	18.6	272	414	686	889	312	1,201
Repatriation travel	18.6	123	210	333	249	86	335
Death benefit	18.6	390	48	438	362	34	396
Total post-employment benefits		2,159	2,361	4,520	3,479	1,400	4,879
Other long-term employee benefits							
Home leave	18.12	64	548	612	2	534	536
Total long-term employee benefits		2,223	2,909	5,132	3,481	1,934	5,415
Short-term employee benefits							
Annual leave	18.2	0	3,109	3,109	-	2,195	2,195
Other short-term employee benefits	18.2	0	302	302	-	180	180
Total short-term employee benefits		0	3,411	3,411	-	2,375	2,375
Total employee benefits		2,223	6,320	8,543	3,481	4,309	7,790

Short-term employee benefits

18.2 As described in note 3.20, short-term employee benefits comprise: recurring benefits, deductions, and contributions (including salaries, post adjustments, and dependency allowances); compensated absences (annual leave); other short-term benefits (retroactive payments, education grants, income tax reimbursements, travel and removal costs at initial appointment, and assignment grants); and the current portion of long-term benefits provided to current employees.

- 18.3 Further disclosure of these items is provided in notes 28 (employee benefit expenses) and 37 (key management remuneration).

Post-employment benefits

- 18.4 Liabilities relating to post-employment are calculated by a qualified and independent actuary. The actuarial valuation as at 31 December 2022 was finalised on 30 March 2023.

Defined contribution plans

- 18.5 The OPCW's pension plan is the Provident Fund. The OPCW contributes a fixed amount for all employees into the Provident Fund. Upon departure from the OPCW (provided a minimum service period of three months has been performed), the employee receives contributions made by the OPCW on their behalf and accrued interest. After this payment upon departure, the OPCW has no remaining legal or constructive obligations to pay further contributions. During the period ended 31 December 2022, a Provident Fund contribution of EUR 8,160 thousand (2021: EUR 7,514 thousand) has been recognised in the employee benefit expenses line of the statement of financial performance (note 28), representing the OPCW's contribution to the Provident Fund "B" accounts for 2022.

Defined benefit plans

- 18.6 The OPCW provides the following post-employment benefits to eligible employees: death benefits (payments to surviving spouse and dependents); repatriation grant (assistance with repatriation expenses upon separation from the OPCW); travel costs at separation (assistance with travel expenses upon separation from the OPCW); and removal costs at separation (assistance with removal costs upon separation from the OPCW). The movement in the defined benefit obligation over the year is as follows:

(in EUR, thousands)	Per Actuarial Valuation	
	2022	2021
Balance as at 1 January	4,879	5,674
Current service cost	919	1,305
Interest cost	(21)	(31)
Actuarial (gains)/losses	(324)	(1,008)
Benefits paid	(933)	(1,061)
Balance as at 31 December	4,520	4,879

- 18.7 The defined benefit obligation disclosed above is wholly unfunded. As a result, there are no plan assets.

(in EUR, thousands)	2022	2021
Balance as at 31 December		
Present value of defined benefit obligation	4,520	4,879
Fair value of plan assets	-	-
Deficit/(surplus) in the plan	4,520	4,879

- 18.8 A reconciliation of the present value of the defined benefit obligation to the liability in the statement of financial position is as follows:

(in EUR, thousands)	2022	2021	2020	2019	2018
Present value of unfunded obligations	4,520	4,879	5,674	5,763	5,135
Liability in the statement of financial position	4,520	4,879	5,674	5,763	5,135

- 18.9 The amounts recognised in the statement of financial performance based on actuarial valuation of post-employment benefits are as follows:

(in EUR, thousands)	2022	2021
Current service cost	919	1,305
Interest cost	(21)	(31)
Total expense recognised in the statement of financial performance	898	1,274

- 18.10 The statement of changes in net assets includes a positive change of EUR 324 thousand relating to actuarial gains in 2022 (2021: actuarial gains of EUR 1,008 thousand). Post-employment benefits are not funded, and hence there is a net defined benefit liability.

- 18.11 The expected total contribution to post-employment benefit plans (expected benefit payment to beneficiaries) for the year ended 31 December 2023 is EUR 2,361 thousand (2022: EUR 1,400 thousand).

Other long-term employee benefits

- 18.12 As described in note 3.21, other long-term employee benefits include home leave benefits. As of the current reporting period, the OPCW has discontinued the use of actuarial valuation to determine the value of home leave liability after reviewing the nature and value of the liability as well as the practice of other similar international organisations and United Nations entities. The movement in other long-term employee benefit liabilities over the year is as follows:

(in EUR, thousands)	2022	2021
Current liability	548	534
Non-current liability	64	2
Balance as at 31 December	612	536

- 18.13 During 2022, there was EUR 429 thousand paid in respect of home leave benefit entitlements, compared to EUR 496 thousand in 2021.

- 18.14 The defined benefit obligation in respect of other long-term employee benefits is wholly unfunded. As a result, there are no plan assets.

(in EUR, thousands)	2022	2021
Balance as at 31 December		
Present value of defined benefit obligation	612	536
Fair value of plan assets	-	-
Deficit/(surplus) in the plan	612	536

- 18.15 The principal assumptions used for post-employment benefits and other long-term employee benefits as at 31 December 2022 are the following:

Long-term employee benefits	2022	2021
Discount rate: Death benefits	3.60%	0.45%
Discount rate: Repatriation grant, removal costs, travel costs	2.95%	-0.30%
Inflation	2.00%	1.90%
Indexation: Travel and removal costs	2.00%	1.90%
Turnover rate	8.00	8.00%
Mortality tables: Dutch generational tables “AG prognosis table”	2022 table	2018 table
Future salary increases	Based on United Nations salary scales and inflation	

- 18.16 If the discount rates used in the determination of the employee benefit expense and liability for active participants were higher or lower by 0.25% from the management’s estimate, the carrying amount of the benefit liability would be an estimated EUR 24 thousand lower (2021: EUR 31 thousand lower) or EUR 23 thousand higher (2021: EUR 31 thousand higher), respectively.

19. ACCOUNTS PAYABLE

(in EUR, thousands)	2022	2021
Accounts payable – vendors	4,260	3,600
Accounts payable – staff	302	92
Reimbursements to governments	0	-
Total accounts payable	4,562	3,692

20. OTHER NON-CURRENT LIABILITIES

(in EUR, thousands)	2022	2021
Assessed contributions with performance obligations	2,406	5,598
Headquarters lease incentive liability	700	700
Total other non-current liabilities	3,106	6,298

Assessed contributions with performance obligations

- 20.1 Assessed contributions with performance obligations represent the estimated cash surplus for 2022, which will be determined in 2023. IPSAS requires that a liability be recognised in respect of an inflow of resources from a non-exchange transaction that are also recognised as assets, to the extent that a present obligation exists against the same inflow. Performance obligations exist as at 31 December 2022 with respect to assessed contributions received or receivable requiring recognition of a corresponding liability. The EUR 5.6 million assessed contributions with performance obligation reported in 2021 is now reversed and the adjusted final cash surplus is reclassified to cash surplus—reimbursable to States Parties.
- 20.2 The cash surplus for 2021 was determined in 2022 as per note 17 and paragraph 3.2 in the Appendix.

Headquarters lease incentive liability

- 20.3 A liability is recognised for the Headquarters operating lease incentive in line with IPSAS 13 and IFRS (SIC-15[5]). The non-current portion of the Headquarters lease incentive liability is EUR 700 thousand at the reporting date (2021: EUR 700 thousand). The Headquarters lease incentive liability is offset against operating lease expenses over the ten-year lease term from 2019, on a straight-line basis. The current portion of this liability is detailed in note 22.

21. DEFERRED REVENUE

(in EUR, thousands)	2022	2021
Deferred voluntary contributions		
Trust funds for Syria	2,757	5,220
Trust fund for security and business continuity	3,337	4,118
Trust fund for a Centre for Chemistry and Technology	1,889	2,574
Trust fund for training	1,097	1,225
Trust fund for the implementation of Article X	1,041	903
Trust fund for EU Council decision 2019	342	2,576
Other trust funds	434	1026
Total deferred voluntary contributions	10,897	17,642
Deferred assessed contributions	3,470	1,557
Total deferred revenue	14,367	19,199

Some voluntary contributions received for trust funds as at the reporting date also require the recognition of liabilities, as they contain performance obligations which have not been met at the reporting date, and where the donor demonstrates a history of repayment of unspent balances.

22. OTHER CURRENT LIABILITIES

(in EUR, thousands)	2022	2021
Special funds with conditions	1,607	1,840
Voluntary contributions received in advance	1,745	668
Headquarters lease incentive liability	140	140
Other liabilities	43	36
Total other liabilities	3,535	2,684

- 22.1 Special funds with performance obligations represent the balance of certain special funds where any unspent balances are to be returned to States Parties.
- 22.2 Voluntary contributions received in advance represent cash amounts received where the relevant contribution agreement has not been finalised as at the reporting date. This differs to deferred revenue, where the purpose of the funding has been determined as at the reporting date.

23. PROVISIONS

(in EUR, thousands)	2022	2021
As at 1 January	200	200
Increase of provisions	50	-
As at 31 December	250	200

Provisions raised in 2020 relate to the anticipated costs associated with the move from the Rijswijk Laboratory and Equipment Store premises in 2023 (upon completion of the construction of the ChemTech Centre), for which there is a present obligation for the OPCW as at the reporting date, in line with IPSAS 19 (note 3.25). A new provision for EUR 50 thousand relates to interest on legal claim that may not be covered by the insurance service provider in the amount of EUR 28.2 thousand, as well as potential outflows related to the outcome of medical evaluations requested to be undertaken by the Health and Safety Branch.

24. ASSESSED CONTRIBUTIONS REVENUE

Every State Party is assessed a contribution due to the OPCW each year. The amounts of assessed contributions approved by the Conference for the year 2022 are EUR 68,422 thousand (2021: EUR 67,120 thousand). The amount recognised as revenue in 2022 with respect to inflow of resources in assessed contributions as well as the increase of previously recognised liabilities relating to satisfied obligations is EUR 65,729 thousand (2021: EUR 66,821 thousand). Amounts for which the OPCW does not satisfy the obligations are eligible for distribution as cash surplus that is determined in the budgetary accounts (see Appendix 3.2).

25. VOLUNTARY CONTRIBUTIONS REVENUE

(in EUR, thousands)	2022	2021
Trust Fund for Syria Missions	4,363	2,950
Trust fund for EU Council decision 2019	2,234	8,008
Trust fund for the implementation of Article X	2,050	200
Trust fund for a Centre for Chemistry and Technology	1,985	8,163
Trust fund for security and business continuity	1,941	182
Other trust funds and special funds	1,400	1,787
Total voluntary contributions revenue	13,973	21,090

Refer to note 21 “Deferred revenue” for additional information regarding liabilities recognised in regard to voluntary contributions with conditions.

26. ARTICLE IV AND ARTICLE V REVENUE

26.1 The OPCW charges States Parties for its services provided in the verification and destruction of chemical weapons.

26.2 With respect to these specific services provided, the OPCW invoices amounts to possessor States Parties relating to inspectors’ salaries, inspection travel expenses, including airfare tickets, daily subsistence allowances, interpretation and cargo expenses, and other costs incurred while performing these services.

27. OTHER REVENUE

(in EUR, thousands)	2022	2021
Other exchange revenue	60	168
Gain on sale of assets	0	26
Other non-exchange revenue	1,236	-
Total other operating revenue	1,296	194

28. EMPLOYEE BENEFIT EXPENSES

(in EUR, thousands)	2022	2021
Short-term employee benefit expenses		
Salaries and post-adjustment expenses	34,082	33,463
Common staff costs	7,378	6,030
Total short-term employee benefit expenses	41,460	39,493
Post-employment benefit expenses		
Provident Fund pension expense (defined contribution plan)	8,160	7,514
Other post-employment benefits	922	1,269
Total post-employment benefit expenses	9,082	8,783
Other long-term employee benefit expenses		
Home leave expense	464	(785)
Total other long-term employee benefit expenses	464	(785)
Total – Employee benefit expenses	51,006	47,491
Less: Capitalised employee benefit expenses – intangible assets under construction by OPCW staff	(63)	(295)
Net employee benefit expenses	50,943	47,196

- 28.1 Common staff costs include salaries and post-adjustment expenses, dependency allowances, rental subsidies, medical insurance subsidies, death and disability insurances, annual leave expenses, childcare allowance, employee onboarding expenses, educational grant/travel expenses, and other expenses.
- 28.2 Other post-employment benefits include Provident Fund pension expenses (defined contribution plan), death benefit expenses, repatriation grant expenses, travel costs upon separation from the OPCW, and removal costs upon separation from the OPCW.
- 28.3 Capitalised employee benefit expenses include work by staff members on internally developed intangible assets.

29. CONSULTANCY AND CONTRACTUAL SERVICES

(in EUR, thousands)	2022	2021
Consultancy and Special Service Agreements	4,889	4,369
UNOPS contractual services	3,128	1,801
ICT Services	1,690	1,979
Training fees	758	441
Translation and interpretation	672	508
Other contractual services	1,857	1,560
Total consultancy and contractual services	12,994	10,658

30. TRAVEL EXPENSES

(in EUR, thousands)	2022	2021
Official travel – non-staff	4,094	384
Inspection travel	2,835	1,836
Official travel – staff	644	25
Training travel	397	219
Total travel expenses	7,970	2,464

Travel expenses represent costs incurred in relation to official inspection and training travel for staff and contractors. Costs include expenses incurred for transportation, daily subsistence allowance, and other travel costs.

31. GENERAL OPERATING EXPENSES

(in EUR, thousands)	2022	2021
Maintenance and utilities	3,833	3,067
Impairment of assessed contributions receivable	1,256	801
Supplies and materials	690	2,227
Inventories	420	546
Impairment of Article IV and Article V receivables	176	108
Other general operating expenses	-	74
Maintenance and utilities	481	442
Total general operating expenses	6,856	7,265
Less: capitalised general operating expenses – intangible assets under construction	-	-
Total general operating expenses	6,856	7,265

General operating expenses include rental expenses for premises used by the OPCW, including the rental of the Headquarters building.

32. OTHER OPERATING EXPENSES

(in EUR, thousands)	2022	2021
Purchases of furniture and equipment	1,305	1,818
Internships, grants, contributions to seminars, and workshops	584	355
Other staff costs	288	161
Loss on disposal of property, plant, and equipment	160	20
Total other expenses	2,337	2,354

Other operating expenses include the purchase costs of equipment which does not qualify as property, plant, and equipment (note 6), which has decreased in 2022.

33. FINANCE INCOME AND COSTS

(in EUR, thousands)	2022	2021
Unrealised foreign currency gains / (Losses)	192	781
Realised foreign currency gains / (Losses)	34	(60)
Interest income/(charges) on cash and cash equivalents	(51)	(32)
Net finance income/(costs)	175	689

Finance income and costs include gains and losses associated with foreign currency transactions where the UNORE differs to the exchange rate offered by the bank(s) party to the transaction. Foreign currency gains in 2022 also include gains made on United States dollar denominated cash and receivables due to the strengthening of the United States dollar against the euro.

34. SERVICES IN KIND

34.1 Services in kind are services provided to the OPCW by individuals and States Parties in a non-exchange transaction. The major classes of services in kind received by the OPCW are described below.

Accommodation and transportation services

34.2 For various OPCW activities, such as training seminars and international meetings, accommodation and transportation services are provided.

Security services

34.3 During various OPCW activities, such as training seminars and international meetings, security services are provided to ensure the security and safety of attendees.

Laboratory services

34.4 Specialised laboratory services are provided regarding the testing and evaluation of data, preparation and analysis of samples, and other specialised services.

Usage of facilities

34.5 For various OPCW activities such as training seminars and international meetings, facilities (such as usage of meeting facilities, break facilities, etc.) are provided. Elements of the rental of the World Forum Convention Centre, The Hague, by the OPCW were funded directly by the Host Country.

Other services

34.6 Other services provided to the OPCW include the transportation of chemical samples, specialised employees for the delivery of training courses, catering consultancy regarding website design, and printing services.

35. CONTINGENT LIABILITIES

- 35.1 The OPCW recognised a provision for EUR 200 thousand related to the anticipated costs associated with the move from the Rijswijk Laboratory and Equipment Store premises in 2023 (note 23). An additional cost of EUR 200 thousand could be incurred during the move, but it is unlikely and is considered as a contingent liability.
- 35.2 The OPCW has contingent liabilities in respect of claims arising in the course of business for which estimates cannot be made at present.

36. COMMITMENTS**Capital commitments**

- 36.1 Capital expenditure contracted for at the reporting date, but not yet incurred, is as follows:

(in EUR, thousands)	2022	2021
Property, plant, and equipment	4,919	19,105
Intangible assets	624	301
Total	5,543	19,406

Operating lease commitments

- 36.2 The future aggregate minimum lease payments under non-cancellable operating leases where the OPCW is the lessee are as follows:

(in EUR, thousands)	2022	2021
No later than 1 year	3,260	3,147
Later than 1 year and no later than 5 years	12,306	11,646
Later than 5 years	387	3,278
Total	15,953	18,071

- 36.3 The OPCW leases various buildings (including its Headquarters in The Hague, the Netherlands), office space, conference facilities, parking facilities, and various items of office and laboratory equipment under non-cancellable operating leases. The lease terms generally range from one year to 10 years. The OPCW is typically required to provide a notice period in order to cancel any of these operating lease agreements. During 2023, the OPCW will cease the operating lease agreement for the Laboratory and Equipment Store as these will be transferred to the new ChemTech Centre building.
- 36.4 Operating lease payments that are recognised in the statement of financial performance amount to EUR 3,687 thousand (2021: EUR 3,067 thousand) and are disclosed in note 31.

37. RELATED PARTY TRANSACTIONS

- 37.1 The OPCW is not controlled by another entity; however, the OPCW Provident Fund is considered a related party of the OPCW as it shares key management personnel (Deputy Director-General), and the OPCW provides the principal source of Provident Fund Participants' contributions.

37.2 The OPCW provides administrative support to the Provident Fund free of charge. All other transactions between the OPCW and the Provident Fund are conducted at arm's length. As at 31 December 2022, EUR 4.0 thousand was payable from the OPCW to the Provident Fund (2021: EUR 4.0 thousand), and no amount was due from the Provident Fund to the OPCW (2021: EUR 0).

