



OPCW

**Advisory Body on Administrative and
Financial Matters**

Forty-Fourth Session
5 – 8 June 2018

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**REPORT OF THE FORTY-FOURTH SESSION OF THE ADVISORY BODY ON
ADMINISTRATIVE AND FINANCIAL MATTERS**

1. Opening of the session

- 1.1 The Forty-Fourth Session of the Advisory Body on Administrative and Financial Matters (ABAF) was held from 5 to 8 June 2018. The following members participated: Mr Giridhar Armane, Mr John Foggo (Chairperson), Mr John Fox, Mr Aizaz Khan, Mr Vladimir Kuznetsov, Mr Hans-Christian Mangelsdorf, Mr Arata Mizukami, and Mr Khodayar Rouzbahani (Vice-Chairperson). Mr Milan Kerber and Ms Qian Wang attended as observers.
- 1.2 The list of documents presented to the ABAF for this session is included as the Annex to this report.
- 1.3 The Deputy Director-General of the Technical Secretariat (hereinafter “the Secretariat”) of the Organisation for the Prohibition of Chemical Weapons (OPCW) welcomed the ABAF members and observers, and notably new members Mr Hans-Christian Mangelsdorf (who had replaced Mr Wolfgang Rechenhofer), Mr Vladimir Kuznetsov (who had replaced Mr Nikolay Lozinskiy), and Mr Arata Mizukami (who had replaced Mr Hiroshi Sanomura). The Deputy Director-General also welcomed as observers for this meeting Ms Qian Wang (replacing former member Mr Zhongkun Hu) and Mr Milan Kerber (who was attending as an observer pending his return to member status). He also took the opportunity to congratulate the new Chairperson of the ABAF, Mr John Foggo, and thanked him for taking on this important role in support of the OPCW.
- 1.4 Referring to the agenda for the session, the Deputy Director-General noted that a number of important issues were to be addressed by the ABAF, including the 2017 Financial Statements of the OPCW, and the reports of both the Office of Internal Oversight (OIO) and the National Audit Office of the United Kingdom of Great Britain and Northern Ireland, the External Auditor of the Organisation, and the continuing issue of an audit committee.
- 1.5 The Deputy Director-General informed the ABAF members that they would be briefed on the status of one of the Organisation’s most significant initiatives—the Enterprise Resource Planning (ERP) System Project—and how through numerous challenges tangible adjustments were being made for its implementation. When implemented, the project would represent a potentially significant step forward in the Organisation’s efforts to streamline its operations.



- 1.6 With regard to the Financial Statements, the Deputy Director-General informed the ABAF members that these had once again been prepared in full compliance with International Public Sector Accounting Standards (IPSAS). He stated that the External Auditor had issued an unqualified audit opinion, and added that the Secretariat had positively noted his view that the audits of the Financial Statements of the OPCW and of the OPCW Provident Fund revealed no material weaknesses. The Deputy Director-General also noted that efforts had been taken to improve the information and readability of the OPCW Financial Statements. In this regard, the 2017 OPCW Financial Statements now included a comprehensive introduction by the Director-General on key areas of interest and importance which had also been noted by the External Auditor.
- 1.7 Addressing the External Auditor's report, the Deputy Director-General expressed the Secretariat's appreciation to the National Audit Office of the United Kingdom of Great Britain and Northern Ireland for its recommendations, which were aimed at enhancing the effectiveness and efficiency of the OPCW.
- 1.8 The Deputy Director-General shared the National Audit Office's view—first reported in the 2015 External Auditor's report, again in 2016 and most recently in the 2017 report—on the significant General Fund pressures on the Organisation, which had arisen largely from the delayed payment of assessed contributions and verification reimbursements. He reminded the ABAF that a decision had been made in 2015 to use resources available in the Working Capital Fund (WCF) and Special ERP Fund to address cash shortfalls, and that in 2016 the WCF was again used for this purpose. The Deputy Director-General commented that the Organisation had recently seen its cash inflows begin to seriously lag from projections and that it was possible that the WCF would need to be used within the next two months and earlier than the end of the year, as initially anticipated. He noted that the margin remained very tight and that if the receipt of assessed contributions and verification reimbursements did not improve, the Organisation would be placed in an increasingly difficult position.
- 1.9 Referring to the WCF, the Deputy Director-General noted that in 2018 efforts had been made to rebuild the WCF. In this regard, following on the decision of the Conference of the States Parties (hereinafter "the Conference") at its Twenty-Second Session (C-22/DEC.7, dated 30 November 2017), approximately EUR 1 million of the 2015 cash surplus had been applied to the WCF, along with EUR 0.25 million received earlier this year as part of an incentive agreement related to the re-signing of the OPCW's Tenancy Agreement. The Deputy Director-General commented that although the cash balance of the WCF stood at approximately EUR 7 million, at the current level it would be able to provide liquidity for the Organisation only for a relatively short period of time, and the need for its potential use far earlier than the end of the year was becoming increasingly possible.
- 1.10 With regard to the 2017 budget implementation, the Deputy Director-General noted that a 99% budget implementation had been achieved, up 3% from the prior year. He commented that with this success, however, pressures caused by the delays or non-payment of assessed contributions by States Parties meant that the Organisation could face a cash deficit for 2017, with the exact result to be confirmed with the closure of the 2018 accounts. Should a deficit materialise, it would have to be addressed.

- 1.11 The Deputy Director-General commented that beyond increasing cash flow pressures, it remained clear that a longer-term strategic financing approach was required. He noted that such an approach outlined in the draft non-paper on “Strategic Financing for the OPCW” (hereinafter “the Strategic Financing Paper”) would be presented at the meeting for consideration by the ABAF, noting that the concepts in the paper had been discussed previously with the Open-Ended Working Group on the Future Priorities of the OPCW and more recently with the External Auditor. The Deputy Director-General stated that the Strategic Financing Paper would also be discussed soon with the Open-Ended Working Group for the Preparation of the Fourth Review Conference.¹
- 1.12 Regarding recommendations made by the National Audit Office on governance, risk-based approaches, and internal control, the Deputy Director-General confirmed that these had been noted by the Secretariat and would be further elaborated upon when the National Audit Office presented its audit report to the ABAF. In light of the discussion on governance, and particularly on the establishment of an audit committee, which had been deliberated upon during a few ABAF sessions, the Deputy Director-General encouraged the ABAF to come to a decision in the best interests of the Organisation and to move forward.
- 1.13 Addressing a request made at the Eighty-Seventh Session of the Executive Council (hereinafter “the Council”) for the ABAF to consider the Note by the Director-General on transfers of funds during 2017 (EC-87/DG.13 C-23/DG.2, dated 15 February 2018) and to provide its comments in its report, given that consideration of the Note had been deferred until the Eighty-Eighth Session of the Council, the Deputy Director-General indicated that an analysis of the budget transfers would be discussed with the ABAF at this meeting.
- 1.14 The Deputy Director-General stated that the Fourth Review Conference would be held this year in conjunction with the Twenty-Third Session of the Conference. Referring to the request by the ABAF at its Forty-Third Session for more information at this meeting on the associated costs and cost efficiencies that would be realised from the combined meeting, the Deputy Director-General indicated that the Secretariat would provide a presentation in this regard.
- 1.15 Referring to the draft Programme and Budget for 2019, the Deputy Director-General informed the ABAF that it was in the process of being prepared and would be presented by the Director-General to the States Parties in July, just prior to the Eighty-Eighth Session of the Council. Copies would be provided to the ABAF ahead of its next session.
- 1.16 The Deputy Director-General concluded his remarks by stating that budgetary and financial management had continued to improve at the OPCW, while maintaining a strong focus on fulfilling the Organisation’s mandate. In particular, programme planning and resource management had been strengthened.

¹ Fourth Special Session of the Conference of the States Parties to Review the Operation of the Chemical Weapons Convention.

2. Adoption of the agenda

The ABAF **adopted** the following agenda:

1. Opening of the session
2. Adoption of the agenda
3. Review of the report of the previous session
4. Introductory matters:
 - (a) ABAF members as per EC-86 and EC-87 decisions
 - (b) Financial updates: cash position, status of collection of assessed contributions and reimbursements, Working Capital Fund, etc.
 - (c) ERP Project update
5. Status of the 2018 financial performance (to date)
6. Financial Statements of the Organisation for the Prohibition of Chemical Weapons and the report of the External Auditor for the year ending 31 December 2017 (includes the status of EA audit recommendations for prior years)
7. Report of the Office of Internal Oversight for the year ending 31 December 2017
8. Status of budget transfers 2017
9. Programme Performance 2017
10. Financial Regulations and Rules: Rule 6.3
11. Strategic financing strategy for the OPCW
12. Audit Committee follow-up
13. Fourth Review Conference
14. Any other business
15. Next session and agenda
16. Adoption of the report

3. Review of the report of the previous session

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

4. Introductory matters

Subitem 4(a): ABAF members as per EC-86 and EC-87 decisions

The Chairperson of the ABAF welcomed all members and observers to its Forty-Fourth Session, including those newly appointed through decisions at the Eighty-Sixth and Eighty-Seventh Sessions of the Council, and expressed that he looked forward to working with them through this and future ABAF sessions.