37.3 The OPCW is not party to any further arrangements that could be considered as related parties.

38. KEY MANAGEMENT REMUNERATION

38.1 Key management personnel for the OPCW are the Director-General and the Deputy Director-General. No close family member of the key management personnel was employed by the OPCW during the year.

38.2 The remuneration paid to key management for employee services is shown below and includes benefits available in line with the OPCW Staff Regulations (for example, base salary, post adjustment, provident fund contributions, education grant, home leave, and repatriation costs).

(in EUR, thousands)	2022	
	Number of Posts	Aggregate Remuneration
Director-General and Deputy Director-General	2	693

(in EUR, thousands)	2021	
	Number of Posts	Aggregate Remuneration
Director-General and Deputy Director-General	2	639

38.3 The undue effort required for the OPCW to determine the amount of post-employment benefits and other long-term employee benefits relating to key management precludes disclosure of these amounts.

39. SEGMENT INFORMATION

39.1 The OPCW's segment reporting is based on the structure of the OPCW's Programme and Budget, as this reflects the OPCW's manner of evaluating past performance in achieving its objectives and making decisions about future allocation of resources in the OPCW. The OPCW's segments are as follows:

General Fund

- (a) Verification;
- (b) Inspections;
- (c) International Cooperation and Assistance;
- (d) Support to the Policy-Making Organs;

- (e) External Relations;
- (f) Executive Management; and
- (g) Administration

Special funds and Voluntary Fund for Assistance

- (a) Special account for the OPCW Equipment Store;
- (b) Special account for activities related to designated laboratories;
- (c) Special account for the new ERP system;
- (d) Special fund for OPCW special missions;
- (e) Special fund for the Fourth Review Conference²³ in 2018;
- (f) Special fund for cybersecurity, business continuity, and physical infrastructure security;
- (g) Special fund for IT infrastructure to support the implementation of decision C-SS-4/DEC.3;²⁴
- (h) Special fund for capacity building for laboratories;
- (i) Special fund for major capital investments;
- (j) COVID-19 Variability Impact Fund; and
- (k) Voluntary Fund for Assistance.

Trust funds

- (a) Trust fund for regional seminars;
- (b) Trust fund for courses for personnel of National Authorities;
- (c) Trust fund for the implementation of Article X;
- (d) United States voluntary trust fund;
- (e) Trust fund for the Associate Programme;
- (f) Trust fund for the procurement of GC-MS²⁵ systems;
- (g) Trust fund for the implementation of Article VII obligations;

²³ Review Conference = Special Session of the Conference of the States Parties to Review the Operation of the Chemical Weapons Convention.

²⁴ C-SS-4/DEC.3, dated 27 June 2018.

²⁵ GC-MS = gas chromatography-mass spectrometry.

- (h) Trust fund for the Internship Support Programme;
- (i) Trust fund for the Scientific Advisory Board;
- (j) Trust fund for OPCW events;
- (k) Trust fund for the Conference on International Cooperation and Chemical Safety and Security;
- (l) Trust fund for training;
- (m) Trust fund for the International Support Network for Victims of Chemical Weapons
- (n) Syria trust fund for the destruction of chemical weapons;
- (o) OPCW Nobel Peace Prize trust fund;
- (p) Trust fund for programme support costs;
- (q) Trust Fund for Syria Missions;
- (r) Trust fund for support to Libya;
- (s) Trust fund for a Centre for Chemistry and Technology;
- (t) Trust fund for security and business continuity;
- (u) Trust fund for the Junior Professional Officers Programme;
- (v) Trust fund for EU Council decision 2019; and
- (w) Trust Fund for OPCW Conference of the States Parties and Special Sessions Meetings.

39.2 Further details regarding OPCW segments are provided in the Appendix.

Segment information*

For the period ended 31 December 2022

(in EUR, thousands)	Verification	Inspections	International Cooperation and Assistance	Support to the Policy-Making Organs	External Relations	Executive Management	Administration	Trust Funds and Special Funds	Unallocated ²⁶	Total
Total segment revenue/income	9,350	21,445	7,206	5,031	2,045	9,561	14,336	13,973	60	83,005
Segment revenue from budget allocation:										
Assessed contributions	9,177	19,099	7,073	4,938	2,007	9,364	14,071	0	0	65,729
Article IV & Article V revenue	-	1,987	-	-	-	-	-	-	-	1,987
Segment revenue from external sources:										
Voluntary contributions										
Other income /revenue	173	359	133	93	38	197	265	13,973	60	13,973
Total segment expense	9,301	21,582	6,990	5,347	2,146	10,441	15,766	11,473	218	83,264
Employee benefit expenses	7,258	16,416	3,323	4,450	1,885	8,616	7,863	914	218	50,943
Consultancy and contractual services	537	1,088	284	549	139	735	2,139	7,523	-	12,994
Travel expenses	56	2,969	2,733	197	21	319	24	1,651	-	7,970
Depreciation, amortisation, and impairment	821	341	59	7	-	294	642	-	-	2,164
General operating expenses	528	555	251	141	76	216	4,567	522	-	6,856
Other operating expenses	101	213	340	3	25	261	531	863	-	2,337

* The OPCW does not attribute assets and liabilities to reporting segments.

Segment information*

For the period ended 31 December 2021

(in EUR, thousands)	Verification	Inspections	International Cooperation and Assistance	Support to the Policy-Making Organs	External Relations	Executive Management	Administration	Trust Funds and Special Funds	Unallocated ²⁶	Total
Total segment revenue/income	9,129	21,958	7,149	4,722	2,015	9,478	14,238	21,087	194	89,970
Segment revenue from budget allocation:										
Assessed contributions	9,129	20,090	7,149	4,722	2,015	9,478	14,238	-	-	66,821
Article IV & Article V revenue	-	1,868	-	-	-	-	-	(3)	-	1,865
Segment revenue from external sources:										
Voluntary contributions	-	-	-	-	-	-	-	21,090	-	21,090
Other income /revenue	-	-	-	-	-	-	-	-	194	194
Total segment expense	8,890	19,313	4,049	4,873	2,053	10,174	15,749	8,513	(1,774)	71,840
Employee benefit expenses	7,133	15,379	3,051	3,896	1,825	8,604	7,956	1,126	(1,774)	47,196
Consultancy and contractual services	103	522	434	584	88	734	2,304	5,889	-	10,658
Travel expenses	48	1,674	112	191	3	32	7	397	-	2,464
Depreciation, amortisation, and impairment	677	366	-	7	-	204	649	-	-	1,903
General operating expenses	751	1,182	241	190	113	359	4,103	326	-	7,265
Other operating expenses	178	190	211	5	24	241	730	775	-	2,354

* The OPCW does not attribute assets and liabilities to reporting segments.

40. BUDGETARY INFORMATION

40.1 The approved Programme and Budget covers the period from 1 January 2022 to 31 December 2022. No additional entities are included. The Budget is prepared using a combination of cash and commitment-based accounting while these Financial Statements are prepared using accrual-based accounting. Additional information regarding the budgetary accounts is presented as an Appendix. The Appendix is not considered part of the IPSAS Financial Statements.

Differences between budget and actual amounts

40.2 The following is an overview of the significant differences that have arisen between the OPCW's revised budget and actual amounts, presented in Statement V ("Statement of Comparison of Budget and Actual Amounts for 2022") of these Financial Statements.

40.3 There was no change between the overall original and final budgets during 2022, which totalled EUR 70,454 thousand for Chapter 1 and Chapter 2 programmes.

40.4 The higher budget implementation partly reflects the increasing normalisation of programmatic activities following the COVID-19 pandemic, particularly those relying heavily on official travel for their execution. However, the impact of unprecedented inflation was the most significant component of the increased implementation rate, with both staff costs and non-staff costs rising far beyond those anticipated when the Programme and Budget for 2022–2023 was approved.

40.5 The level of expenditure for 2022 reflects an overall budget utilisation rate of 97% for Chapter 1 and Chapter 2 programmes. The Chapter 1 utilisation rate was 95.4%; the Chapter 2 rate was 98.1%.

40.6 The Secretariat spent close to the full amount of the final budget in nearly all programmes. The utilisation of programme budgets was between 86.9% and 99.9%. Factors influencing the budget utilisation will be detailed in the 2022 Programme Performance Report and taken into consideration when formulating the biennial Programme and Budget for 2024–2025.

40.7 Transfers were made between programmes and subprogrammes in accordance with Financial Regulation 4.6.

Reconciliation of actual amounts from a budgetary basis to a financial statement basis

40.8 The modified cash basis is used to prepare the budgetary amounts. A reconciliation of the actual amounts on the budgetary basis to the net cash flows from operating, investing, and financing activities is presented below.

For the year ended 31 December 2022:

(in EUR, thousands)	Operating	Financing	Investing	Total
Actual net surplus amount on budgetary basis (Statement of comparison of budget and actual amounts)	2,076	-	-	2,076
Basis differences	6,056	2,349	-	8,405
Presentation differences	18,577	-	(18,577)	-
Entity differences				
Trust funds and special funds	(22,288)	959	-	(21,329)
Actual amount in the IPSAS cash flow statement	4,421	3,308	(18,577)	(10,848)

For the year ended 31 December 2021:

(in EUR, thousands)	Operating	Financing	Investing	Total
Actual net surplus amount on budgetary basis (Statement of comparison of budget and actual amounts)	5,585	-	-	5,585
Basis differences	(12,957)	-	-	(12,957)
Presentation differences	7,891	-	(7,891)	-
Entity differences				
Trust funds and special funds	13,987	-	-	13,987
Actual amount in the IPSAS cash flow statement	14,506	-	(7,891)	6,615

40.9 The differences arising are basis and entity differences. Basis differences arise because the budgetary amounts are prepared on a different basis than the IPSAS Financial Statements, as described above. Entity differences typically arise because the budget includes transactions relating to the General Fund only, whereas the OPCW consolidated IPSAS Financial Statements include all programmes and entities. Timing differences typically do not arise because the budget period and the reporting period for these Financial Statements are identical.

41. EVENTS AFTER THE REPORTING PERIOD

No significant events are reported after the reporting date. The date of authorisation for issue is the date at which the Financial Statements are certified by the external auditors.

Appendix: Additional Information to the Financial Statements (Unaudited)

Appendix

ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS (UNAUDITED)

1. BUDGETARY ACCOUNTS

- 1.1 The OPCW Financial Regulations 11.1(b) to 11.1(e) require the Director-General to provide the following information in addition to the Financial Statements prepared in accordance with the International Public Sector Accounting Standards (IPSAS).
- (a) a statement for the status of appropriations, as per Financial Regulation 11.1(b), including:
 - (i) the original budget appropriations;
 - (ii) the appropriations as modified by any transfers of funds;
 - (iii) credits, if any, other than appropriations approved by the Conference of the States Parties (hereinafter “the Conference”);
 - (iv) the amounts charged against the appropriations and/or other credits; and
 - (v) an unobligated balance of appropriations;
 - (b) a statement on the investments held at 31 December, as per Financial Regulation 11.1(c);
 - (c) such notes, other statements, and schedules, as are required to provide a fair presentation of the Financial Statements and the results of the OPCW’s operations for the financial year, as per Financial Regulation 11.1(d); and
 - (d) a statement of all losses, as per Financial Regulation 11.1(e).
- 1.2 Furthermore, Financial Rule 10.4.01 requires the disclosure of any ex gratia payments authorised by the Director-General and paid during the financial year.
- 1.3 Accordingly, such information for items 1.1(a) and 1.1(b) above is provided in the IPSAS Financial Statements and supporting note disclosures. This Appendix presents information relating to items 1.1(c), 1.1(d), and 1.2 above, and also further statements and schedules based on financial information derived within the OPCW’s budgetary accounting.
- 1.4 Pursuant to the OPCW’s Financial Regulation 2.2, the budgetary accounting involves the recording and reporting of financial information on a modified cash basis, the same basis as that followed for appropriations for the regular budget or for other funds governed by other agreements, in a manner that is consistent with the Financial Regulations and Rules, with Financial Directives, and with any other instructions as may be issued by or on behalf of the Director-General for their administration. This budgetary account differs in nature to the IPSAS basis of reporting, as set out in note 40 of the IPSAS Financial Statements.

- 1.5 The required additional information has, therefore, been extracted from the budgetary accounts and presented in the following schedules and statements under the indicated paragraphs of the Appendix:
- (a) Statement of cash and investments (paragraphs 2.1 and 2.2);
 - (b) Statement of provisional cash surplus for 2022 – General Fund – as at 31 December 2022 (paragraph 3.1);
 - (c) Statement of cash surplus for 2021 – General Fund – as at 31 December 2022 (paragraph 3.2);
 - (d) Statement of savings on prior year’s obligations – General Fund (paragraph 3.3);
 - (e) Statement of cash surpluses credited to States Parties – General Fund – During the period ended 31 December 2022 (paragraph 3.4);
 - (f) Statement of expenditure by funding programme and major expenditure category – General Fund (paragraph 3.5);
 - (g) Trust funds – voluntary contributions by donors in 2022 (paragraph 3.6);
 - (h) Ex gratia payments (paragraph 4);
 - (i) Statement of losses (paragraphs 5.1 and 5.2); and
 - (j) Overview of OPCW programmes, special funds, and trust funds (paragraphs 6.1 – 6.4).

2. STATEMENT OF CASH AND INVESTMENTS (INCLUDING TERM DEPOSITS²⁷) – ALL FUNDS (FINANCIAL REGULATION 11.1(C))

2.1 Statement of cash and investments (term deposits) – all funds as at 31 December 2022.

(in EUR, thousands)

Fund	Cash	Investments	Total
General Fund	13,154	-	13,154
Working Capital Fund	3,139	-	3,139
Voluntary Fund for Assistance	1,583	-	1,583
Trust funds	26,731	-	26,731
Special funds	3,161	-	3,161
Total cash and investments	47,768	-	47,768

2.2 Statement of cash and investments (term deposits) – all funds as at 31 December 2021.

(in EUR, thousands)

Fund	Cash	Investments	Total
General Fund	3,485	-	3,485
Working Capital Fund	8,133	-	8,133
Voluntary Fund for Assistance	1,568	-	1,568
Trust funds	41,368	-	41,368
Special funds	3,719	-	3,719
Total cash and investments	58,273	-	58,273

²⁷

No term deposit investments were held at the reporting dates, due to negative interest rates charged on such deposits.

3. OTHER STATEMENTS (FINANCIAL REGULATION 11.1(D))

3.1 Budgetary accounts: Statement of cash surplus for 2022 – General Fund – as at 31 December 2022 (in EUR)

The provisional cash surplus for 2022 was determined in 2022:

(in EUR, thousands)

PROVISIONAL CASH SURPLUS / (DEFICIT) FOR 2022	2022
Receipts	64,664
Disbursements	(66,053)
EXCESS / (SHORTFALL) OF RECEIPTS OVER DISBURSEMENTS	(1,389)
Unliquidated obligations	(2,259)
Transfers to/from other funds	
PROVISIONAL SURPLUS / (DEFICIT) AS AT END OF 2022	(3,648)

The final cash surplus for 2022 will be determined in 2023.

3.2 Budgetary accounts: Statement of cash surplus for 2021 – General Fund – as at 31 December 2022 (in EUR)

The provisional cash surplus for 2021 was determined in 2021. The final cash surplus for 2021 was determined in 2022:

(in EUR, thousands)

PROVISIONAL CASH SURPLUS / (DEFICIT) FOR 2021	2021
Receipts	62,250
Disbursements	(60,049)
EXCESS / (SHORTFALL) OF RECEIPTS OVER DISBURSEMENTS	2,201
Unliquidated obligations	(3,585)
Transfers to/from other funds	
PROVISIONAL SURPLUS / (DEFICIT) AS AT END OF 2021	(1,384)
FINAL CASH SURPLUS / (DEFICIT) FOR 2021 (determined in 2022)	2021
PROVISIONAL SURPLUS/(DEFICIT)	(1,384)
Receipt of:	
Arrears from prior years' annual contributions	2,713
Miscellaneous income from prior years	2,178
Savings on prior period's obligations (paragraph 5.11)	2,181
PRIOR YEAR CASH SURPLUS/(DEFICIT)	5,688
Prior period adjustment	196
2020 FINAL CASH SURPLUS²⁸/(DEFICIT)	4,545
CUMULATIVE NET CASH SURPLUS / DEFICIT	5,884

28

Final cash surpluses identified for any past period eligible for distribution to States Parties in accordance with Financial Regulation 6.3 and the scale of assessments for the period to which the cash surplus relates, unless otherwise decided by the Conference. The allocation is applied only to amounts owed to the OPCW by a State Party, and for States Parties which have paid their respective contributions in full for the period to which a cash surplus relates. In the IPSAS-based Financial Statements, cash surpluses are recognised as liabilities.

3.3 Budgetary accounts: Statement of savings on prior year's obligations – General Fund
(in EUR)

(a) For the period ended 31 December 2022:

(in EUR, thousands)

Funding Programme	Unliquidated Obligations as at End of 2021	Disbursements During 2022	Savings on Prior Year's Obligations
Programme 1. Verification	632	346	286
Programme 2. Inspections	1,402	398	1,004
Total verification costs (Chapter 1)	2,034	744	1,290
Programme 3. International Cooperation and Assistance	389	200	189
Programme 4. Support to the Policy-Making Organs	204	56	148
Programme 5. External Relations	113	62	51
Programme 6. Executive Management	285	82	203
Programme 7. Administration	560	260	300
Total administrative and other costs (Chapter 2)	1,551	660	891
TOTAL	3,585	1,404	2,181

(b) For the period ended 31 December 2021:

(in EUR, thousands)

Funding Programme	Unliquidated Obligations as at End of 2020	Disbursements During 2021	Savings on Prior Year's Obligations
Programme 1. Verification	357	193	164
Programme 2. Inspections	1,141	420	721
Total verification costs (Chapter 1)	1,498	613	885
Programme 3. International Cooperation and Assistance	1,052	995	57
Programme 4. Support to the Policy-Making Organs	163	37	126
Programme 5. External Relations	19	10	9
Programme 6. Executive Management	363	178	185
Programme 7. Administration	984	717	267
Total administrative and other costs (Chapter 2)	2,581	1,937	664
TOTAL	4,079	2,550	1,529

3.4 Budgetary accounts: Statement of cash surpluses credited to States Parties – General Fund – During the period ended 31 December 2022.

No cash surpluses relating to 2019 and prior years were applied in 2022.