Subitem 4(b): Financial updates

Cash position

- 4.1 To set the context for further discussions, the ABAF was informed of the OPCW's cash position at 31 December 2017. In this regard, the ABAF was informed that at the end of 2017, the cash position of the General Fund was approximately EUR 1.58 million, owing in part to the receipt of advance 2018 assessed contributions and end-of-year payments of current year assessed contributions. The collection of 2017 assessed contributions at year end stood at 92.68%, down from 94.09% at the same point in the prior year. At the end of 2017, the collection rate of 2016 assessed contributions stood at 95.81%. The ABAF **noted** that, as outlined in OPCW Financial Regulation 5.4, States Parties had a responsibility to pay in full their assessed contributions within 30 days of being informed by the Secretariat, or on the first day of the financial period to which the assessment relates, whichever was later.
- 4.2 The ABAF **received** a presentation on the OPCW's current cash situation as at 31 May 2018, including the status of assessed contributions from States Parties. The ABAF **noted** that as at this date, approximately EUR 41.69 million was outstanding for the period of 1993 to 2018, of which EUR 34.8 million was for 2018 and EUR 6.89 million was for prior years. The ABAF **noted** the comparison of the status of assessed contributions from States Parties at the same date in the prior year, whereby EUR 30.3 million was outstanding for the period 1993 to 2017, of which EUR 25.8 million was for 2017 and EUR 4.5 million was for prior years.
- 4.3 The ABAF was informed of the basis of the cash forecast for 2017 and the underlying assumptions. The ABAF **noted** that the Secretariat was forecasting a negative cash position for 2018 on the order of EUR 1.4 million. The ABAF was reminded that in 2015 a decision had been taken to use resources available in the WCF and Special ERP Fund to address cash shortfalls, and that in 2016 the WCF had again been used for this purpose.
- 4.4 The Secretariat informed the ABAF that the General Fund cash position of the Organisation at 31 May 2018 was approximately EUR 3.4 million, substantially lower than at the same time last year (EUR 16.6 million).
- 4.5 The ABAF **noted** that the Secretariat was indicating that cash inflows were beginning to seriously lag against forecasts and that, for that reason, the Secretariat was anticipating the possibility (in the absence of improved collectability of assessed contributions) of having to use the WCF in July, far earlier than the end-of-year projection originally anticipated.

Working Capital Fund

- 4.6 The Secretariat indicated that the current level of the WCF as at 31 May 2018 was approximately EUR 7 million, up from EUR 2.8 million at the same point last year, largely attributable to the repayment of prior borrowings from the WCF, the receipt of incentive payments for the Tenancy Agreement applied to the WCF, and the application of a portion of the 2015 cash surplus to the WCF in accordance with a decision of the Conference. The Secretariat indicated that in the absence of significant movements in the receipt of assessed contributions, the WCF would sustain operational liquidity for only a short period of approximately 1.5 months. The ABAF **noted with concern** the operational risk to the Organisation and **encouraged** the Secretariat to develop a contingency plan, should the lag in the receipt of assessed contributions increase.
- 4.7 Continuing on the issue of the WCF, the ABAF **noted** that Financial Regulation 6.2 stated that the WCF should not exceed two-twelfths of the budget provision for the financial period (for 2018, based on the approved Programme and Budget of EUR 67.2 million, application of Financial Regulation 6.2 would entail an upper limit of the WCF of EUR 11.2 million). The Secretariat indicated that the 2018 Programme and Budget decision indicated that the WCF should be brought to a level between EUR 7 million and EUR 9 million. The ABAF **suggested** that a desirable minimum level for the WCF be considered along with, more importantly, a means to replenish the fund in year, should it be drawn upon and depleted, thus reducing the available cover for liquidity issues. The ABAF **cautioned** that having to wait up to a year to reinvest and pay back borrowings to the WCF was very risky, also taking into account uncertain mechanisms such as the possibility of overreliance on the use of cash surpluses. The ABAF **commented** that a desirable minimum level might be considered appropriate for inclusion in the Financial Regulations and Rules, along with a requirement to replenish the Fund automatically to the minimum level. The Secretariat added that benchmarks of working capital funds based on external studies were included in the Strategic Financing Paper, but that any level of a working capital fund needed to assume some level of assurance or predictability for the receipt of assessed contributions, which was increasingly challenging for the OPCW.

Status of assessed contributions and Article IV and V reimbursements

- 4.8 The ABAF was briefed on the status of the Organisation's assessed contributions and Article IV and V reimbursements. The Secretariat highlighted the fact that 46.88% of assessed contributions had been received as of 31 May 2018, compared to 60.57% at the same point last year. The ABAF **noted with concern** that the delays in the collection of assessed contributions for the prior year also compounded the situation.
- 4.9 The ABAF was informed that over EUR 5 million was outstanding for Article IV and V reimbursements as at 31 May 2018.
- 4.10 The ABAF **expressed serious concern** about the number of States Parties in arrears with regard to annual contributions assessed for previous years and the cumulative outstanding balances for the reimbursement of inspections invoiced under Articles IV and V.