3.5 Budgetary accounts: Statement of expenditure by funding programme and major expenditure category – General Fund (in EUR)

(a) For the period ended 31 December 2022:

(in EUR, thousands)

Funding Programme	Staff Costs	Travel Costs	Contractual Services	Workshops, Seminars, and Meetings	General Operating Expenses	Furniture and Equipment	Total Expenditure	of Which: Budgetary Obligations
Programme 1. Verification	7,275	178	463	40	333	265	8,554	343
Programme 2. Inspections	15,830	2,914	919	243	334	131	20,371	527
Total verification costs (Chapter 1)	23,105	3,092	1,382	283	667	396	28,925	871
Programme 3. International Cooperation and Assistance	3,247	2,921	565	12	180	30	6,955	622
Programme 4. Support to the Policy-Making Organs	4,360	206	632	10	82	-	5,290	106
Programme 5. External Relations	1,810	21	166	6	62	18	2,083	29
Programme 6. Executive Management	8,699	319	731	42	131	61	9,983	116
Programme 7. Administration	7,948	46	2,078	74	4,345	585	15,076	515
Total administrative and other costs (Chapter 2)	26,064	3,513	4,172	144	4,800	694	39,387	1,388
TOTAL EXPENDITURE	49,169	6,605	5,554	427	5,467	1,090	68,312	2,259

(b) For the period ended 31 December 2021:

(in EUR, thousands)

Funding Programme	Staff Costs	Travel Costs	Contractual Services	Workshops, Seminars, and Meetings	General Operating Expenses	Furniture and Equipment	Total Expenditure	of Which: Budgetary Obligations
Programme 1. Verification	7,283	140	299	30	529	371	8,652	632
Programme 2. Inspections	15,846	2,035	346	254	227	702	19,410	1,403
Total verification costs (Chapter 1)	23,129	2,175	645	284	756	1,073	28,062	2,035
Programme 3. International Cooperation and Assistance	3,094	141	709	11	12	129	4,096	389
Programme 4. Support to the Policy-Making Organs	3,874	215	652	4	108	-	4,853	204
Programme 5. External Relations	1,904	3	97	7	56	18	2,085	113
Programme 6. Executive Management	8,596	40	928	26	61	133	9,784	285
Programme 7. Administration	7,986	37	2,170	104	3,909	560	14,766	561
Total administrative and other costs (Chapter 2)	25,454	436	4,556	152	4,146	840	35,584	1,551
TOTAL EXPENDITURE	48,583	2,611	5,201	436	4,902	1,913	63,646	3,585

3.6 Voluntary contributions by donors in 2022 (in EUR, thousands) ²⁹

Donor	2022³⁰
<u>Trust fund for a Centre for Chemistry and Technology</u>	
Unites States of America	5,103
Republic of Korea	113
Australia	98
Italy	50
Cameroon	30
Poland	5
Subtotal	5,399
<u>Trust Fund for Syria Missions</u>	
European Commission	77
France	1,000
Germany	400
Sweden	136
Denmark	134
Canada	108
Ireland	100
United Kingdom of Great Britain and Northern Ireland	59
Lithuania	30
Monaco	10
Subtotal	2,054
<u>Trust fund for the implementation of Article X</u>	
France	880
Canada	611
Spain	200
United Nations Office of Counter-Terrorism (UNOCT)	141
Australia	130
United Kingdom of Great Britain and Northern Ireland	89

²⁹ Voluntary contributions are reported on a cash basis, representing contributions received in cash in the reporting period. Amounts relating to contribution agreements signed but not yet received as at the reporting date will be reported in the financial year of the receipt.

³⁰ The following contributions were received in advance in 2022 (in EUR, thousands):

Brazil	EUR	49
China	EUR	17
Republic of Korea	EUR	83
Mexico	EUR	5
Netherlands	EUR	5
Republic of Korea	EUR	83
Spain	EUR	70
United Kingdom of Great Britain and Northern Ireland	EUR	156
Total	EUR	385

Donor	2022³⁰
New Zealand	59
Slovakia	20
Qatar	20
Czech Republic	12
Chile	9
Subtotal	2,171
<u>Trust fund for security and business continuity</u>	
Canada	1,113
United Kingdom of Great Britain and Northern Ireland	276
New Zealand	47
Denmark	40
Subtotal	1,476
<u>Trust fund for training</u>	
France	320
United Kingdom of Great Britain and Northern Ireland	139
Denmark	50
Andorra	5
Subtotal	514
<u>Trust fund for the Junior Professional Officers Programme</u>	
France	525
Subtotal	525
<u>Trust Fund for OPCW Conference of the States Parties and Special Sessions Meetings</u>	
Netherlands	187
Subtotal	187
<u>Regional seminars</u>	
Qatar	84
Subtotal	84
<u>OPCW Nobel Peace Prize trust fund</u>	
Municipality of The Hague	40
Subtotal	40
<u>Trust fund for the International Support Network for Victims of Chemical Weapons</u>	
Andorra	5
Subtotal	5
Total trust funds	12,455

4. EX GRATIA PAYMENTS

No ex gratia payments were made in 2022 (2021: EUR 25,009) by the OPCW during the reporting period.

5. STATEMENT OF LOSSES (FINANCIAL REGULATION 11.1(E))

- 5.1 During the 2022 financial year, no items required approval for write-off by the Conference in line with Financial Regulation 10.5 and relevant administrative directives. The Director-General approved irrecoverable accounts receivable and foreign VAT of EUR 507 for write-off in the 2022 financial year.
- 5.2 In addition, the OPCW Property Survey Board recommended during 2022 the write-off of further assets as losses.

6. OVERVIEW OF OPCW PROGRAMMES, SPECIAL FUNDS, AND TRUST FUNDS

General Fund programmes

- 6.1 General Fund programmes are funded through the regular budget of the Organisation, as per the biennial Programme and Budget of the OPCW:

Verification

- (a) The main activities are related to the implementation of the verification regime provided for by the Convention. The types of activities include planning, overseeing and finalising inspections; providing operational and policy guidance on verification and inspection regimes; and providing technical support.
- (b) The following subprogrammes are included: Office of the Director, Chemical Demilitarisation Branch, Declarations Branch, Industry Verification Branch, the OPCW Laboratory, and the Investigation and Identification Team.

Inspections

- (c) The main activities are related to providing inspections to verify the destruction and storage of chemical weapons by States Parties, inspecting the status of production facilities, and non-proliferation of chemical weapons in compliance with the Convention.
- (d) The following subprogrammes are included: Office of the Director, Operations and Administration Branch, Capacity-Building and Contingency-Planning Cell, Demilitarisation Inspection Cell, Industry Inspection Cell, and Safety and Analytical Cell.

International Cooperation and Assistance

- (e) The main activities include promoting the peaceful use of chemistry, facilitating implementation by States Parties of their national obligations under the Convention, and assisting States Parties to develop capabilities to deal with any situation arising out of the use or threat of use of chemical weapons.

- (f) The following subprogrammes are included: Office of the Director, Assistance and Protection Branch, International Cooperation Branch, and Implementation Support Branch.

Support to the Policy-Making Organs

- (g) The main activities are related to facilitating meetings and wider consultations between States Parties and with the OPCW Secretariat, ensuring substantive and operating support in their decision-making process, follow-up of decisions, coordination of the preparation and translation of formal documents, and providing interpretation services for formal meetings.
- (h) The following subprogrammes are included: Office of the Director, and Language Services Branch.

External Relations

- (i) The main activities include support and encouraging cooperation between the OPCW and States Parties in implementing the Convention, increasing the international level of involvement in OPCW activities and events, and enhancing partnerships and cooperation between the OPCW and the United Nations and other regional and international organisations.
- (j) The following subprogrammes are included: Office of the Director, Political Affairs and Protocol Branch, and Public Affairs Branch.

Executive Management

- (k) The main activities are related to providing strategic guidance and direction, effective governance and accountability, and organisational management and leadership within the Secretariat.
- (l) The following subprogrammes are included: Office of the Director-General, Office of the Deputy Director-General, Office of Internal Oversight, Office of the Legal Adviser, Office of Strategy and Policy, Office of Confidentiality and Security, and Health and Safety Branch.

Administration

- (m) The main activities are related to providing support for budget, finance, human resources, information services, procurement and infrastructure support, and training.
- (n) The following subprogrammes are included: Office of the Director (including Procurement Section, General Services Section, and Knowledge Management Section), Budget and Finance Branch, Human Resources Branch, and Information Services Branch.

Special funds and Voluntary Fund for Assistance

- 6.2 Special funds are established for specific purposes, with funding derived from the General Fund through the transfer of cash surpluses and/or budgetary surpluses in specific programmes.
- (a) Special fund for the OPCW Equipment Store: The purposes of this special fund are:
 - (i) to provide a basis for evaluating new technologies and samples of new equipment, the availability of which cannot be forecast on a calendar basis, and for purchasing new equipment approved by the Conference, which cannot necessarily be accomplished within the calendar year; and
 - (ii) to provide an account from which to make payments for reimbursements to States Parties for costs incurred in disposing of or decontaminating equipment on site.
 - (b) Special fund for activities related to designated laboratories: The purpose of this special fund is to provide funds for paying designated laboratories for the analysis of samples taken during on-site inspections.
 - (c) Special fund for new ERP system: The purpose of this special fund is to provide funds to meet the financial requirements of implementing the new ERP system, as set out in Conference decision C-19/DEC.7 (dated 3 December 2014).
 - (d) Special fund for OPCW special missions: The purpose of this fund is to provide a funding source for future, unforeseen special mission deployments, which will be undertaken at short notice and outside the regular programme of work, as set out in Conference decision C-20/DEC.11 (dated 3 December 2015).
 - (e) Special fund for the Fourth Review Conference in 2018: The purpose of this fund is to cover the cost of organising the Fourth Review Conference in 2018 as set out in Conference decision C-22/DEC.10 (dated 30 November 2017).
 - (f) Special fund for cybersecurity, business continuity, and physical infrastructure security: The purpose of this fund is to ensure priority investment in the areas of high organisational risk relating to cybersecurity, business continuity, and physical infrastructure security as set out in Conference decision C-23/DEC.12 (dated 20 November 2018).
 - (g) Special fund for IT infrastructure to support the implementation of decision C-SS-4/DEC.3: The purpose of this fund is to support investment in IT infrastructure in order to support the implementation of decision C-SS-4/DEC.3, as set out in Conference decision C-23/DEC.13 (dated 20 November 2018).

- (h) Special fund for capacity building for laboratories: The purpose of this fund is to augment the Organisation's capacity-building activities, with a focus on assistance and protection, chemical safety and security management, and support for laboratories in developing countries or in countries with economies in transition.
- (i) Special fund for major capital investments: The purpose of this fund is to provide funding for major capital investments for property, plant, equipment, and intangible assets.
- (j) COVID-19 Variability Impact Fund: The activities included in the fund are traditionally core activities that will be moved to the fund as a direct result of the temporary operational uncertainty surrounding the ongoing situation brought about by COVID-19 and the intention of maintaining zero nominal growth of States Parties' assessments in 2022.

6.3 The objective of the Voluntary Fund for Assistance is to coordinate and deliver assistance, in terms of Article X of the Convention, to a State Party when requested.

Trust funds

6.4 Trust funds are established to account for voluntary contributions. They may be established by the Conference or the Director-General for clearly defined activities that are consistent with the policies, aims, and activities of the OPCW for the implementation of the Convention. Presently, the following trust funds are operational within the OPCW:

- (a) Trust fund for regional seminars;
- (b) Trust fund for courses for personnel of National Authorities;
- (c) Trust fund for the implementation of Article X: provision of assistance and protection, on request, to any Member State in the event of the use or threat of use of chemical weapons;
- (d) United States voluntary trust fund: to meet costs associated with the inspection and verification regime and with international cooperation (including support for enhancing national measures to combat chemical terrorism);
- (e) Trust fund for the Associate Programme;
- (f) Trust fund for the procurement of GC-MS systems: to support on- and off-site chemical analysis;
- (g) Trust fund for the implementation of Article VII obligations;
- (h) Trust fund for the Internship Support Programme: to finance four internships at OPCW Headquarters and the OPCW Laboratory;

- (i) Trust fund for the Scientific Advisory Board;
- (j) Trust fund for OPCW events: established in 2008 and revised in 2017 in order to accommodate more general activities related to OPCW events. The fund will also be used for commemorative events, public events, and other OPCW events not fully supported by the regular budget of the OPCW;
- (k) Trust fund for the Conference on International Cooperation and Chemical Safety and Security;
- (l) Trust fund for training: support to the OPCW in its transition as its main activities change focus, with work on verifying destruction of chemical weapons stockpiles moving towards completion;
- (m) Trust fund for the International Support Network for Victims of Chemical Weapons;
- (n) Syria trust fund for the destruction of chemical weapons: pursuant to Council decision EC-M-34/DEC.1 (dated 15 November 2013);
- (o) OPCW Nobel Peace Prize trust fund: to support the allocation of an annual prize to nominees selected by the OPCW Prize Committee for their contribution to the Convention;
- (p) Trust fund for programme support costs: established in September 2014 to recover indirect support costs associated with the implementation and administration of programmatic activities funded by voluntary contributions;
- (q) Trust Fund for Syria Missions: established in November 2015 to support full elimination of the Syrian chemical weapons programme and clarification of facts related to the alleged use of chemical weapons, in accordance with the relevant decisions of the policy-making organs of the OPCW;
- (r) Trust fund for support to Libya: established in July 2016 to provide extra-budgetary resources necessary to cover operational planning costs, as well as costs to support the removal, destruction, and verification of Libyan chemical weapons;
- (s) Trust fund for a Centre for Chemistry and Technology: established in October 2017 to enhance the capability of leading the network of partner laboratories, as well as to assist States Parties in research and capacity building.;
- (t) Trust fund for security and business continuity: established in September 2018 to strengthen the physical and cybersecurity of the OPCW infrastructure, provide a safe working environment for personnel, and support OPCW business continuity management processes;

- (u) Trust fund for the Junior Professional Officers Programme: established in November 2018 to provide opportunities for States Parties to sponsor young professionals to work at the OPCW in a professional capacity; and
- (v) Trust fund for EU Council decision 2019: established in May 2019 to support OPCW activities in the framework of the implementation of the European Union Strategy Against Proliferation of Weapons of Mass Destruction from 1 May 2019 to 30 April 2022, including supporting the laboratory upgrade project.

Annex 2

**FINANCIAL STATEMENTS OF THE PROVIDENT FUND
OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS
FOR THE YEAR ENDED 31 DECEMBER 2022**

Statement by the Management Board of the Provident Fund of the OPCW

The Management Board of the Provident Fund believes that the attached Financial Statements of the Provident Fund of the Organisation for the Prohibition of Chemical Weapons (OPCW) for the year ended 31 December 2022 are presented according to the requirements of:

- the Charter and Administrative Rules of the Provident Fund of the OPCW, including Article 11;
- the OPCW Financial Regulations and Rules, as applicable; and
- the International Public Sector Accounting Standards (IPSAS).

It is the Board's opinion that the Financial Statements present a view that is consistent with its understanding of the Provident Fund's financial position as at 31 December 2022, financial performance, and cash flows for the year then ended.

The Hague, 11 May 2023

[Signed]

Odette Melono
Chairperson,
Management Board of the
Provident Fund

**FINANCIAL STATEMENTS OF THE PROVIDENT FUND
OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS
FOR THE YEAR ENDED 31 DECEMBER 2022**

TABLE OF CONTENTS

1. Statements	Page
Statement of Financial Position as at 31 December 2022	101
Statement of Financial Performance for the Year Ended 31 December 2022	102
Statement of Changes in Net Assets/Equity for the Year Ended 31 December 2022	103
Cash Flow Statement for the Year Ended 31 December 2022	104
2. Accounting Policies and Notes to the Financial Statements of the Provident Fund of the Organisation for the Prohibition of Chemical Weapons (OPCW) for the Year Ended 31 December 2022	105

THE PROVIDENT FUND OF THE OPCW

STATEMENT I
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022
(in EUR, thousands)

	Notes	2022	2021
Assets			
Current assets			
Investments	6	274	376
Accounts receivable	7	12	10
Cash and cash equivalents	8	66,361	65,274
Total current assets		66,647	65,660
Total assets		66,647	65,660
Liabilities			
Current liabilities			
Accounts payable	9	3,442	3,844
Total current liabilities		3,442	3,844
Total liabilities		3,442	3,844
Net assets		63,205	61,816
Net assets/equity			
Participants' capital accounts	10.1	63,118	61,731
Special reserves	10.2	83	80
Accumulated surplus/(deficit)	10.3	4	5
Total net assets/equity		63,205	61,816

THE PROVIDENT FUND OF THE OPCW

STATEMENT II
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2022
(in EUR, thousands)

	Notes	2022	2021
Income			
Interest income on Participants' capital accounts	11	197	195
Add: Gain on changes in fair value of investments	12	-	40
Less: Loss on changes in fair value of investments	12	62	-
Total revenue		135	235
Expenses			
General operating expenses	13	-	9
Total expenses		-	9
Net finance income/(cost)	14	9	5
Net surplus/(deficit) for the period		144	231
Net surplus/(deficit) for the period			
Attributable to Participants of the Provident Fund		144	240
Attributable to special reserve		-	-
Accumulated surplus/(deficit)		-	(9)
		144	231

THE PROVIDENT FUND OF THE OPCW

STATEMENT III
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022
(in EUR, thousands)

	Participants' Capital Accounts	Special Reserve	Accumulated Surplus/ (Deficit)	Total Net Assets/ Equity
Balance as at 1 January 2021	63,410	80	14	63,504
Changes recognised in net assets/equity:				
Current year contributions	11,423	-	-	11,423
Payouts	(12,560)	-	-	(12,560)
Other adjustments to net assets	(782)	-	-	(782)
Subtotal	(1,919)	-	-	(1,919)
Surplus/(deficit) for the period	240	-	(9)	231
Balance as at 31 December 2021	61,731	80	5	61,816
Balance as at 1 January 2022	61,731	80	5	61,816
Changes recognised in net assets/equity:				
Current year contributions	12,295	-	-	12,295
Payouts	(11,454)	-	-	(11,454)
Other adjustments to net assets ³¹	402	-	(1)	401
Leaver before 3 months	-	3	-	3
Subtotal	1,243	83	4	1,245
Surplus/(deficit) for the period	144	-	-	144
Balance as at 31 December 2022	63,118	83	4	63,205

31

Other adjustments to net assets include payout requests outstanding as at 31 December and transfers to the United Nations Joint Staff Pension Fund (UNJSPF). In 2022, there were five transfers to the UNJSPF (2021: five).

THE PROVIDENT FUND OF THE OPCW

STATEMENT IV
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022
(in EUR, thousands)

	Notes	2022	2021
Cash from operating activities			
Net surplus/(deficit) for the period		144	231
Non-cash movements			
(Increase) / decrease in accounts receivable	7	(2)	(2)
Increase / (decrease) in accounts payable	9	(402)	782
Reclassification of net assets/equity to liability	9	402	(782)
Unrealised currency exchange loss/(gain) on cash and cash equivalents	14	(9)	(5)
Currency exchange loss/(gain) on investments		-	-
(Gain)/loss on changes in fair value of investments	12	62	(40)
Net cash flows from operating activities		195	184
Cash flows from investing activities			
Proceeds from sale of investments		42	75
Net cash flows from investing activities		42	75
Cash flows from financing activities			
Participants' contributions		12,295	11,423
Payouts to separated Participants		(11,454)	(12,560)
Net cash flows from financing activities		841	(1,137)
Net increase/(decrease) in cash and cash equivalents		1,078	(878)
Unrealised currency exchange (loss)/gain on cash and cash equivalents	14	9	5
Cash and cash equivalents at beginning of the period	8	65,274	66,147
Cash and cash equivalents at end of the period		66,361	65,274

**ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL
STATEMENTS OF THE PROVIDENT FUND OF THE ORGANISATION
FOR THE PROHIBITION OF CHEMICAL WEAPONS (OPCW)
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. REPORTING ENTITY

- 1.1 The Provident Fund of the Organisation for the Prohibition of Chemical Weapons (hereinafter “the Provident Fund”) was established in June 1997 under the authority of the Director-General of the OPCW for the staff members of the Secretariat of the OPCW, and as provided for in Article VI of the Staff Regulations. The Provident Fund Management Board comprises six members and is chaired by the Deputy Director-General of the OPCW. The Board meets at least quarterly.
- 1.2 The object and purpose of the Provident Fund is to be an instrument of social security for staff members of the OPCW holding a fixed-term appointment. The Board administers resources, which are entrusted to the Provident Fund by eligible staff members and by the OPCW for the benefit of the participating eligible staff members (hereinafter “Participants”). This involves investing the resources as shall be determined from time to time in accordance with established investment policies and guidelines, and returning resources and income earned thereon to such Participants upon the termination of their employment with the OPCW.
- 1.3 The continued existence of the Provident Fund in its present form is dependent on the existence of the OPCW.
- 1.4 There are no controlling or controlled entities to the Provident Fund.
- 1.5 The accounts of the Provident Fund are maintained in accordance with the Charter and Administrative Rules of the Provident Fund, and the relevant OPCW Financial Regulations and Rules.
- 1.6 Upon separation from the OPCW, or upon Participant request up to three months prior to separation, Participants’ accumulated Provident Fund balances become due for payment. Upon Participant request and approval of the Board, the Provident Fund balances of the separating Participants may also be retained with the Provident Fund up to a period of one year after they leave the service of the OPCW, unless they join a United Nations Joint Staff Pension Fund (UNJSPF) member organisation and opt to transfer their contribution to the UNJSPF, in which case their Provident Fund can be retained for up to two years. Once the Provident Fund balances become due for payment, (following receipt of a valid payout request from Participants), they are recognised as a liability (note 9).

2. BASIS OF PREPARATION

- 2.1 The Financial Statements of the Provident Fund have been prepared on an accrual and going concern basis and comply with the requirements of IPSAS. Where IPSAS is silent concerning any specific standard, the appropriate International Financial Reporting Standards have been applied.

2.2 The accounting policies set out below have been applied consistently in the preparation and presentation of these Financial Statements.

2.3 The Financial Statements are presented in euros, rounded to the nearest thousand euros, and cover the calendar year ended 31 December 2022.

Future accounting pronouncements

2.4 The following significant future accounting pronouncements from the International Public Sector Accounting Standards Board have been issued as at 31 December 2022, but are not yet effective:

Standard	Objective of Standard	Effective Date	Estimated Impact on Provident Fund Financial Statements
IPSAS 41 Financial Instruments	To establish principles for the financial reporting of financial assets and financial liabilities	1 January 2023	Changes may apply to the classification of the OPCW Provident Fund financial instruments and consideration of impairment of financial assets. The OPCW Provident Fund will further review and consider the impact of the changes prescribed in this Standard during 2023.
IPSAS 42 Social Benefits	To provide guidance on accounting for social benefits expenditure	1 January 2023	Not applicable.
IPSAS 43 Leases	To increase transparency related to assets and liabilities that arise from lease contracts, eliminate information asymmetry, and increase comparability between financial statements of lessees that buy assets from those that lease assets.	1 January 2025	Not applicable.

3. SIGNIFICANT ACCOUNTING POLICIES

- 3.1 The objective of these Financial Statements is to provide information about the financial position, performance, and cash flows of the Provident Fund, to demonstrate the accountability of the Provident Fund for the resources entrusted to it by Participants and the OPCW, and to facilitate decision making by Participants and the Board.

Foreign currency translation

- 3.2 Foreign currency balances (in USD) represent 0.16% of the total assets of the Provident Fund. The following exchange rates have been used in the preparation of these Financial Statements:

Period	USD/EUR	Period	USD/EUR
31 December 2022	0.939	31 December 2021	0.881
Average 12 months	0.948	Average 12 months	0.843

Functional and presentation currency

- (a) Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Provident Fund operates, the functional currency, which is the euro. Assets held in US dollars are converted to euros at the exchange rate of 31 December 2022. Currency gains/losses are recognised in the statement of financial performance throughout the year at the exchange rate applicable at the time of the transactions.

Transactions and balances

- (b) Foreign currency transactions are translated into the functional currency using the United Nations Operational Rate of Exchange prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance. Year-end balances of monetary assets and liabilities denominated in foreign currencies are converted into euros on the basis of the exchange rates applicable on 31 December 2022.

Cash and cash equivalents

- 3.3 Cash and cash equivalents include current and savings deposits held at call with the ABN AMRO Bank (hereinafter "ABN AMRO"). The Provident Fund is prohibited from having any bank overdrafts and accordingly does not have any bank overdrafts.

Financial assets

Classification

- 3.4 The Provident Fund classifies its financial assets into the following categories: financial assets at fair value through surplus or deficit (such as investments in UBS units); and financial assets carried at amortised cost (receivables). The classification depends on the purpose for which the financial assets were acquired. The classification of the financial assets is determined at initial recognition and re-evaluated at each reporting date.

Recognition and measurement

- 3.5 Purchases and sales of financial assets at fair value through surplus or deficit are recognised on the trade date and are initially recognised at fair value (usually the transaction price). Transaction costs are expensed in the statement of financial performance. Receivables are initially recognised at fair value plus transaction costs.

Subsequent measurement

- 3.6 Financial assets at fair value through surplus or deficit are subsequently carried at fair value. Receivables are carried at amortised cost using the effective interest method.
- 3.7 Gains and losses arising from changes in the fair value of the financial assets at fair value through surplus or deficit are included in the statement of financial performance in the period in which they arise.
- 3.8 Translation differences arising on monetary items are recognised in the statement of financial performance.

Impairment

- 3.9 All financial assets except those measured at fair value through surplus or deficit are subject to review for impairment. If there is objective evidence of an impairment loss on receivables, the carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of financial performance.

Financial liabilities

- 3.10 Financial liabilities are recognised initially at fair value. Accounts payable are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

Tax

- 3.11 The Provident Fund as an affiliate of the OPCW enjoys the same privileged tax exemption as the OPCW. As such, all contributions to the Participants' Provident Fund and interest income and gains on investments are exempt from all direct taxation. Any tax obligations of the Participants upon final settlement of their accumulated Provident Fund balances are borne by Participants themselves.

Revenue recognition

Revenue from exchange transactions

- 3.12 The Provident Fund's major categories of exchange revenue are interest income and gains on changes in fair value of the UBS investments.
- 3.13 Revenue for interest income is recognised on a time-proportion basis using the effective interest method.

Revenue from non-exchange transactions

- 3.14 The Provident Fund's sole source of non-exchange revenue is the OPCW's contribution to the Provident Fund of employees who separate from the OPCW, for reasons other than health, before completing the minimum three months of service. The Provident Fund recognises full amounts of such inflows as revenue since no corresponding liabilities exist and the Provident Fund gains control of the received cash resources for its own use (see also note 10.2).
- 3.15 Non-exchange revenue represents transactions in which the Provident Fund receives value from another entity without providing approximately equal value to another entity in exchange, and is measured at the amount of the increase in net assets recognised by the Provident Fund. Services in kind are not recognised (see note 15).

Expenses

- 3.16 Expenses are recognised when the relevant goods or services are delivered. In most cases, this is the date for which bank charges relate.

4. MATERIALITY, CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS

- 4.1 In accordance with IPSAS and generally accepted accounting principles, the Financial Statements include amounts based on estimates and assumptions, based on the materiality of the relevant transactions and events. The Provident Fund Management Board is responsible for estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Receivables: Determination of impairment

- 4.2 The Provident Fund's receivables are required to be reviewed at the end of each reporting period for impairment and indications of irrecoverability. The Provident Fund makes an estimate of the amount of receivables that it is not able to recover based on prior payment history and expectations of future amounts it expects to recover from these receivables. Furthermore, the Provident Fund also considers the financial risk factors discussed in note 5, such as credit risk, to determine whether any significant issues may impact the carrying value of cash balances. No impairment has been recognised in the Financial Statements of the Provident Fund as at 31 December 2022.

5. FINANCIAL RISK MANAGEMENT

Financial risk factors

- 5.1 The Provident Fund's activities expose it to a variety of financial risks such as market risk (including currency risk, interest rate risk, and other price risk), credit risk, and liquidity risk. The Provident Fund's overall risk management programme is carried out pursuant to its investment policy proposed by the Board and approved by the Participants. The major objectives that the investment policy of the Provident Fund targets, are capital preservation, minimum risk, sufficient liquidity, and simplicity. The investment policy also identifies the Pension Services Division of ABN AMRO as the party designated to provide investment and administration services to the Provident Fund.
- 5.2 The Provident Fund Management Board monitors the performance of ABN AMRO in respect of the stated investment and administrative services based on a Service Level Agreement setting out specific parameters to gauge the performance. The Annual General Meeting of Participants also receives reports on the overall performance of the Provident Fund's financial resources under ABN AMRO's administration. The Annual General Meeting takes important decisions on any changes to the investment policies of the Provident Fund. Special General Meetings may also take place to deal with specific issues. The Provident Fund does not enter into hedging activities and does not use derivative financial instruments.

Market risk: Foreign exchange risk

- 5.3 Foreign exchange risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Provident Fund operates mainly in euros. Portions of the Provident Fund of some Participants are held in United States dollars. Therefore, exposure to foreign exchange risk exists to the extent of these United States dollars holdings. Foreign exchange risk of the Provident Fund is attributed to the specific Participants that are party to the transaction embodying the risk and any ensuing loss is borne by these Participants.
- 5.4 United States dollar denominated balances represent a low proportion of total assets of the Provident Fund, and hence the foreign exchange risk is deemed to be low. As at 31 December 2022, if the euro had weakened/strengthened by 10% against the United States dollar, the net deficit for the year would have been EUR 9 thousand higher/lower mainly as a result of foreign exchange gains/losses on revaluation of Participants' United States dollar denominated Provident Fund balances (including UBS units) and other United States dollars cash accounts of the Provident Fund.

Market risk: Interest rate risk

- 5.5 Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

- 5.6 The Provident Fund does not guarantee an interest rate to Participants and hence does not bear the interest rate risk. Interest rates applicable in the reporting period are as follows:

	2022		2021	
	for EUR Accounts	for USD Accounts	for EUR Accounts	for USD Accounts
Average interest rate	0.30%	1.81%	0.28%	0.10%
Interest rate as at 31 December	0.30%	4.30%	0.30%	0.05%

- 5.7 According to the Provident Fund policy issued in 2007, the target interest rate on contributions is set at the Internet Plus +0.4%, which was amended in 2010 to at least the savings rate +0.1%. During 2022, ABN AMRO has applied an interest rate of Pension Savings Account rate + 0.3%.

Market risk: Other price risk

- 5.8 Other price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. Some Participants of the Provident Fund currently have portions of their Provident Fund balances in UBS investments. The values of these investments fluctuate depending on the movement in the market price of the relevant UBS investment units and represent only 0.43% of the total assets of the Provident Fund. Market risk of the Provident Fund is attributed to the specific Participants that are party to the transaction embodying the risk and any ensuing loss is borne by these Participants.

Credit risk

- 5.9 Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents with banks and financial institutions. The Provident Fund Management Board, with the agreement of the Participants, determines the financial institutions with which the responsibilities for maintaining and administering the Provident Fund's resources are to be entrusted based on the investment policy of capital preservation. The majority of the Participants' Provident Fund balances (99%) as at the reporting date are maintained in ABN AMRO savings accounts. As at 31 December 2022, ABN AMRO was 56.3% owned by the Dutch Government (2021: 56.3%). The Provident Fund and other account balances are covered by a Deposit Guarantee Scheme, which provides for reimbursement of EUR 100 thousand against the cumulative balance of an individual Participant in all ABN AMRO accounts held by her/him. The Deposit Guarantee Scheme enters into force once a bank facing problems is no longer able to pay customers' credit balances. Information regarding the credit quality of the banks and financial institutions in which the Provident Fund's cash and cash equivalents and investments are held as of the reporting date is as follows (Moody's Global Short-Term Treasury ratings referenced):

ABN AMRO

Moody's Investors Service Ratings	Rating ³²
Short-term credit rating	P-1

UBS AG

Moody's Investors Service Ratings	Rating ³²
Short-term issuer level rating	P-1

- 5.10 The Provident Fund Management Board is actively monitoring all ratings for the financial institutions with which it holds cash. The banks used by the Provident Fund continued to hold a P-1 rating as at the reporting date.

Liquidity risk

- 5.11 Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Provident Fund's obligations to make payments predominantly relates to the settlement of accumulated Provident Fund balances of outgoing Participants. Liquidity risk arises in that the Provident Fund may encounter difficulties in meeting these obligations. Since the Provident Fund's cash resources are held in savings accounts and UBS investments that are readily convertible into cash, the liquidity risk faced by the Provident Fund is almost nil.
- 5.12 As detailed in note 9, accounts payable represent payouts requested by Participants that remain unpaid as at the reporting date. Furthermore, payouts to the majority of Professional and higher staff who have not yet requested a payout will be made over a period of one to seven years, due to the tenure policy of the OPCW. Payouts to General Services staff may be made over a longer time period.

6. INVESTMENTS

Participants' Provident Fund balances held in UBS units are as follows:

(in EUR, thousands)	2022	2021
USD units	39	66
EUR units	235	310
Total investments	274	376

7. ACCOUNTS RECEIVABLE

The receivable amount of EUR 12 thousand as at 31 December 2022 (2021: EUR 10 thousand) represents an amount due to the Provident Fund from separated Participants, refund of bank charges from ABN AMRO, and amounts due from the OPCW to the Provident Fund.

³² Issuers (or supporting institutions) rated Prime-1 (P-1) have a superior ability to repay short-term debt obligations.

8. CASH AND CASH EQUIVALENTS

8.1 The breakdown of cash and cash equivalents into unrestricted and restricted categories is presented as follows:

(in EUR, thousands)	2022	2021
Unrestricted		
Current accounts in EUR	102	830
Current accounts in USD	1	1
Total unrestricted	103	831
Restricted		
Savings accounts in EUR	66,203	64,382
Savings accounts in USD	55	61
Total restricted	66,258	64,443
Total cash and cash equivalents	66,361	65,274

8.2 Participants' capital represents accumulated Provident Fund balances of Participants maintained in Provident Fund accounts designated as A, B, and C for Participants' own contributions, OPCW matching contributions, and Participants' voluntary contributions respectively. These contributions are payable only to Participants and are not available for use by the Provident Fund for any other purpose.

8.3 For the restricted euro portion of the Participants' capital, those held in A and B accounts, payments are made to Participants only upon their separation from the OPCW, while for Participants' capital held in C accounts, payments can be made only to Participants in June and December upon their request except in exceptional circumstances when a payment at another time of year may be approved. The breakdown of cash and cash equivalents under these categories is presented as follows:

(in EUR, thousands)	2022	2021
Participants' contributions (A accounts)	19,572	18,800
OPCW's contributions (B accounts)	39,132	37,602
Participants' contributions (A+B) before 17 December 2007	6,090	6,469
Participants' voluntary contributions (C accounts)	1,409	1,511
Total	66,203	64,382

9. ACCOUNTS PAYABLE

Participants may request a payout from the Provident Fund up to three months prior to separation. Amounts payable to separating Participants represent payouts requested by Participants that remain unpaid as at the reporting date.

(in EUR, thousands)	2022	2021
Amounts payable to separating Participants	3,442	3,844
Total	3,442	3,844

10. NET ASSETS/EQUITY

- 10.1 Participants' capital (EUR 63,125 thousand) represents the accumulated Provident Fund balances of Participants including their contributions (A accounts), the OPCW's matching contribution (B accounts), voluntary contributions by Participants (C accounts), and accumulated income earned (or losses incurred) on these resources as at 31 December 2022 (2021: EUR 61,731 thousand).
- 10.2 Special reserves (EUR 83 thousand) include the OPCW's matching contributions to Provident Fund accounts of Participants (B accounts) who cease to serve the OPCW for other than health reasons before serving the Organisation for a total period of more than three calendar months, as noted in paragraph 3.14 above (2021: EUR 80 thousand). There was a case during 2022 in amount of EUR 3 thousand.
- 10.3 Accumulated surplus/(deficit) (EUR 4 thousand) represents the cumulative gain/(loss) that is not attributable to specific Participants' accounts (2021: EUR 5 thousand). The Board will decide how to use the surplus.

11. INTEREST INCOME ON PARTICIPANTS' CAPITAL ACCOUNTS

Interest on Participants' accounts with ABN AMRO for the year ended 31 December 2022 was as follows:

(in EUR, thousands)	2022	2021
Interest on Participants' contributions (A accounts)	58	56
Interest on OPCW's contributions (B accounts)	115	114
Interest on contributions (A+B) before 17 December 2007	4	5
Interest on voluntary contributions (C accounts)	20	20
Total	197	195

12. GAIN / LOSS ON FINANCIAL ASSETS

In 2022, there is an amount of EUR 62 thousand loss due to changes in fair value of the UBS units (2021: EUR 40 thousand gain).