Programme support costs

- 4.11 The ABAF was provided with an update on the status of programme support costs. The ABAF **noted** that the programme support costs balance at 28 May 2018 was approximately EUR 375,998, up from the 2017 year-end closing balance of EUR 331,235. In response to the question from the ABAF as to the percentage charged by the Organisation for programme support costs, the Secretariat indicated that the rate was set at 7%. The ABAF **inquired** whether this rate was adequate, **noting** that some other international organisations in some cases have higher rates. The Secretariat indicated that it saw this rate as reflective and in line with other international organisations having a scientific mandate. The Secretariat indicated that it would continue to monitor programme support cost income and expenditure to ensure that an adequate programme support costs recovery rate was maintained.

2017 Programme and Budget implementation

- 4.12 The ABAF **commended** the Secretariat for achieving an overall 99.1% Programme and Budget implementation rate for 2017, a 3% improvement from the prior year, and **encouraged** the Secretariat to remain vigilant in exercising the implementation of the 2018 Programme and Budget. The ABAF **commented** that cash receipt pressures on the Organisation had to be carefully balanced against budget implementation, as a very high budget implementation rate, although good, might not programmatically lend itself to a sustainable financial situation if cash inflows did not match the expenditure incurred, resulting in the possibility of cash deficits. The ABAF **suggested** that during the 2019 Programme and Budget consultations the Secretariat draw the attention of the States Parties to the relationship between the rate of programme and budget implementation and the impact of the collectability of assessed contributions.

Subitem 4(c): ERP Project update

- 4.13 The ERP Project manager provided the ABAF with a status update, and indicated that the user acceptance testing phase of the project had indicated severe deficiencies in the system build against Organisational requirements, resulting in a delay to the project's go-live date. The Secretariat indicated that it had contracted a third-party quality assurance expert with extensive Unit 4 Business World experience to help identify and quantify the deficiencies and to provide challenge to the implementing partner for a solution design that would meet the needs of the Organisation. The ERP Project Manager indicated that the third-party expert had confirmed that the Unit 4 software was able to accommodate the Organisation's requirements without the need for any substantive customisation and, in so doing, the expert helped to restore confidence in the Unit 4 product within the Secretariat.
- 4.14 The ABAF **expressed significant disappointment** that the project implementation had not gone as planned and that the resultant substantial delay in the system go-live date would result in additional significant indirect and direct costs.
- 4.15 The ABAF **expressed its support** for the Secretariat's focus on establishing a new go-live date in 2018 while ensuring that the system requirements of the Organisation were met.

- 4.16 The ABAF **inquired** about what contingency measures were in place should the implementing partner, for whatever reason or reasons, not complete the project. The Secretariat indicated that contingency planning was being considered as part of overall project governance. The ABAF **strongly recommended** that the Secretariat take measures to ensure that a clear contingency plan was in place as a matter of due course.
- 4.17 The ABAF **cautioned** that aspects of the implementation could go beyond 2018 and that the Secretariat needed to be well prepared for that possibility.
- 4.18 An update on the project financials was provided, and indicated that the ERP Project had incurred ongoing project costs as a result of the delay in the go-live date. The ABAF **noted** that a potential balance of EUR 0.4 million would remain in the ERP fund at the end of the project, lower however than the original anticipated EUR 0.7 million. With regard to the delay, the ABAF **inquired** why costs were not higher, to which the ERP Project Manager indicated that the contract was based on a fixed-price model against defined contracted requirements.
- 4.19 On the issue of how the States Parties were being kept informed of the project status and progress, the Secretariat informed the ABAF that updates were provided in various forms, including through Notes by the Director-General, side presentations during Council sessions, and updates during scheduled informal consultations with States Parties, such as those for updates on external audit recommendations.
- 4.20 The ABAF **requested** that at its next session it be provided with an update by the Secretariat on progress made in the implementation of the ERP system.