13. EXPENSES**General operating expenses**

The Provident Fund incurred EUR 0.2 thousand operating expenses in the year 2022 (2021: EUR 9 thousand relating to bank charges and consultancy fees). The OPCW provides the necessary facilities and human resources for the internal management and administration of the Provident Fund. Therefore, it does not incur operating expenses for day-to-day administration.

14. FINANCE INCOME AND FINANCE COST

Exchange gain and loss are recognised as finance income and finance cost, respectively.

(in EUR, thousands)	2022	2021
Unrealised Foreign currency gains/(losses)	8	5
Realised Foreign currency gains/(losses)	1	-
Net finance income/(costs)	9	5

15. SERVICES IN KIND

15.1 Services in kind are services provided by individuals to the Provident Fund in a non-exchange transaction. The major classes of services in kind received by the Provident Fund include the following:

Management Board

15.2 The Provident Fund Management Board's membership is composed of six staff members of the OPCW. The Provident Fund does not pay any remuneration to the members of the Board for their services. The Provident Fund also does not reimburse the OPCW for the time spent by its staff members in managing the Provident Fund.

Administrative support by the OPCW

15.3 The staff of the OPCW Budget and Finance Branch handles the Provident Fund's disbursements, accounting, reporting, and other administrative services. The OPCW provides necessary materials and facilities needed for the running of the Provident Fund's operations. The Provident Fund does not compensate the staff or the OPCW for such administrative support.

16. CONTINGENT LIABILITIES

The Provident Fund does not have any contingent liabilities as at 31 December 2022.

17. RELATED PARTY TRANSACTIONS

17.1 The Provident Fund is not controlled by another entity; however, the OPCW is considered a related party of the Provident Fund as it shares key management personnel and provides the principal source of Participants' contributions.

17.2 The OPCW provides administrative support to the Provident Fund free of charge (note 15.3). All other transactions between the Provident Fund and the OPCW are conducted at arm's length. As at 31 December 2022, EUR 4 thousand was payable from the OPCW to the Provident Fund (2021: EUR 4 thousand), and EUR 4 thousand was due from the Provident Fund to the OPCW (2021: EUR 0).

17.3 The Provident Fund is not party to any other arrangements that could be considered as related parties.

18. KEY MANAGEMENT REMUNERATION

- 18.1 Members of the Provident Fund Management Board play the key management role as regards to the Provident Fund. The six members of the Board include the Deputy Director-General and Principal Financial Officer of the OPCW, and four members elected by Provident Fund Participants.
- 18.2 The members of the Board are not compensated for their services to the Provident Fund. The Provident Fund does not have employees of its own.

19. EVENTS AFTER THE REPORTING PERIOD

No significant event is reported after the reporting date. The date of authorisation for issue is the date at which the Financial Statements are certified by the External Auditor.

Annex 3

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS (OPCW) FOR THE YEAR ENDED 31 DECEMBER 2022

Opinion

We have audited the financial statements of the Organisation for the Prohibition of Chemical Weapons (OPCW) for the year ended 31 December 2022, which comprise the statement of financial position (statement I), the statement of financial performance (statement II), the statement of changes in net assets/equity (statement III), the statement of cash flow (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Organisation for the Prohibition of Chemical Weapons (OPCW) as at 31 December 2022, and its financial performance, changes in net assets/equity, cash flow, and comparison of budget and actual amounts for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled "Auditor's responsibilities for the audit of the financial statements". We are independent of OPCW in accordance with the ethical requirements relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and the auditor's report thereon

Management is responsible for the other information, which comprises the information included in the Director General's Report for the year ended 31 December 2022, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of OPCW to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless the management intends either to liquidate OPCW or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of OPCW.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control;
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of OPCW;
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;

- (d) Draw conclusions as to the appropriateness of the management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of OPCW to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the OPCW to cease to continue as a going concern;
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of OPCW that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the OPCW Financial Regulations.

In accordance with the Article 13 of OPCW Financial Regulations, we will also issue a long-form report on our audit of the Organisation for the Prohibition of Chemical Weapons.

22 May 2023

Signed
Girish Chandra Murmu
Comptroller and Auditor General of India

INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS OF THE PROVIDENT FUND OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS (THE PROVIDENT FUND) FOR THE YEAR ENDED 31 DECEMBER 2022

Opinion

We have audited the financial statements of the Provident Fund of the Organisation for the Prohibition of Chemical Weapons (the Provident Fund) for the year ended 31 December 2022, which comprise the statement of financial position (statement I), the statement of financial performance (statement II), the statement of changes in net assets/equity (statement III) and the statement of cash flow (statement IV) for the year then ended, as well as the notes to the financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Provident Fund as at 31 December 2022, and its financial performance, changes in net assets/equity and cash flow for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled “Auditor’s responsibilities for the audit of the financial statements”. We are independent of the Provident Fund in accordance with the ethical requirements relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and the auditor’s report thereon

Management is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of the Provident Fund to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless the management intends either to liquidate the Provident Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Provident Fund.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- (f) Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control;
- (g) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Provident Fund;
- (h) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;

- (i) Draw conclusions as to the appropriateness of the management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of the Provident Fund to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Provident Fund to cease to continue as a going concern;
- (j) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the Provident Fund that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Charter and Administrative Rules of the Provident Fund, Financial Regulations and Rules of OPCW.

Signed

22 May 2023

**Girish Chandra Murmu
Comptroller and Auditor General of India**

Office of the Comptroller and Auditor General of India



लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

Our audit aims to provide independent assurance and to add value to the Organisation for the Prohibition of Chemical Weapons (OPCW) by making constructive recommendations.

For further information, please contact:

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**Audit of the
Organisation for the Prohibition of Chemical Weapons (OPCW)
for the Financial Year ended 31 December 2022**

Contents

Subject		Page No.
A.	Introduction	125
B.	Audit mandate, scope and methodology	125
C.	Audit findings and recommendations	125
	I. Status of implementation of previous external audit recommendations	125
	II. Financial overview	125
	III. Changes made in Financial Statements at the instance of audit	126
	IV. Other Findings	126
	V. Performance audit on International Cooperation, Technical Assistance and Support to National Authorities and Enhancement of Capacity Development for National Implementation	128
	VI. Information System Audit of Unit4 ERP	137
	VII. Human Resources Management	142
E.	Acknowledgement	144
	Annexure 1	145
	Annexure 2	165

A. Introduction

1. The Organisation for the Prohibition of Chemical Weapons (OPCW) is the implementing body of the Chemical Weapons Convention (Convention), which came into force in 1997. The Organisation consists of 193 Member States who share the collective goal of eliminating and preventing the re-emergence of chemical weapons, thereby strengthening international security, and facilitating international cooperation. The OPCW's mission is to implement the provisions of the Chemical Weapons Convention to achieve the vision of a world free of chemical weapons and the threat of their use; and where chemistry is used for peace, progress, and prosperity.

B. Audit mandate, scope and methodology

2. The Comptroller and Auditor General of India was appointed External Auditor of the Organisation for a period of three years commencing with the year 2021. External Audit draws its mandate from Article 13 of the Financial Regulations and Rules of the OPCW.

3. Our audit is an independent examination of the evidence supporting the amounts and disclosures in the financial statements. It includes the assessment of the accounting principles used and significant estimates made by the Organisation, as well as the overall presentation of the financial statements. It also includes performance audits and an assessment of compliance by OPCW with Financial Regulations and legislative authority.

4. We conducted our audit in accordance with the International Standards on Auditing (ISA). These standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free from material misstatements.

5. In addition to audit of financial statements of the OPCW and the OPCW Provident Fund, we also conducted performance audit of the 'International Cooperation, Technical Assistance and Support to National Authorities and Enhancement of Capacity Development for National Implementation', 'Information system of OPCW'.

6. We reported the audit results to the OPCW management through audit observations and recommendations. The response of the OPCW management to our audit observations and recommendations have been incorporated, as appropriate, in the audit report.

C. Audit findings and recommendations

I. Status of Implementation of previous external audit recommendations

7. There were 32 outstanding recommendations up to the period ending 31 December 2021, out of which 15 recommendations were implemented, 17 were under implementation. (**Annexure 1**).

II. Financial overview

8. Total Revenue for the financial period ended December 2022 (EUR 83.01 million) decreased by EUR 6.96 million as compared to the previous year (89.97 EUR million in

2021). Total Expenses for the financial period ended December 2022 (EUR 83.26 million) increased by EUR 11.42 million over the previous year (EUR 71.84 million in 2021). The net deficit for 2022 was EUR (0.08) million, compared to the net surplus of EUR 18.82 million in 2021. This decrease of EUR 18.90 million in net surplus is largely due to reduction in Voluntary contribution by EUR 7.12 million, increase in Employee Benefit expenses by EUR 3.75 million and increase in Consultancy and Contractual Services expenses by EUR 2.34 million, Travel expenses by EUR 5.51 million.

9. The Organisation's total liabilities in 2022 (EUR 49.97 million) decreased by EUR 4.16 million over the year 2021 (EUR 54.13 million), mainly due to reduction in deferred revenue from voluntary contributions of EUR 4.83 million. Level of Total Assets remained almost the same in 2022 (EUR 99.60 million) when compared with the year 2021 (EUR 100.06 million).

10. We analysed the liquidity position of the organisation to assess its ability to meet its short-term commitments or operating needs. The current and quick ratios for the three years indicate stable and consistent financial position.

Table 1: Ratio analysis for 2020 to 2022

Financial Ratio	2022	2021	2020
Current ratio (current asset/current liability)	2.23	2.70	1.80
Quick ratio (quick asset/current liability)	2.21	2.68	1.79

III. Changes made in Financial Statements at the instance of Audit

11. The following observations were accepted by management and necessary adjusting entries/ disclosures were made in the financial statements:

- a. Disclosure in the 'Working Capital Fund' under 'Restricted cash and cash equivalents' under the Note 13 was corrected to EUR 3.1 million.
- b. Disclosure in the Voluntary Contribution Revenue on account of Other Trust and Special Funds under Note 25 was revised to EUR 1.4 million

IV. Other Findings

i. Provident Fund Investment Policy

12. OPCW introduced a new Investment policy for provident fund in the year 2007 with the objectives of (a) capital preservation, (b) minimum risk, (c) sufficient liquidity and (d) simplicity. OPCW entered an agreement with ABN Amro Bank in November 2007, which has been extended from time to time.

13. Investment Policy 2007 provided that interest earnings will be awarded based on the interest rate each calendar quarter for the ABN Amro's savings account and the agreement is renewed every year with the ABN Amro Bank.

14. We observed that the investment policy was made in the year 2007, and thereafter there was no revision made in the policy. Further, the Bank in which the investment is made, and the type of saving bank account (InternetPlus) was designated in the 2007 policy itself. All Provident Fund balances are currently deposited in same saving bank account. We are of the view that apart from the existing saving account, the awareness and better appreciation of various investment options including the safety of funds, returns on savings bank/fixed term deposits/market related investments, etc., needs to be explored.

15. The Management stated that the Provident Fund Management Board (PFMB) is restricted in its capacity to provide alternatives to the current investment strategy given the Provident Funds capacity to accept risks. Hence, the Provident Fund has continued with secured deposits that ensure capital preservation, but which accrue low returns. It further stated that the Secretariat is currently exploring the possibility of joining the United Nations Joint Staff Pension Fund (UNJSPF) as an alternative provider.

Recommendation:

- 1. We recommend the Secretariat and Provident Fund Management Board (a) review the investment policy for alternative investment options without compromising the principles of capital preservation, minimum risk, sufficient liquidity and simplicity, and (b) expedite exploring the adoption of the United Nations Joint Staff Pension Fund as an alternative provider.**

16. The Secretariat noted the audit recommendation.

ii. Physical Verification of Fixed Assets

17. Rule 10.2.03 of OPCW Financial Regulations and rules provides that ‘the Principal Financial Officer shall ensure that the existence, ownership and condition of non-expendable property are periodically verified. This physical verification shall take place at such intervals as deemed necessary by the Principal Financial Officer, but at least once each year.’

18. We observed that physical verification of all assets was not completed during the year 2022. We noted that 119 items out of 575 Fixed Assets and 897 items out of 2282 Attractive Assets³³ were not verified. Thus, the physical verification was not conducted by the Management in respect of 21% of Fixed assets and 39% of attractive items.

19. Management informed that transition to the new asset management software and hardware took longer than anticipated. As a result, completion of the verification could not be accomplished in the last quarter of the year.

Recommendation:

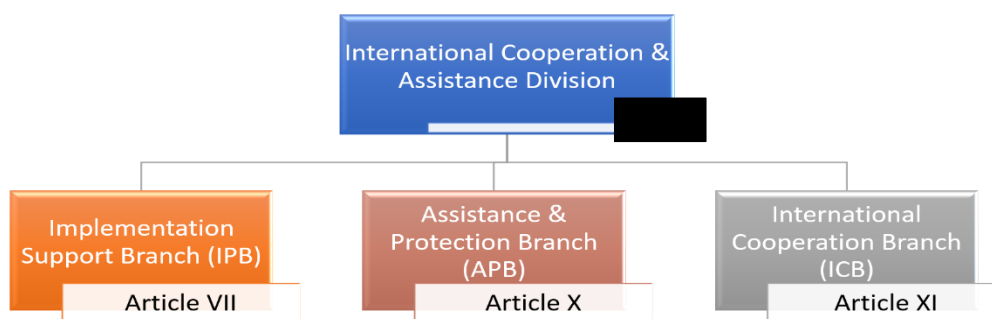
- 2. We recommend the Secretariat ensure physical verification of all fixed assets and attractive assets periodically as stipulated in Financial Regulations and Rules.**

³³ Attractive assets are items/equipment having value between EUR 250 to EUR 5000.

20. The Secretariat accepted the audit recommendation.

V. Performance audit of International Cooperation, Technical Assistance and Support to National Authorities and Enhancement of Capacity Development for National Implementation

21. The Technical Secretariat's (the Secretariat) International Cooperation and Assistance (ICA) Division manages the international cooperation and assistance activities. The Division serves as a platform to provide capacity building support, aimed to assist States Parties (SPs) through three branches namely the Implementation Support Branch (IPB), Assistance and Protection Branch (APB) and International Cooperation Branch (ICB).



22. The Implementation Support Branch (IPB) is mandated to promote the universal implementation of the Chemical Weapons Convention (CWC) as envisaged under Article VII, Assistance & Protection Branch (APB) is responsible for assisting the State Parties under Article X in their endeavors towards Assistance and Protection against Chemical Weapons, and the International Cooperation Branch (ICB) develops and runs a portfolio of international cooperation programmes, including capacity building projects aimed at fostering peaceful use of chemistry for the economic and technological development of OPCW States Parties based on the provisions of Article XI of CWC.

23. We reviewed the activities of the Secretariat with regard to implementation of the provisions of Articles VII, X and XI from 2018 to 2022 to obtain reasonable assurance that the mandate given to the Secretariat with respect to the implementation of aforesaid provisions of the CWC was carried out in an efficient, effective and non-discriminatory manner. The audit findings are as follows:

Implementation of Article VII

24. Article VII deals with the national implementation measures and legislation that States Parties (SP) must enact in order to ensure national implementation of the CWC and the establishment or designation of National Authorities to serve as contact points for the OPCW and other States Parties. The Secretariat prepares and submits the annual report on the status of implementation of Article VII every year. The report is prepared based on the responses

received from SPs to the *note verbale* (issued by the Secretariat, requesting the SPs to provide updates on the status of implementation of Article VII).

(a) Response to Note Verbale and Article VII submission:

25. The response of the member states to the note verbale was as detailed below.

Item	2018	2019	2020	2021	2022
Response to Note Verbale	130	126	103	105	105

As can be seen from the table above, the response to note verbale by the SPs have declined from 130 (2018) to 105 (2022). Further, even though an online platform for submission of the status of implementation of Article VII was introduced in 2020, it was observed that only 45% (2022), 30% (2021) and 37% (2020) of submissions were made through the online platform.

26. In respect of requirement of implementing legislation by the SPs as per Article VII, the year wise position of SPs, which responded to the note verbale is given in the **Table 2** below:

Table 2: Position of SPs who are yet to adopt or develop draft of legislation

Year	SPs yet to adopt comprehensive implementing legislation		SPs yet to develop drafts of national implementing legislation	
	No of SPs	SPs responded to Note Verbale	No of SPs	SPs responded to Note Verbale
2018	71	30	17	2
2019	74	19	11	2
2020	74	17	6	2
2021	75	26	5	1
2022	71	23	5	0

27. We noticed that the status of response was not adequate in respect of those SPs which had not yet adopted a comprehensive implementing legislation or were yet to develop drafts of national implementation.

28. The Secretariat informed that since *Note Verbale* is an invitation for the SPs to give information, it is not binding on them to supply the same. It had further stated that follow ups/reminders are sent to diplomatic authorities and staff from the National Authorities (NAs) of each SP. Online submission platform has also been introduced to facilitate the submission process.

(b) Status of National Legislation of State Parties:

29. The OPCW Fourth Review Conference highlighted the need for a comprehensive approach to national implementation in line with each State Party's constitutional requirements, filling gaps in national implementation, and to ensuring that national implementation measures are consistent with the provisions of the Convention.

30. We observed that as of 2022, out of 193 SPs, 122 SPs have adopted a national legislation covering all initial measures, 36 have legislations covering some initial measures whereas 35 have not reported implementation of any legislation.

31. The status of their legislative processes for those SPs, which have legislation with some initial measures or have not reported any legislation, is shown in **Table 3** below:

Table 3: Status of Legislative process

Status	No of SPs				
	2018	2019	2020	2021	2022
SPs yet to adopt comprehensive implementing legislation	71	74	74	75	71
Draft pending Govt approval	48	57	63	65	61
Draft Legislation before respective legislative body	6	6	5	5	5
Not yet started development of draft legislation	17	11	6	5	5

32. We observed that the number of SPs which had not yet started the development of draft legislation has decreased from 17 (2018) to 5 (2022). Similarly, the number of SPs with draft legislation pending before the respective legislative body has gone down to five in 2022. However, the number of SPs with draft legislation pending for government approval has gone up from 48 (2018) to 61 (2022).

33. The Secretariat informed that adoption of the draft bills was a highly political process and the feedback from the SPs indicated that most of the influencing factors were within the exclusive purview of the concerned State Parties. The Secretariat has also been extending support to the interested SPs through several capacity development programmes.

Recommendation:

- 3. We recommend the Secretariat increase its engagement at the highest level with those SPs who have not made any Article VII submission or for which the legislation is pending at the level of Government. The Secretariat may highlight the need for making submissions on time, having a comprehensive legislation in place and the assistance that the Secretariat can provide in this regard.**

34. The Secretariat accepted the recommendation.

(c) New set of criteria adopted in 2013.

35. In 2013, States Parties agreed on a new set of criteria to be used by the Secretariat to monitor the status of implementation of the Convention, as the old criteria were considered obsolete and ineffective. The new criteria included the idea of proposed necessary initial measures approach that allowed many States Parties to focus on the measures that are initially necessary to fully realise the objectives of the CWC, considering their specific circumstances without compromising its principles.

36. In a study carried out by Verification Research, Training and Information Centre (VERTIC)³⁴, on the comparative analysis of old and new criteria, it noted that the new criteria introduced a number of new parameters such as the requirement for States Parties to establish a National Authority to oversee the implementation of the Convention, the obligation to report on transfers of scheduled chemicals to non-States Parties, the need for enhanced cooperation, assistance among States Parties to help build capacity and provide technical assistance.

37. We observed that based on the new set of criteria, status of two SPs was revised from 'having comprehensive legislation' to 'having some of the initial measures'. Same change of status was carried out for one SP in 2021. Prior to the revision of criteria in 2012, these three SPs were designated as 'having comprehensive legislation status'. Since there was a number of new parameters introduced in the new criteria adopted in 2013, and the status of three SPs has been revised on account of these parameters, it is important that the status of the remaining 85 SPs (reported as 'having comprehensive legislation status') be also reviewed.

Recommendation:

- 4. We recommend the 85 SPs be encouraged to have a review of their legislation based on the new set of criteria. The updated status of Article VII submissions may be requested from the SPs and reviewed.**

38. The Secretariat accepted the recommendation.

Implementation of Article X

39. Article X of the CWC states that each SP undertakes to provide assistance to the Organisation by electing to undertake one or more of the measures, i.e., voluntary assistance, bilateral agreement for assistance and unilateral offer of assistance. The bilateral/unilateral offer of assistance may be in the form of equipment, materials or expertise.

(a) Offer of assistance committed by limited number of SPs and non-renewal of the same.

40. In the decision of the Conference of Parties, it was stated that at its Forty-First Session, the Executive Council noted the importance of the full implementation of Article X. It was also noted with concern, that as at 31 October 2005, only 64 SPs had fulfilled the requirement under Article X to elect one or more of the measures to provide assistance through the OPCW, and urged the SPs that have not yet done so to elect one or more measures of assistance as stated in Article X of the CWC.

41. We reviewed the Report by the Director General on the Status of Implementation of Article X of the CWC from 2018 to 2022 and noticed that number of SPs which have undertaken to offer assistance through one or more measures as outlined in Article X has

³⁴ VERTIC (the Verification Research, Training and Information Centre) is an independent, non-profit making charitable organisation. It provides support through research and analysis, assistance and training, dissemination of information, and interaction with the governmental, diplomatic, technical, scientific and non-governmental communities.

stayed at 82 during the entire review period. This represents about 43 percent of the membership of the CWC since its entering into force more than 25 years ago.

(i) Voluntary Fund for Assistance

42. Established by the Conference of Parties in its first session, objective of Voluntary funding is to deliver assistance to a SP in the event of use or threat of use of chemical weapons, in terms of Article X of the CWC.

43. We noted that a total of 47 SPs (24.35 percent of the total membership) have contributed to the Voluntary fund till date and the balances under the voluntary fund have been the same - Euro 1.22 million in the last five years (2018-2022).

44. We are of the opinion that even though the OPCW has never utilised these funds, the organisation needs to assess whether the current funds are adequate to respond to the request for emergency responses by the SPs required assessment.

Recommendation:

- 5. We recommend the SPs be appraised of the need of having adequate balance in the voluntary fund at disposal of OPCW and more SPs may be encouraged and impressed upon to contribute to the fund.**

45. The Secretariat accepted the recommendation.

(ii) Unilateral Offer

46. Unilateral Offer is the declaration made by the SPs to the kind of assistance it might provide in response to an appeal by the Organisation. The OPCW First Review Conference noted the need for the Secretariat to evaluate the assistance offers made in accordance with Article X, in order to identify gaps, redundancies, and incompatibilities, and to help minimize the resource requirements for the OPCW. It had also recommended the use of an assistant format as a guidance for the submission of information concerning the kind of assistance made available in accordance with Article X.

47. We observed that till 2022, 47 SPs (24.35% of the total membership) have made unilateral offers. However, 39 such offers (83% of the SPs) were more than a decade old, with 6 of them being 26 years' old. The risk of their relevance in the present scenario where significant developments in the field of chemistry and technology have taken place remain unaddressed. Similarly, the expert support committed by some SPs mentions the names of the experts. The availability of such experts, after a significant lapse of time should be revisited. Further, in some cases, certain preconditions have been placed for the offer of assistance. Such cases may require an update.

48. The Secretariat stated that many offers are out of date and during the meetings of the Policy Making Organs, SPs are appraised regarding the renewal of the offer of assistance.

49. We are of the opinion that in case of occurrence of an unfortunate event, having an updated unilateral offer gives ample opportunity to the organisation to adequately match the response required for such an event with the SPs which committed the requisite expertise and being

closest to the point of incidence. This not only will reduce the response time but make it effective as well. Also, there needs to be a standard operating procedure to pursue with SPs for periodical revisions of their offers to keep them abreast with the time.

50. The Secretariat stated that the observations made by the audit team were fair, and whilst the sending of an annual note verbale to remind States Parties of their obligations under Article X could be considered a standard operating procedure (SOP), APB would have an internal discussion to see if there are additional steps that could be taken and incorporated into a formalized SOP.

Recommendation:

- 6. We recommend the Secretariat engage with the 39 SPs whose offers of unilateral assistance are more than a decade old and update their commitment. It may also encourage and impress upon other members to utilise the assistant format annexure to submit information concerning the kind of assistance they can make available in accordance with Article X.**

51. The Secretariat accepted the recommendation.

(b) Non submission of information on National Protection Programme by all State Parties annually

52. Article X of CWC states that for the purpose of increasing the transparency of national programmes related to protective purposes, each State Party shall provide information on its programme to the Secretariat annually, in accordance with procedures to be considered and approved by the Conference pursuant to Article VIII.

53. We observed that 34 State parties were yet to submit information on their National Protection Programme (NPPs), which were due since their entry to the Programme. Further mapping of training programmes with these State Parties, which were yet to submit the protection programmes, cannot be done due to non-availability of data.

54. The Secretariat in its reply stated that factors hindering the low and middle-income countries in framing of NPPs included lack of adequate national framework to consolidate a NPP, designation of National Authorities with mandate to coordinate other organisations in the country, etc. They have engaged with the National Authorities, during the Conference of SPs and meetings of National Authorities and with the designated professionals participating in the capacity building activities, by educating them on the CWC, Article X and the importance of providing the NPP.

Recommendation:

- 7. We recommend the Secretariat engage specifically with the 34 SPs who are yet to submit information about their NPP while continuing to encourage and facilitate SPs to submit information on their NPPs annually to increase the transparency of their programmes.**

55. The Secretariat accepted the recommendation.

(c) Protection and Assistance Databank

56. Article X of the CWC states that the Secretariat shall establish, not later than 180 days after entry into force of this Convention and maintain, for the use of any requesting SP, a data bank containing freely available information concerning various means of protection against chemical weapons as well as such information as may be provided by States Parties.

57. Chairperson's report of the Fourth Review Conference (November 2018) urged SPs to make their annual submissions of information on their NPPs in a timely fashion and requested the Secretariat to assist SPs with the timely completion of their submissions after having noted with concern the low number of submissions.

58. The IT application - Protection and Assistance Databank (PAD) provides a means of communication between SPs and the Secretariat on matters relating to Article X. The Secretariat while inviting SPs through note verbale every year informs SPs that unclassified information may be submitted completely online via PAD. The PAD was implemented in 1997 and later upgraded to PAD2.0 in 2019.

59. We observed that freely available information concerning various means of protection against chemical weapons which was required to be uploaded on PAD, was not done since the establishment of the data bank. Further, the legacy data had not been migrated to the new application PAD2.0.

60. We further observed that no annual submission was available from 87 SPs. We are of the opinion that since the platform was available only in English language (out of the six official languages of OPCW), it may be one of the reasons of low submission by the SPs.

Recommendation:

- 8. We recommend the Secretariat upload freely available information concerning various means of protection against chemical weapons and migrate the legacy data to the PAD platform so that the dashboard could be used to generate reports regarding the submissions under Article X. We also recommend PAD platform be made available in all six UN languages to facilitate the usage of data bank and submissions by the State Parties.**

61. The Secretariat accepted the recommendation.

Implementation of Article XI

Laboratory Twinning and Assistance Programme

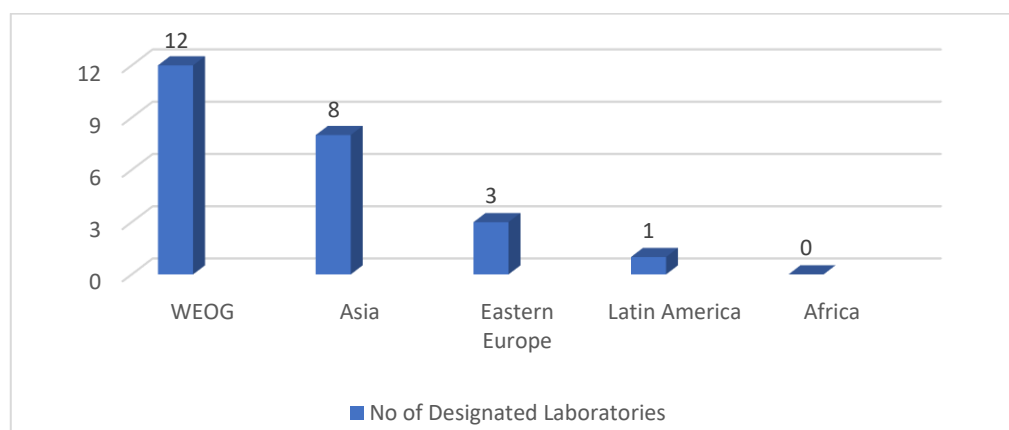
62. The Conference of the States Parties mandated the Secretariat to support analytical laboratories in gaining OPCW designation in those parts of the world that do not currently possess a designated laboratory. To this end, the Technical Secretariat designed the Laboratory Twinning Initiative (July 2016) to provide customised support, which was subsequently merged with Laboratory Assistance Programme (incepted in December 2002) as a new initiative on Laboratory Twinning and Assistance Programme (August 2020).

63. The Secretariat informed under this programme, six applications in total were matched i.e., three from assisting laboratories were matched with three from assisted laboratories during the period from 2018-2022. Further, training programs were conducted to improve participants skills in analysing chemicals related to the Convention and for improvement of participants skills in sample preparation, sample analysis and reporting regarding OPCW proficiency testing. The Status of the Training programmes and number of designated laboratories region wise has been shown in **Table 4** and **Chart 1** below.

Table 4: Status of training programmes

Year	Training Programs conducted (in nos.)	State Parties represented (in nos.)	Region represented	Designated Lab in Africa	Designated Lab in GRULAC
2018	9	40	GRULAC, Africa	Zero	Zero
2019	7	34	GRULAC, Africa	Zero	Zero
2020	5	8	GRULAC, Africa	Zero	Zero
2021	6	33	GRULAC, Africa	Zero	One
2022	11	41	GRULAC, Africa	Zero	One

Chart 1: Region wise number of designated laboratory



64. We observed that since the launch of the programmes only one lab from Latin America has been designated in August 2021 with the help of the Secretariat and so far, no lab has been designated from Africa Region, though the training has been regularly imparted to the State Parties from GRULAC³⁵ and Africa.

65. In case of the African region, the Executive Council in its 93rd session, mentioned that African State Parties had requested OPCW assistance to have at least one laboratory in Africa to achieve OPCW designated status. The fourth phase of another OPCW programme (Africa Programme) had also set a target of having 3 African Labs join the OPCW designated laboratory network, benefitting from the enhancement of Laboratory capabilities under the Laboratory Assistance Programme. In view of complex and demanding requirements for laboratories to be designated, the results from past participation of relevant African

³⁵ Group of Latin America and Caribbean Countries

laboratories to the OPCW proficiency testing, and the status quo of general capacities of African laboratories, the fifth phase (2020-2022) and the sixth phase (2023-2025) of the Africa Programme had subsequently re-set its target to having at least one designated laboratory in the African region. Even though the Secretariat has been actively aiding four laboratories from four SPs in Africa, none of them have been able to achieve the designated status.

66. Further, we noticed that the Secretariat has not conducted any impact assessment of the Lab Twinning and Assistance Programme. The Secretariat stated that the impact assessment study on the Enhancing Laboratory Capabilities Group Programmes was performed in 2019 (during which time the Laboratory Twinning Programme was just started and not covered by the impact assessment).

Recommendation:

- 9. We recommend the Technical Secretariat conduct impact assessment and continue to provide customised support to State Parties in the regions of Latin America and Africa that have laboratories which can gain OPCW designated status in future.**

67. The Secretariat accepted the recommendation.

Africa Programme

68. The OPCW Programme to Strengthen Cooperation with Africa on the CWC (also known as Africa Programme) was launched in 2007 to respond to the needs of Africa. Initially the programme was launched for three years. Subsequently five more phases of the programme were launched - fifth phase ended in 2022. There were 48 SPs in 2007 under the Programme, which increased to 52 SPs in 2022.

69. Under the fifth phase of the Programme to address three identified areas namely, chemical safety and security, laboratory development, and national implementation of the Convention, special projects were proposed by the Secretariat for voluntary funding. The Secretariat was to proactively seek funding from potential donors among SPs and other entities. As such, the Secretariat designed seven special programmes, with a total budget of Euro 1.48 million in July 2020.

70. We observed that out of the seven projects only two projects were completed within the timeframe of the fifth phase, four projects were scheduled to be delivered and preparations were still going on for the delivery of one project. Details are given in Annexure 2.

71. The Secretariat replied that the reasons behind the delay in execution of the projects, was due to funding issues, identification of host country, and identification of vendor. Moreover, since the projects were in-person events, they could be started only after March 2022 when the COVID restrictions were lifted.

Recommendation:

10. We recommend the Secretariat increase its outreach efforts to sensitize the SPs about the special projects initiated and address the impeding issues so that the projects are completed within the time frame.

72. The Secretariat acknowledged the audit recommendation.

VI. Information System Audit of Unit4 ERP

73. The OPCW envisages to have a world class IT infrastructure, so that the staff and stakeholders have secure and reliable access to the resources needed to accomplish their work. Information Services Branch (ISB) is the responsible Branch for this task. The ISB aims to have an updated and secured IT environment, resilient and agile way of collaborating/working across global locations.

74. In our audit, we reviewed functioning of IT systems such as Unit4 Business World (UBW) ERP, Electronic Declaration Information System (EDIS) application, Catalyst applications – Eventus & Policy Making Organs (PMO) Portal . In the recent years, OPCW has put in efforts to streamline functioning of UBW ERP, other IT applications and IT infrastructure in OPCW. The Top-Desk ticketing system to raise issue-based tickets for all applications, infrastructure helps in documenting issues across all applications.

Strengthening of Service Level Agreement (SLAs) for operation & maintenance of UBW ERP:

75. A service-level agreement (SLA) is a contract between customers and the service provider that documents what services the provider will furnish and defines the service standards the provider is obligated to meet. Service-level agreements set the expectations for a service provider's performance and establish penalties for missing the targets. The SLA typically contains objectives and scope of services to be covered, roles and responsibilities of each party, performance metrics (response time, resolution time etc.) and penalties for non-compliance with SLA requirements.

76. OPCW uses TopDesk ticketing system for registering users' issues/ tickets. The organisation has entered into an Application Maintenance Service (AMS) contract for resolution of issues related to UBW ERP system.

77. The service levels for the TopDesk ticketing system provide for specific timeframes for resolving the IT support related tickets for different priorities of tickets. We saw that as per TopDesk ticketing system report at time of Audit³⁶, out of 3486 tickets logged, 672 tickets (approximately 20%) had breached SLA resolution time specified for resolving those tickets. We noticed that 214 tickets (31 per cent) out of these 672 tickets were still open/unresolved. We also noted that 86 (40 per cent) of these tickets were pending since 2021.

³⁶ April 2023

78. We noticed that though the AMS contract provides the service level requirements for responding and resolution of tickets, it does not entail any penalties for breach of these service levels. As per ISB, the only service level pertaining to system availability of UBW had specified penalty for breach. The EBW ERP application was rolled out two years back, and 20 per cent of logged tickets have not been resolved within the SLA resolution time. We understand that certain tickets may pertain to enhancements in the application, and resolution of such tickets will require application development.

79. We are of the view that the SLA should include penalties for non-compliance of the service level requirements relating to timely resolution of tickets etc. Further, the tickets pertaining to application enhancement may be categorized and tracked differently and not mixed with other defect tickets (to be resolved by AMS provider within the specified timeframe).

Recommendation:

11. We recommend the Application maintenance service contract include penalties for non-adherence to the service level requirements including resolution of tickets.

80. The Secretariat acknowledged the audit recommendation.

Strengthening the Substitute Officer Functionality in UBW ERP

81. The access to UBW ERP application and user privileges is based on the user's position in the OPCW. This ensures that only specific position incumbents have the relevant access to approve tasks as they are linked to appropriate workflow-based roles. The application provides for assignment of a substitute official in case a particular official is not available. During review of the application, we observed the following issues in the substitute officer functionality:

- i. In a situation where approver/certifier is on leave, drafter/ approver can be made as certifier. As such, drafter/approver/certifier can be the same person leading to auto approval of any requisition request in the ERP. This compromises on the internal control process for the organisation.
- ii. There were instances where substitute officer remained active even though the main officer has joined back.
- iii. Cases were noticed where for the same period of absence, there were two different substitute officers for same person for conducting same functions.

Recommendation:

12. We recommend the substitute functionality in UBW ERP be examined for strengthening the internal controls of this function.