5. Status of the 2018 financial performance report (to date)

- 5.1 The ABAF was briefed by the Secretariat on the implementation of the 2018 Programme and Budget and was informed that, as at 30 April 2018, the budget in the amount of EUR 66,814,922 had been 40% obligated at a rate similar to the same point in the prior year. The Secretariat stated that this figure was reasonable, given the front-loading of contractual obligations for the year, notably with regard to the Headquarters building. The ABAF was informed that in order to mitigate the risk of non-payment of assessed contributions, the vigilant use of a contingency margin had continued to be applied to the 2018 budget in accordance with the OPCW Financial Regulations and Rules. This margin provided a EUR 1.78 million buffer (2.7% contingency margin) aimed at ensuring that 2018 income exceeded expenditure, taking into consideration assessed contribution collection patterns over the past years and mitigating the potential risks of exposure to exchange rate fluctuations as well as other unforeseen factors such as price adjustments or unplanned activities. While staff costs had been allotted 100% of appropriations, for the most part only 90% of operational cost budgets had been allocated. The ABAF was informed that a detailed review of actual and projected expenditures would be conducted at mid-year and with increasing frequency in the second half of the year, along with a review of assessed contributions and Article IV and V collections, which could result in an adjustment to the contingency margin. The ABAF was further informed that regular quarterly budget review and forecast meetings had been initiated with Programmes in 2018 by the Budget and Finance Branch to improve

oversight and in-year forecasting, and that this initiative would evolve to be increasingly robust over time. The ABAF **welcomed** the initiatives taken by the Organisation to avoid a budget deficit and a transfer of funds between chapters.

6. Financial Statements of the Organisation for the Prohibition of Chemical Weapons and the report of the External Auditor for the year ending 31 December 2017

- 6.1 The ABAF was briefed by the Secretariat on the 2017 Financial Statements, which were formulated for the seventh time in accordance with IPSAS. The ABAF was advised that the net assets of the OPCW amounted to EUR 8.6 million, representing a decrease of EUR 1.3 million from 2016. The net asset position of the Organisation remained positive largely due to positive trust fund balances. The General Fund of the Organisation continued to show a negative asset position of EUR 5.3 million (EUR 5.1 million in 2016) due to employee benefit liabilities. The ABAF was also informed that for 2017, taking into account all funds and accounts of the OPCW, there was an overall deficit of EUR 1.8 million with expenses exceeding revenue. The ABAF **noted** the overall financial results. It also **expressed concern** about a few areas in particular, especially those related to the collections of assessed contributions and Article IV and V reimbursements and the impact that these have on the deficit of the Organisation for the year.
- 6.2 The ABAF **welcomed** the addition of a new introduction to the OPCW Financial Statements by the Director-General as a significant improvement especially, in regard to the readability and accessibility of key information contained within them. The ABAF also **commended** the Secretariat for arranging a peer review of its Financial Statements by other international organisations.
- 6.3 The ABAF **suggested** that, in the future, the financial statements should provide a further breakdown of key expenditure categories such as consultancy and contractual arrangements, including the breakdown of expenditure between the General Fund and Trust Funds.
- 6.4 On the issue of disposal and write-offs of assets, the ABAF **inquired** as to how these were controlled and reported to States Parties. The Secretariat indicated that there were internal mechanisms, such as the Property Survey Board, which review disposals and asset write-offs. In addition, the External Auditor looks at the asset base and disposals and write-offs as part of audit sampling. On the issue of reporting to States Parties, the Secretariat indicated that the Conference is provided with a specific decision on write-offs each year and information is also contained within the OPCW Financial Statements.
- 6.5 With regard to the property plant and equipment of the Organisation, the ABAF **noted** that a significant portion of the asset categories had fully depreciated assets that would need to be replaced at some point. The Secretariat also **informed** the ABAF that under IPSAS, intangible assets such as software are capitalised and that in the future this area would increase in the Financial Statements as the ERP project was implemented.
- 6.6 The ABAF **noted** that, when implemented, the ERP system should help in the linkage of expenditure to the programmatic objectives. The Secretariat responded that the

ERP would have a revised Chart of Accounts structure that would greatly assist in this regard.

- 6.7 The ABAF **agreed** with the Secretariat that the IPSAS-based OPCW Financial Statements contained a wealth of information, for example, in assets or long-term liabilities, which should assist the planning and budgeting process.
- 6.8 The External Auditor then presented its findings regarding the 2017 Financial Statements and stated that the audit examination had revealed no material weaknesses or errors. The External Auditor stated that an unqualified audit opinion had therefore been issued with respect to the Financial Statements of the OPCW and the Financial Statements of the OPCW Provident Fund. The ABAF **noted with satisfaction** that both sets of Financial Statements had received unqualified opinions.
- 6.9 The External Auditor referenced the audit completion report for 2017 and indicated this report formulated the audit process and confirmed the unqualified audit opinion findings.
- 6.10 The External Auditor outlined the key observations of the External Auditor's Report on the 2017 OPCW Financial Statements, informing the ABAF that the audit for 2017 looked at three main areas: financial management, procurement and contract management, and the ERP system project. The report also provided information related to the status of prior year external audit recommendations.
- 6.11 Addressing financial management, the External Auditor stated that in 2017, as in 2015 and 2016, the OPCW faced significant General Fund cash pressures arising mainly from delayed payment of assessed contributions and Article IV and V inspection reimbursements.
- 6.12 The External Auditor stated that the Organisation had delivered its budget effectively with a budget implementation rate of 99% (96% in 2016). The External Auditor noted that this demonstrated the Organisation's commitment and ability to tightly manage budget parameters but cautioned that difficulties in the Organisation's cash flow position continue to impact it.
- 6.13 With reference to the preparation of the financial statements, the External Auditor commented that their preparation remained a highly complicated and manual process owing to the complex audit trails within the existing SmartStream IT system.
- 6.14 The External Auditor congratulated the Secretariat for arranging a peer review of its prior year financial statements with results incorporated into the 2017 financial statements, resulting in a simplification of the statements. The External Auditor, similar to the ABAF's view described in paragraph 6.2 above, also commented on the positive development of the Director-General's new introduction to the Financial Statements, highlighting issues of importance for the readers of the financial statements, including States Parties. The External Auditor encouraged the Secretariat to develop further the introduction concept in the financial statements for subsequent years.
- 6.15 On the issue of the continued long-term employee benefit liability in the General Fund, the External Auditor stated that the Organisation should make a formal decision

if it would continue on a “pay-as-you-go” approach or decide to fund the deficit incrementally over time. The ABAF **agreed** to consider this issue at a future session with a view to advising States Parties.

- 6.16 The External Auditor expressed support for concepts presented within the Strategic Financing Paper and stated that the Organisation needed to look at a long-term capital investment plan better meshed with its strategic objectives. The External Auditor commented that the development of a long-term investment programme to plan for equipment purchases was a key recommendation within the paper.
- 6.17 On the issue of extrabudgetary funding, the External Auditor noted that there was increasingly greater reliance on extrabudgetary funding in the United Nations system, and that organisations had been investing heavily in this regard. The External Auditor noted that from an audit perspective it was not apparent what the extrabudgetary strategy of the Organisation was. In this regard, the External Auditor suggested the Organisation consider a dedicated strategy for extrabudgetary funding and how it could support the objectives of the Organisation, if management considered it would be relevant and applicable to the Organisation. The ABAF **commented** that in its opinion the Organisation might wish to proceed cautiously in this regard, noting that core activities supporting the objectives of the Organisation should be regularised within the General Fund Programme and Budget.
- 6.18 With regard to the Statement of Internal Control, the External Auditor continued to emphasise the importance of its 2015 recommendation and noted that steps were being taken by the Secretariat to improve the underpinning processes and that these would improve transparency. The ABAF **inquired** about the approach being taken to strengthen the Statement of Internal Control. The Secretariat indicated that the OIO had completed an audit on the matter and had made some recommendations in this regard, including the introduction of an overall framework based on COSO,² which would be supported by a detailed questionnaire to support attestations that form part of the Statement of Internal Control. The existing attestations for directors would be revised and might in some form also be brought to the branch head level. The Secretariat indicated that in a first phase this approach would need to be phased with an initial questionnaire and overall awareness and buy-in to the concept by stakeholders, followed by the introduction in a second phase of a more robust questionnaire supporting attestations in the following year, thus also allowing stakeholders time to prepare and better provide assurance.
- 6.19 Turning to procurement and contract management, the External Auditor noted with appreciation the work done by the OIO in its report on procurement earlier in 2017. The External Auditor indicated that its recommendations supported and complemented the recommendations of the OIO.
- 6.20 On the issue of an overall procurement strategy, the External Auditor commented that Financial Administrative Directive AD/FIN/01/Rev.4 for Procurement of Goods and Services commits the Organisation to developing a procurement strategy. The External Auditor commented that pending the development of a procurement strategy

²

COSO = Committee of Sponsoring Organizations of the Treadway Commission.

and the improved functionality that the new ERP should bring, the procurement function was primarily transactional. The External Auditor stated that since the OIO review of the procurement function early in 2017, the onboarding of a new Head of Procurement had allowed the Organisation to make good progress towards improving the Organisation's approach to procurement.