82. The Secretariat acknowledged the audit recommendation.

Lack of validation control in Procurement Module in UBW ERP

83. With reference to purchase order sheet for year 2022 as generated from system through Procurement Module, we noted that out of 1810 orders, 210 purchase orders (11.6%) with purchases orders as “Ordered – O” were placed to Dummy Suppliers in the application. During discussion with management, it was informed that the Dummy Suppliers were created to account for the payments for travel in the ERP system. The ERP application registers officials in OPCW as suppliers and their travel expenses are recorded through dummy suppliers. We understand that dummy suppliers in the Procurement module had been created in the Application since the Travel module is currently not functional.

84. Further, we noticed that in 474 (6.67%) purchase orders, the delivery date was recorded before purchase order date, and in 26 cases the recorded date of payment was before the invoice date. We were informed that this was due to erroneous data entry. We observed that the UBW ERP application lacked the required validation controls to limit such errors in data entry.

Feedback for UBW ERP collected through survey

85. We conducted a survey through nodal coordinating officer of OPCW with master/super users of each vertical as well as main users of HR, Budget & finance, Procurement, Travel & General Services, Treasury of ERP application. These super users in each wing are the nodal person for User Acceptance testing and giving feedback for their modules in ERP.

86. The survey was filled by 23 super/main users of the application. We observed that out of 23 users, 6 users showed overall satisfaction with UBW ERP application, whereas 9 users were somewhat satisfied and 6 were neither satisfied nor dissatisfied. The feedback of the users through the survey is as below:

(a) Training for using UBW ERP:

87. For effective roll-out and implementation of any IT application, training of users for using the application plays a key role in acceptability of the application in the organisation and in deriving benefits of technical solutions. We observed that 20 out of 23 super/main users had attended the training on UBW ERP application. However, as per the survey, 16 users were satisfied with the training provided. Further, 11 out of 23 users surveyed felt they still need more training.

(b) Alert checks in UBW ERP

88. One of the main advantages of IT enabled ERP system is the automatic checks in the application to improve the internal controls and reduce data entry errors. We observed that 12 users³⁷ out of 23 users, felt that system should throw more alerts being an ERP application to prevent the user from making mistakes, especially in respect of mapping of accounting codes of expenditures. Examples of requirement for alerts as shared by users included - Certifying

³⁷ including 7 users responded with ‘may be’

officers often don't approve their tasks on time causing delays in payments for instance. An alert on the workflow could be added so that the raiser knows the task owner.

(c) Redundancy of form in UBW ERP:

89. While implementing any IT application, Business Process Reengineering should be considered rather than replication of the manual workflows. The replication of 'as-is' systems can create redundant workflows, therefore 'to-be' design should try and reduce additional steps and create more system checks to ease working for users. As per the users' surveys, 5 out of 23 users felt that there is redundancy of work in UBW ERP. Some examples shared during the survey are detailed below:

- There is a requirement to reduce and merge forms for multiple purposes. Too many forms have been created without searching if existing forms could be enhanced and made suitable for other purposes.
- There was two-step submission process when attaching documents in travel certification form, education grant form etc., which may be revisited.
- Forms were not synchronized in the system e.g. forms cannot be linked to transactions processed for payment.

(d) Ease of work due to UBW ERP system

90. An ERP system should facilitate ease of working for users as any automation exercise is successful when it saves time, gives enhanced control and carries out error-check mechanism for the users. We observed that 6 out of 23 users felt that ERP has not eased their working. Their examples were,

- UBW has increased the time that is spent on following up with incorrect submission of forms and timesheets.
- ERP is made by super users for super users and not for regular users. Creating transactions using different vendors and especially when matching different funds is very complicated and often the assistance of super user is required. More automatic functions should be created instead of many difficult manual processes.
- Staff outside HR struggle to understand the absence module because of the big difference from the previous system.

Recommendation:

13. We recommend focussed group training for super/main users with feedbacks be conducted and feedbacks regarding alerts and reducing forms for data entry to be considered for implementation in discussion with super/main users.

91. The Secretariat acknowledged the audit recommendation.

Existence of multiple IT applications for similar purpose

92. The IT strategy should focus on streamlining the IT applications in the organisational portfolio, which includes identification of redundant IT applications and consolidating and migrating from legacy applications. It is a good practice to migrate legacy data to current system rather than running multiple parallel IT applications, decommission the older applications as substantial effort is required in maintaining legacy IT applications and keeping them updated in respect of application and data security alone.

93. We noted that under Human Resources Branch (HRB) wing, there were 17 active applications including ERP, TalentSoft, CultureAmp, Sonru, Appical, etc. We observed that 12 applications have been replaced by ERP application, but these were still in use sporadically for legacy data purpose.

94. Further, we observed that other wings also have multiple active applications as per ISB inventory list for which their functioning have been replaced by ERP/MS SharePoint. There are multiple software/applications hosted onsite/offsite for similar functions. For example –

- Cognos BI reporting still exists, although major data analytics reporting is done through QlikSense.
- Tango is still functioning stating that they will function till ERP Travel module is rolled out, although financial aspect of Travel module has been shifted to ERP. It is pertinent that if organisation has already paid for Travel module in ERP in 2020, there should be fixed timelines to shift from older application to new system.

95. Further, in respect of the IT application used for preparing electronic declarations regarding chemical weapons, OPCW had released an Electronic Declaration tool (EDNA) in 2008. Later in 2019, a new system - Electronic Declaration Information System (EDIS) was rolled out for the same purpose. We analysed the data of Annual declarations for past activities and anticipated activities as given below:

Table 5: Annual declaration past and anticipated activities

Year	Annual declaration of Past Activities			Annual declaration of Anticipated Activities		
	EDIS	EDNA	Manual	EDIS	EDNA	Manual
2020	20	29	41			
2021	25	24	36			
2022	28	14	33	16	13	16
2023 (till April 2023)				17	10	16

96. We noticed that even after three years of rolling out of EDIS, State Parties were still using older application - Electronic Declaration tool (EDNA) or sending the information manually to OPCW. We observed that the progress of migration to EDIS has been slow. We noticed that a significant number of State Parties still continue to submit their declarations manually. The current process requires manual effort in consolidating data coming from three different

sources – ‘EDIS’, ‘EDNA’ and ‘manually submitted’. The consolidation of data from three different sources is a manual exercise and is prone to data entry errors.

97. We observed that having multiple IT applications for the same work leads to duplication of work and cost in maintaining the IT applications. At the same time, due to manual data submission by some State parties, the consolidation exercise involves additional efforts. We recommend that the process of submission of declarations by the State Parties be shifted to the new EDIS application (including the legacy data from EDNA) in a timely manner. This would eliminate the requirement of maintaining two IT applications.

Recommendations:

14. We recommend ISB identify and examine redundant/old applications and decommission them after approval of higher governance Committee with fixed timelines.

15. We recommend OPCW enhance its engagement for encouraging State Parties to use the new EDIS application for filing their declarations.

98. The Secretariat stated that the States Parties have been repeatedly engaged in writing, training and in bilateral discussions to start using the IT application. The Secretariat cannot compel SPs to use EDIS; and some SPs have already made clear that EDIS did not meet their national security/confidentiality requirements, and as such prefer to use other e.g., their own electronic tools, manual mode for submission. We are of the view that the OPCW should engage with State Parties to address their data security related concerns and encourage the adoption of EDIS as single mode for data collection.

VII. Human Resource Management

99. The Human Resources Branch (HRB) under the Administration Division is responsible for the staffing and management of manpower needs of OPCW. HR Governance and Staff Administration divisions handle the policy, establishment, and payroll related matters while recruitment and learning functions are handled by the Talent Acquisition and Talent Management teams, respectively.

100. HRB provides human resources advice and services to the OPCW in relation to human resources planning, sourcing, recruitment and selection, terms and conditions of service, training and staff development programmes, transition support, and individual staff and manager support and separation processes.

101. We reviewed the recruitment processes, employees on roll, and training imparted to staff members of the Secretariat. The audit findings are mentioned in the following paragraphs.

i. Recruitment

(a) Lead Time

102. We observed that the lead time³⁸ for recruitments averaged 82 working days in 2022 as against the 60 working days target set out in the Program and Budget document 2022-23. We are of the view that prolonged lead time would result in protracted recruitment cycles, having an impact on the operations of OPCW.

(b) Supervision of the written test

103. A written test is conducted in the recruitment cycle to filter out candidates for the next stage. OPCW conducts written tests, that can be taken from anywhere, on an appointed date and time, by sending the question paper via email to the candidates. While sending the email, the candidates are instructed that they should not use Internet/other resources and/or help of third parties and that they should not copy-paste material from other sources, which can lead to disqualification from the process due to plagiarism. After completing the test, the candidates send the answers back to OPCW via email, appending their signature thereon.

104. We observed that the written tests were not supervised. Proctoring of tests/examinations would obviate the risk of the candidate restoring to malpractice and add value to the entire recruitment process.

105. OPCW indicated that it uses a specific tool to detect plagiarism and agreed that measures must be adopted and reviewed regularly to mitigate ensuing risks. It would employ a mix of selection tools to ensure there is an appropriate overall balance regarding the importance of written tests in the process.

Recommendation:

16. We recommend the Secretariat to explore availability of advanced technological tools for remote proctoring written tests for greater assurance in recruitment process.

106. The Secretariat acknowledged the audit recommendation.

ii. Training

(a) Mandatory Training

107. We were informed that as of December 2022, 36 officials had not completed the mandatory training courses of OPCW even after one year of their appointment, though these were required to be completed within the probationary period of 6 months.

Recommendation:

17. We recommend the Secretariat ensure completion of all mandatory training courses by all the new incumbents within the stipulated duration.

³⁸ Period from closure of vacancy notice till presentation of Selection Recommendation package to the Appointing Official

108. The Secretariat accepted the recommendation.

(b) Training Need Analysis and Divisional Training Budget

109. We observed that OPCW had not undertaken organisational Training Needs Analysis during 2021 and 2022. We also noted that the divisional training budgets utilisation was 39 percent for 2021 and 35 percent for 2022 (allocation for each year EURO 316,326).

110. OPCW stated that low utilization was due to lack of available external learning opportunities due to COVID-19 restrictions. Many of the training providers offered virtual alternatives, but staff members were less interested. Further, high number of staff resignations resulting in staffing gaps and ICSC (International Civil Service Commission) mandated staff cost increases affected the utilisation of training budget. It was further stated that though OPCW expected higher utilization in 2023, it could still be affected by further increase in staff cost resulting in reprioritization measures.

Recommendation:

18. We recommend the Secretariat undertake Organisational Training Needs Analysis. Further, the Divisions/Branches along with HRB may also regularly monitor their respective training plans with a view to maximising budget utilisation.

111. The Secretariat accepted the recommendation.

E. Acknowledgement

112. We express our appreciation to the Technical Secretariat and the staff members of OPCW for their support and co-operation during our audit engagement.

Sd/-

13 July 2023

Girish Chandra Murmu
Comptroller and Auditor General of India

Annexure 1

STATUS OF IMPLEMENTATION OF PREVIOUS RECOMMENDATIONS OF THE EXTERNAL AUDITOR

S. No	Reference/ Year	Area	Original recommendation	OPCW Response	External Comments	Auditor	Status of Implementation		
							Implemented	Under-implementation	Not implemented
1	01/2021	Financial management	Assessed contribution should be recognised according to the scale of assessment as approved by the Conference of the States Parties, and any adjustment related to the estimated cash surplus should be recorded separately.	Request closure of recommendation: A new account was created to be used for the cash-surplus related adjustment and has been used in the preparation of the 2022 OPCW Financial Statements, where it is now possible to see in the face of Statement of Financial Performance the Assessed Contribution for the year and the cash surplus related adjustment separately	A separate GL Code 5810201 has been created for Cash Surplus for recording cash surplus separately. The recommendation is closed.		Y		
2	02/2021	Financial management	The Technical Secretariat should carry out quarterly reconciliation of provident fund balances to ensure that provident fund contributions made by OPCW matches with the contribution of participants.	An example of a quarterly reconciliation is provided in the folder at the following link: 02 2021 – PF Quarterly Reconciliation	We have noted the action taken by the Management. The recommendation is closed.		Y		

S. No	Reference/ Year	Area	Original recommendation	OPCW Response	External Comments	Auditor	Status of Implementation		
							Implemented	Under-implementation	Not implemented
3	03/2021	Verification	The Technical Secretariat should continue to provide support, through bilateral consultations with National Authorities, to those States Parties which encounter difficulties in submitting their annual declarations.	It continues to be the practice of the Secretariat to encourage States Parties to submit annual declarations through EDIS. The Secretariat therefore considers that the recommendation can be closed. Considering this recommendation is of an ongoing nature and the TS has demonstrated efforts made to encourage state parties to submit the annual declarations on a timely basis while taking into account the reality that the Technical Secretariat has no means to enforce submissions are made by all member states, we recommend this recommendation to be closed.	We noted that as at 31 December 2022, a total of 82 States Parties had submitted declarations for 2021. Of these, 67 States Parties (82%) were on time in submitting their declarations. Considering the fact that implementation of this recommendation will require a continuous effort from OPCW. Based on progress made so far, this recommendation is closed.		Y		
4	04/2021	Verification	The Technical Secretariat should continue its efforts to encourage and facilitate States Parties to submit annual declarations through a single electronic platform,	It continues to be the practice of the Secretariat to encourage States Parties to submit annual declarations through EDIS. The Secretariat therefore considers that the recommendation can be closed. The Technical Secretariat has continuously urged, in writing at every opportunity and in the various discussions (e.g., with National Authorities) why electronic submissions are quicker, less resource-costly, safer and less prone to error. The Technical Secretariat has	The progress of migration to EDIS has been slow. The efforts to persuade/impress upon State Parties needs to be intensified. OPCW has to make efforts to persuade through regular follow up and also to have one-to-one focused		Y		

S. No	Reference/ Year	Area	Original recommendation	OPCW Response	External Comments	Auditor	Status of Implementation		
							Implemented	Under-implementation	Not implemented
5	05/2021	Verification	<p>EDIS,³⁹ for more efficient handling, archival and analysis of declaration data.</p> <p>The Technical Secretariat should continue to conduct the pending inspections on priority, as it is a time bound activity under the Convention.</p>	<p>no power to compel SPs to use EDIS; and some SPs have already made clear that EDIS does not meet their national security/confidentiality requirements. It is also to be noted that the Technical secretariat currently do not have spare/ additional resources to further intensify the efforts. Therefore, under the circumstances we propose for the closure of the recommendation.</p> <p>The Technical Secretariat has consistently met this obligation, with the exception of a few cases during the COVID-19 pandemic when such inspections were not possible. These inspections have since been completed.</p> <p>It continues to be the practice of the Secretariat to prioritise Schedule 2 inspections in accordance with Part VII paragraph 16 of the Verification Annex. The Secretariat therefore considers that this recommendation can be closed.</p>	<p>approach/ customised approach to facilitate each of the State Party to resolve encountered difficulties if any, in submitting their annual declarations.</p> <p>The recommendation is closed.</p>			Y	

³⁹ EDIS = Electronic Declaration Information System.

S. No	Reference/ Year	Area	Original recommendation	OPCW Response	External Comments	Auditor	Status of Implementation		
							Implemented	Under-implementation	Not implemented
6	06/2021	Verification	The Technical Secretariat should place the issue of review of 'Policy Guidelines' before the Executive Council.	<p>The Secretariat reaffirms its position that the Executive Council is informed each year as to the status of compliance with the "Policy Guidelines."</p> <p>It should be noted that:</p> <p>(a) it is the Executive Council who have decided that they will review the Policy Guidelines, but have not yet done so and;</p> <p>(b) the Technical Secretariat reports to the Executive Council in full compliance with the existing Policy Guidelines</p> <p>Therefore, there is no further action that can be required of the Technical Secretariat. Hence, closure of the recommendation is requested.</p>	We noted the Secretariat's efforts in informing the Executive Council every year as to the status of compliance with the Policy Guidelines. However, the above audit recommendation is to place the matter of review of guidelines before the Executive Council as required under Para 3 of Article VI 'Policy Guidelines for determining the number of Article VI inspections'.		Y		
7	07/2021	Verification	A mechanism should be established to provide independent assurance to the Conference of the States Parties regarding the selection of plant sites/facilities for inspection.	<p>At the March 2023 meeting of the Industry Cluster, the Secretariat presented details of the current site selection methodology and where transparency is already built into the process. The Secretariat will then solicit the views of States Parties on where it might be appropriate to expand this transparency.</p> <p>The recommendation was shared with SPs, who made clear that they were entirely content with the existing mechanism and saw no need</p>	Under Implementation		Y		

S. No	Reference/ Year	Area	Original recommendation	OPCW Response	External Comments	Status of Implementation		
						Implemented	Under-implementation	Not implemented
8	08/2021	Enterprise resource planning (ERP)	The Secretariat should continue to closely monitor the upgrade of ERP system to Milestone 7 and the implementation of pending modules of SoD ⁴⁰ to ensure that the benefits of a fully integrated ERP platform are available for the organisation.	for any additional mechanism. Therefore, closure of this recommendation is requested. There has been major progress on this recommendation. The OPCW has coupled the Milestone 7 project with a migration to a new secure cloud. The project is in the final stage of user acceptance testing and is set to go live in March 2023. Preliminary work has started on unifying and optimising travel processes and policies. Once updated requirements are finalised, work on the last remaining travel module can commence.	Milestone 7 upgrade has been completed. The roll-out of Travel management may be monitored and completed on timely basis. The recommendation is under implementation.	Y		
9	09/2021	Enterprise resource planning (ERP)	The Secretariat should monitor timely submission of monthly reporting by the contractor on issue status, key KPIs and service level adherence.	Based on this recommendation, a focus was brought to KPI management in the formal Business review session with ERP Vendor Unit4, minutes uploaded. Most importantly, the team established a monthly vendor management meeting to actively manage performance issues, fixes, contractual/billing issues, and SLA adherence in the folder, notes from many of these meetings have been uploaded, along with the more formal Business review session. Request closure of	Based on the response of the Management and details of monthly performance meetings the Recommendation is closed.	Y		

⁴⁰ SoD = systems of differentiation.