- 6.21 The External Auditor commented positively that in 2017 a more proportionate approach to the approval levels for procurement had saved time for the Committee on Contracts and the Office of the Legal Adviser.
- 6.22 The External Auditor recommended that the Committee on Contracts mandate be expanded to take on a greater oversight role for procurement, to enable increased assurance and information on procurement performance, trends, risks, etc. The External Auditor also commented in this same vein that there could be additional scope for the Committee to monitor contract extensions and associated costs and benefits. The External Auditor commented that this might require an amendment to the terms of reference of the Committee on Contracts.
- 6.23 The External Auditor commented on the high number of contract amendments and suggested that the Secretariat have different templates of contracts to avoid having to amend them so frequently.
- 6.24 The ABAF **asked** the Secretariat what the existing controls within the financial and procurement system were to determine accumulated amounts for contracts or suppliers. The ABAF **underlined** the importance of adhering to delegated approval limits. The Secretariat indicated that presently it was a manual process and that the new ERP would enable this information to be more easily and comprehensively tracked.
- 6.25 On the issue of a central contract management system, the ABAF **requested** clarification from the External Auditor. The External Auditor indicated that it was a means to strengthen governance for contracts management. The ABAF **inquired** about what the External Auditor envisaged with regard to an "end-to-end procurement guide". The External Auditor indicated that the intent would be to have a central source of procurement information and guidance in a single document.
- 6.26 With regard to the ERP project, the External Auditor noted that the project had not gone according to plan owing to a number of reasons. The External Auditor noted implementing partner pressures, including risks and issues that were not visible early enough. The External Auditor commented that, at the time of reporting, discussions were still ongoing to agree on the go-live date and plan.
- 6.27 On the issue of ERP Project governance, the External Auditor emphasised the importance of project governance and of providing sufficient challenge, whereby it appeared that there was an overdependence on the expertise of the implementing partner. The Secretariat acknowledged that it did not have the specific Unit 4 Business World expertise as part of the Secretariat project team. The clarity of the state of the ERP build provided during the user acceptance testing led the Organisation to contract a third-party expert to provide the additional required product-specific expertise and to challenge the design on how the Organisation's requirements would be addressed within the new ERP system.

- 6.28 The External Auditor suggested that the Secretariat assess what a late year go-live would mean in terms of the financial closure activities and the burden on staff who would also be busy trying to stabilise the system. It should also assess what the implication would be for the timeline for the preparation for the 2018 Financial Statements. The External Auditor indicated that if the Secretariat saw this as a risk it should engage early with States Parties to agree to a later timeline for the 2018 Financial Statements.
- 6.29 The ABAF **asked** if the External Auditor had looked into the ERP system design in the area of procurement. The External Auditor indicated that once the system was more formalised and had gone live it might do so, stating that the ERP design needed to have functionality to provide data to support contract management disciplines. The Secretariat indicated that with the new ERP system new ways procurement methods would exist just by the nature of the system and its processes and controls.
- 6.30 Referring to the status of previous recommendations, the External Auditor indicated that implementation of some recommendations had been outstanding for a long period of time. The External Auditor referenced as examples long-standing recommendations related to whistleblowing and anti-fraud policies, for which the recommendations were made in 2015 but not yet been implemented. The ABAF **suggested** that such recommendations should not be ignored and that their implementation needed to be expedited.
- 6.31 The External auditor acknowledged that the Secretariat faced competing priorities but requested that more emphasis be placed internally within the Secretariat on the implementation of audit recommendations and the establishment of realistic timelines for their implementation. The ABAF **agreed** that there needed to be additional mechanisms and accountability to implement audit recommendations.

7. Report of the Office of Internal Oversight for the year ending 31 December 2017

- 7.1 The ABAF **received** a presentation from the OIO on its annual report for the period from 1 January to 31 December 2017 (EC-85/DG.10 C-22/DG.4, dated 24 May 2017). The ABAF was informed that the implementation of the OIO's 2017 work programme resulted in eight audit/evaluation assignments, in which 58 recommendations were issued. The ABAF was informed that 60 recommendations issued in the past five years (2012 to 2017) were still outstanding as at 31 December 2017, including one recommendation issued in 2011. The OIO said that as part of the audit process all audit observations and recommendations were discussed with the management and that, before finalisation, comments were obtained on the draft report. The OIO advised that the implementation of the new software would make the follow-up of recommendations easier.
- 7.2 The ABAF **noted** that the Director-General had approved all OIO recommendations. The ABAF **encouraged** the timely implementation of recommendations, in particular those that made in 2011, 2012, and 2014. The ABAF **noted** that it is the responsibility of the Management to ensure that OIO recommendations were implemented in accordance with the agreed timelines.