S. No	Reference/Year	Area	Original recommendation	OPCW Response	External Comments	Auditor	Status of Implementation		
							Implemented	Under-implementation	Not implemented
10	10/2021	Enterprise resource planning (ERP)	We recommend early implementation of OIO recommendations regarding the adequacy of controls for segregation of duties in the ERP system.	recommendation: 09 2021 - ERP - Vendor Contract Monitoring Request closure of recommendations: 10 2021 ERP - OIO recommendations Addressing Office of Internal Oversight (OIO) recommendations has been a high priority for the ISB team, and five separate recommendations were closed in 2022. As such, we propose that this general/high-level recommendation be closed. Documentation demonstrating closure of the 2021/CA/2/2 2021/CA/2/5 has been shared, along with all other closed OIO recommendations	As confirmed with OIO, these recommendations mentioned by OIO have been closed by ISB team. The Recommendation is closed.		Y		
11	11/2021	Enterprise resource planning (ERP)	The Secretariat should carry out a review of the validation controls of data fields to identify any deficiencies in the data validation controls and take corrective action as needed to ensure data consistency.	As highlighted, the 3 cases of data were corrected during the audit period directly. In addition to this, we significantly improved and expanded reports in the system, to better monitor data quality and potential areas for expanded validation. This is documented via the list of completed CRs, including improvements to reports. Request closure of the recommendation.	There is always scope of improvement in any application for improved performance. A half-yearly/yearly review of validation/access controls can be a considered as a regular exercise. Since the defects mentioned have been fixed, based on management's reply, the Recommendation is closed.		Y		

S. No	Reference/ Year	Area	Original recommendation	OPCW Response	External Comments	Status of Implementation		
						Implemented	Under-implementation	Not implemented
12	12/2021	Risk management	The Secretariat should decide the risk tolerance scores in respect of all the risks included in the risk register.	This a recommendation of a continuing nature and that evidence of compliance has been presented. Latest Risk Register with Risk Tolerance Scores has been annexed. In the last Risk Register review, Risk Tolerance Scores were included for all risks, this can be verified in the latest risk register shared with the external audit team. Therefore, closure of this recommendation is requested.	Based on management's reply, the Recommendation is closed.	Y		
13	13/2021	Human resources (HR)	We recommend that the grading scale should be reviewed to differentiate the staff performance more clearly.	A four-point rating scale is under internal stakeholder review and is expected to be introduced in a revised administrative directive on performance management. The new rating scale will allow supervisors to differentiate staff performance. A clear definition is provided to facilitate accurate understanding and application of the scale for each of the four possible ratings. --	The recommendation is under implementation.		Y	
14	03/2020	Internal control and governance	OPCW should explore a suite of management reports on key areas of compliance to create an evidence base to support the Statement on Internal Control and that it considers a holistic approach to monitoring compliance.	The development of management reports and dashboards is ongoing in the new ERP system. Adjusting the Organisation's information and communications platforms to address the COVID-19 crisis and continuing cybersecurity threats has, however, inevitably assumed priority for the deployment of the Secretariat's information technology assets.	The recommendation is under implementation.		Y	

S. No	Reference/ Year	Area	Original recommendation	OPCW Response	External Comments	Auditor	Status of Implementation		
							Implemented	Under-implementation	Not implemented
15	05/2020	Appointment of External Auditor	We recommend that States Parties consider approving a process of evaluation of bids by independent experts against clear and objective criteria of price, experience and quality following the end of the tenure of our successors.	At its Twenty-Seventh Session, the Conference adopted a decision on the "Manner of Appointment of the External Auditor" (C-27/DEC.6, dated 28 November 2022).	The recommendation is closed.		Y		
16	06/2020	Business continuity and the pandemic response	OPCW should develop a formal and comprehensive business continuity plan, capturing the learned experience from pandemic working, and this should be underpinned by ongoing investment in infrastructure alongside that being made in the CCT ⁴¹ project as a recovery site.	A new business continuity policy, drafted by the Office of Confidentiality and Security (OCS), was promulgated and OCS facilitated and finalised the related strategic organisational business continuity plan and business impact analysis. OCS also made important revisions to business continuity related administrative directives that further support the implementation and embedding of the BCMS. OCS has drafted a crisis management framework which is to be finalised and approved by the Business Continuity Working and Steering Groups.	Considering the management's response and action taken this recommendation is closed.		Y		

S. No	Reference/ Year	Area	Original recommendation	OPCW Response	External Comments	Auditor	Status of Implementation		
							Implemented	Under-implementation	Not implemented
17	01/2019	Financial Management	The Organisation should report its key performance indicators (KPIs) with data to compare against prior year targets and performance to provide an indication of the improvement trend.	OCS included the BCMS function in the design of the new Centre for Chemistry and Technology. This enables the Centre to function as a recovery/back-up site for the OPCW Headquarters, and greatly increases the OPCW's resilience level. A full summary on KPIs with comparatives is published in Programme performance for the year 2021.			Y		
18	02/2019	Financial Management	The Organisation should bring together the various RBM proposals and developments into a single conceptual framework, with the underlying principles to ensure that key performance indicators provide consistent, meaningful,	The transition to a biennial Programme and Budget serves as an important driver for this improvement—especially noting the importance of results-based management (RBM), longer-term planning, and a longer-term programmatic outlook. However, it is important to note that a well-functioning RBM system is a long-term initiative that requires maturation and the evaluation of results over time. Important to this process will be the further development of business analytical tools to support more incisive, measurable,				Y	

S. No	Reference/ Year	Area	Original recommendation	OPCW Response	External Comments	Auditor	Status of Implementation		
							Implemented	Under-implementation	Not implemented
19	03/2019	Internal Control	<p>measurable, accurate and challenging targets for all key areas of the Organisation.</p> <p>Consideration should be given to providing greater detail of the key areas of weakness identified in the Statement on Internal Control, and for the formation of an overall view of the control environment based on the outcomes of reviews undertaken as part of the risk-based plan.</p>	<p>and accurate KPIs. Developing these tools must be balanced against other continuing pressing priorities for information systems development and modernisation.</p> <p>The revised self-assessment questionnaire for the Statement of Internal Control was administered in January/February 2023. The Risk Management Committee will assess the results and routinely refine and update the questionnaire as and when necessary.</p> <p>The OIO will continue to incorporate the areas of weakness identified in the Statement of Internal Control as part of one of the elements that supports the elaboration of the OIO work plan.</p> <p>In Management Board meeting dated 19 April 2023, an agenda on top ten risks and work of the Risk management Committee was included and internal control self-assessment questionnaire was administered in Jan-Feb 2023.</p>	In Progress.		Y		

S. No	Reference/ Year	Area	Original recommendation	OPCW Response	External Comments	Auditor	Status of Implementation		
							Implemented	Under-implementation	Not implemented
20	05/2019	ERP	The Organisation should undertake a realistic assessment of the full costs to completion likely to be incurred, and the impact this might have on the delivery of Systems of Differentiation. This should include an evaluation of the potential benefits of the project.	This observation was made at a time when the core modules were not yet launched, and when the proposed launch date was still perceived as tentative. With the successful launch of financial, HR, and procurement functionality in January 2021, the project moved into a new phase. As such, it is proposed to close this recommendation. See the OPCW's responses to Recommendations 12/2017 and 15/2015. The System of Record has gone live and is stabilised. The new travel module is being planned for development and delivery following an upgrade of the UBW software to the latest Milestone 7 version in the second quarter of 2023.	In progress, as OPCW says, travel module has to be rolled-out. In addition, since other modules have been rolled-out and working fairly, this recommendation may be considered for closure post travel module roll-out and assessment done.		Y		
21	08/2019	CCT	When time allows, the Organisation needs to fully assess the potential impact of pandemic risk on the costs and timing of project delivery and reaffirm existing assumptions or make appropriate revisions to the scope of the project and budget, if required. This should also be considered in the	The recommendation has also been superseded given that the CCT construction has been completed.	In progress, we noted that the ChemTech project is yet to be capitalised.		Y		

S. No	Reference/ Year	Area	Original recommendation	OPCW Response	External Comments	Auditor	Status of Implementation		
							Implemented	Under-implementation	Not implemented
22	02/2017	Financial Management	<p>context of the costs to deliver the finalised design once this is completed.</p> <p>As part of the approach to longer term financial planning the Organisation should consider its strategy on Extra-budgetary Funding and how this can complement the Regular Budget in enhancing the delivery of objectives.</p>	<p>The Secretariat continues to note the increasing importance of extrabudgetary resources and implications for long-term financial planning, as outlined in the paper on strategic financing that was considered by the Advisory Body on Administrative and Financial Matters (ABAF) and the External Auditor in 2018.</p> <p>The Secretariat continues to develop and refine its approach in this area, incorporating best practices from other international organisations.</p> <p>Work continues to incorporate comprehensive programmatic resource views of regular budget, extrabudgetary, and unfunded requirements, to establish a strategic approach to overall resource requirements and organisational and programme priority areas, in line with recommendations of the External Auditor and the ABAF. The transition to biennial budgeting with a longer-term programmatic and planning outlook is a strong impetus in this direction.</p>	In progress.		Y		

S. No	Reference/ Year	Area	Original recommendation	OPCW Response	External Comments	Auditor	Status of Implementation		
							Implemented	Under-implementation	Not implemented
							23	04/2017	Procurement and Contract Management
24	12/2017	ERP	The Organisation needs a clear plan to secure the benefits of the system changes in driving improved processes and business culture. This plan should include a clear strategy for communication with the business to ensure appropriate user engagement. It is important that the Implementing Partner retains a focus on driving the benefits in	This recommendation was made during the (challenged) ERP implementation, at a time, when system processes were not in place. The ERP went live in January 2021 and is being used and delivering benefits. We are continuing to monitor the realised benefits postimplementation and are collecting feedback from business users in the context of a new governance structure—the ERP Advisory Board—in order to guide prioritisation of further developments and enhancements. Updated Governance policy reflecting this new stage, along with ERP launch message uploaded into folder. This recommendation is therefore proposed to be closed.	Based on the response of the Management the Recommendation is closed.		Y		

S. No	Reference/ Year	Area	Original recommendation	OPCW Response	External Comments	Auditor	Status of Implementation			
							Implemented	Under-implementation	Not implemented	
							25	06/2016	ERP	<p>the design solution.</p> <p>The Organisation should ensure that it retains the audit trail to support timely data migration, and that this is subject to review by OIO. Migrated data should be subject to a review process to ensure that only accurate and necessary data is migrated to the new ERP system.</p>

S. No	Reference/ Year	Area	Original recommendation	OPCW Response	External Auditor Comments	Status of Implementation		
						Implemented	Under-implementation	Not implemented
						26	07/2016	ERP

S. No	Reference/ Year	Area	Original recommendation	OPCW Response	External Comments	Status of Implementation		
						Implemented	Under-implementation	Not implemented
						27	10/2016	HR

S. No	Reference/ Year	Area	Original recommendation	OPCW Response	External Comments	Auditor	Status of Implementation		
							Implemented	Under-implementation	Not implemented
							28	05/2015	Governance and Internal Control

S. No	Reference/ Year	Area	Original recommendation	OPCW Response	External Comments	Auditor	Status of Implementation		
							Implemented	Under-implementation	Not implemented
29	08/2015	Governance and internal control	The Organisation should raise awareness of fraud risks through regular communication of fraud issues and through mandatory training courses for all staff on their induction to the Organisation.	<p>Proposed for closure, as this is a continuous established cycle, already in place, including framework, trainings, reviews, and implementation of continuous updates reviewed and endorsed by the RMC.</p> <p>A fraud risk assessment was conducted via an elaboration of the risk register to include fraud risks. The assessment is regularly reviewed and updated in conjunction with the periodic updates of the risk register. During the induction sessions delivered by the Technical Secretariat for new staff, OIO delivers training covering the OPCW core values and code of conduct, with emphasis on fraud prevention and fraud-related risks.</p>	<p>A copy of the recent assessment of the induction material and induction training schedule as demanded by External Audit was awaited.</p>		Y		
30	09/2015	Governance and internal control	The Organisation should develop a whistleblowing policy to set out how staff can raise valid concerns which will be appropriately and independently investigated, and provide assurance over the protection it offers to staff. Such policies should be clearly	<p>The existing administrative directive regarding the "Procedure to Provide for Direct Confidential Access of Staff Members or Others to the Office of Internal Oversight" (AD/ADM/9/Rev.1, dated 15 December 2008), the Prohibition of Harassment, Sexual Harassment, Abuse of Authority and Discrimination (AD/PER/42/Rev.1), and the "Uniform Guidelines for Investigations" (AD/ADM/26, dated 25 June 2008) provide guidelines for staff to raise valid concerns on misconduct and safeguard reporters from any form of</p>	<p>The development of anti-fraud policy is under progress.</p>		Y		

S. No	Reference/ Year	Area	Original recommendation	OPCW Response	External Comments	Auditor	Status of Implementation		
							Implemented	Under-implementation	Not implemented
31	10/2015	Governance and internal control	<p>accessible and promoted.</p> <p>The Organisation should provide greater clarity over responsibilities and arrangements for the response to an identified fraud by means of an approved fraud response plan. This should include establishing clear independence processes</p>	<p>retaliation. In addition to these, OIO is currently developing an anti-fraud policy framework in accordance with best practices to further strengthen reporting of possible fraud related breaches.</p> <p>OIO has strengthened fraud-related controls since 2021 through creating access to direct reporting of internal breaches to the OIO which is further strengthened through OIO trainings, and an annual reinforcement during the Global Compliance week (information available on the intranet page.</p> <p>In addition, the Administrative Directives on reporting misconduct within the Organisation also reiterate zero tolerance for retaliation against staff who raise bona fide concerns.</p>					
				<p>OIO has developed the legal framework required for internal fraud investigations (including establishment of an Administrative Directive on reporting fraud related concerns and non-retaliation, resourcing the internal fraud investigations function in the OIO at the P-4 level in 2021 and conducting anti-fraud related trainings). As part of its continuous improvement actions, a revised anti-fraud policy is currently under review, and it is expected to be completed by Q1 2024.</p>	Under Implementation			Y	

S. No	Reference/ Year	Area	Original recommendation	OPCW Response	External Comments	Auditor	Status of Implementation		
							Implemented	Under-implementation	Not implemented
32	15/2015	ERP	<p>to determine the approach and staffing required to appropriately investigate any fraud allegations.</p> <p>The Secretariat should ensure it completes its recent exercise to estimate the level of savings arising from the ERP implementation. Sufficient data should be collated to enable an auditable measurement of realised cost benefits on completion of the implementation.</p>	<p>Request closure of recommendation: 15 2015 ERP Savings arising Given that there is insufficient Pre-UBW data with specific metrics on process length, it will not be possible to ever close this recommendation as phrased. However, the Legacy ERP that UBW replaced had not been upgraded in 13 years— it did not support IPSAS accounting, and required numerous supplementary systems, all of which were replaced in the successful UBW roll out. Even without process metrics, the updated ERP has delivered these concrete benefits intrinsically. Documentation highlighting the major milestones of the ERP has been uploaded to the folder. Given both of the above factors, it is proposed to close this recommendation.</p>	<p>Upgrade to new IT application provides enhanced security, more features for users. It may not be practically possible to estimate savings compared to previous application, whose benefit was never calculated.</p> <p>Since the roll-out of UBW is not complete till Travel module is rolled out as well, this recommendation may be re-considered after roll-out of Travel module.</p>		Y		
TOTAL							15	17	-

Annexure 2: Status of Special Projects

S No	Project	Budget (Voluntary Contribution)		Proposed date of delivery	Status
		Estimated	Received		
1	Africa CHEMEX: Multicomponent Emergency response and coordination exercise	405,900	394,830	Q2, 2022	Delivery scheduled in Algiers Algeria, 23 Sep- 4 Oct 2023
2	Conference on Transfer of Toxic chemicals	165,000	165,000	Q2, 2022	Delivery scheduled in Brazzaville, The Congo, 23-25 May 2023
3	Specialised Course for Customs Laboratories	81400	81,400	2021	Delivered on 10-14 Oct 2022, in partnership with the Institute of Industrial Organic Chemistry (IPO) Warsaw, Poland
4	Peer-to-Peer Training for African Customs Training Institutions	216700	215,712	1 course per year (2021-2023)	Delivery scheduled in Q3/4 2023
5	Specialised Course on Maintenance of Lab Equipment	66,700	66,700	2021	Delivery schedule in France in 2023
6	Strengthening mitigation and preparedness to respond to chemical incidents and attacks in French-speaking West African - addressing threats arising from non-State actors	NA	500,000	NA	Preparations ongoing

S No	Project	Budget (Voluntary Contribution)		Proposed date of delivery	Status
		Estimated	Received		
7	Workshop on the Role of National Implementing Legislation in Addressing Threats Arising from Non-State Actors in Africa.	NA	60,000 ⁴²	NA	Delivered in Dakar, Senegal, 16-18 Nov 2022

⁴² The voluntary contribution was Euro 30,000 and rest of the amount was complemented from the regular budget funds of IPB.

Annex 4

**RESPONSE OF THE DIRECTOR-GENERAL TO THE REPORT
OF THE EXTERNAL AUDITOR ON THE FINANCIAL STATEMENTS
OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. The Director-General wishes to express his appreciation for the observations and recommendations received from the Comptroller and Auditor General of India and his staff, on the occasion of the external audit of the Financial Statements of the OPCW for the period ended 31 December 2022.
2. The Director-General notes that, in the External Auditor's opinion, the Financial Statements present fairly the financial position as at 31 December 2022, that they were prepared in accordance with the OPCW's stated accounting policies (applied on a basis consistent with the previous period), and that the transactions were in accordance with the Financial Regulations and legislative authority.
3. The Director-General notes the observations and recommendations made by the External Auditor and action has been initiated to implement these recommendations as appropriate.

Annex 5

**RESPONSE OF THE CHAIRPERSON OF THE PROVIDENT FUND
MANAGEMENT BOARD TO THE REPORT OF THE EXTERNAL AUDITOR
ON THE FINANCIAL STATEMENTS OF THE PROVIDENT FUND
OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. The Chairperson of the Provident Fund Management Board would like to thank the External Auditor for the very useful work done in respect of the audit of the Provident Fund of the OPCW.
2. The Chairperson notes with satisfaction that, in the External Auditor's opinion, the Financial Statements present fairly the financial position as at 31 December 2022, that they were prepared in accordance with the stated accounting policies (applied on a basis consistent with the previous period), and that the transactions were in accordance with the Charter and the Administrative Rules and with the OPCW's Financial Regulations (as far as applicable).
3. The Chairperson of the Provident Fund Management Board notes the observation and recommendation made by the External Auditor and action has been initiated to implement the recommendation as appropriate.

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