- 7.3 The ABAF **noted** the main recommendations of the audits and the fact that the OIO was once again able to obtain its certification from the Dutch Accreditation Council (RvA).
- 7.4 The OIO briefed the ABAF that, in line with the 2016 External Audit recommendations, the OIO's overall work programme was structured on a risk-based approach. The OIO advised the ABAF that the revised risk assessment process being followed was developed based on an assessment and prioritisation of organisational risks. The OIO brought to the attention of the ABAF its revised risk assessment methodology for annual work planning for 2018, which now focused on management processes and assessed their relative riskiness based on risk parameters and relative weightages. Of the 92 processes identified, the OIO would place priority on covering all 22 high (3) and high-medium risk (19) processes over a period of three years (2018 to 2020). The OIO also explained the overall structure of management processes, from mandatory processes required for accreditation to critical and other standard processes. The ABAF **requested** that at its next session the OIO provide it with a listing of the 92 processes. The ABAF **noted** the identification of management processes and its framework based on criticality, as well as the revised risk assessment methodology focusing the OIO's work plan on the key risks facing the Organisation, as recommended by the External Auditor. The ABAF **suggested** that these processes should be reviewed each year at the time of preparation of the annual work programme.
- 7.5 On the follow-up of the implementation of audit recommendations by Management, the ABAF **questioned** the OIO why the implementation rate had fallen from 84.2% in 2016 to 77.1% in 2017, and **asked** to what factors the OIO could attribute this. The ABAF **questioned** whether the fall in the implementation rate could mean that the recommendations were not clearly understood by Management. The OIO informed the ABAF that the failure to implement all recommendations was due to several factors, such as timelines required to implement complex recommendations relating to strategy and policy matters and constraints relating to budgetary and staffing resources. In addition, the OIO mentioned that it had changed its reporting style to add a clear strategy with time-bound recommendations. The ABAF **suggested** that in future presentations to it the OIO should consider the feasibility of categorising the reasons for delayed implementation of its recommendations. The ABAF **inquired** whether the recommendations were assigned cost implications and whether the risk-weighted approaches and costing options associated with these approaches were presented to Management. The OIO indicated that the costing of internal audit recommendations was the responsibility of the programme managers. The ABAF **requested** that this information be included in the annual summary report for 2018, along with budgetary implications, where possible. In order to facilitate the implementation of the audit recommendations, the OIO had started the practice of providing the expected action required for implementation and would now establish a timeline for their implementation based on best practices in the United Nations system. The ABAF **welcomed** the new section in the report for 2017 on the assessment of the impact of implemented audit and evaluation recommendations, which showed the added value of these recommendations in strengthening the internal control, risk management, and governance systems in the Organisation.

- 7.6 The ABAF **inquired** about the OIO audit related to the Statement of Internal Control. The OIO informed the ABAF that a two-stage approach was being adopted by Management from the branch to the divisional level, in order to facilitate its implementation. The External Auditor commended the report as a “positive step”, and appreciated this approach which would serve to improve the basis for the Statement of Internal Control. The OIO also informed the ABAF that the procurement system had been strengthened by incorporating some of the audit recommendations into the revised administrative directive. The ABAF **appreciated** the audit recommendations, as well as the External Auditor’s recognition of their positive contribution in strengthening the internal controls relating to procurement, while stressing the importance of the Secretariat adhering to the audit recommendations.
- 7.7 The ABAF **noted** a significant improvement in the way the OPCW had been considering evaluation. State Parties were now requesting information on performance and impact of activities. There was a trend towards more transparency and accountability, and management was now more focused on results. Evaluation was an integral part of the management process.
- 7.8 The OIO shared its thoughts on its strategic vision, which covered a number of important issues. These included, inter alia, the further strengthening of its independence, the strengthening of IT audit skills, and the acquisition of an audit management software commonly used in other United Nations organisations. The introduction of audit software would advance the OIO to a paperless office which would result in less pressure on staffing. Keeping in view the important role played by internal oversight in the Organisation, the ABAF **requested** the OIO to provide the revised draft charter for consideration at its next meeting, as well as its likely implications for changes to the Financial Regulations and Rules.

8. Status of budget transfers in 2017

- 8.1 The ABAF **confirmed** as a matter of course its reviews, during its first meeting each year, of the annual Note by the Director-General on transfers of funds. The ABAF **noted** the request made at the Eighty-Seventh Session of the Council that it review the report on transfers of funds during 2017 (EC-87/DG.13 C-23/DG.2, dated 15 February 2018), and include its findings in its report, as that report would be reconsidered by the Council at its Eighty-Seventh Session. In this regard, the ABAF **recommended** that the Secretariat change the order of sequence and first have the report on transfers of funds considered at its first session each year, and then submitted to the Council at its session in July instead of its session in March.
- 8.2 Referring to EC-87/DG.13 C-23/DG.2, the ABAF **noted** that all transfers took place without detriment to the approved activities of the respective programmes. The ABAF **noted with appreciation** that the Secretariat had implemented its suggestion made at its Forty-Second Session to include in the introduction of the document a chapeau statement on the impact of the transfers on activities if the impact was the same for all transfers, thus avoiding the need to repeat the same statement throughout the document, unless the impact of a transfer would be to the detriment of the approved activities, in which case a specific reference should be made.

- 8.3 To the ABAF question as to how it would be determined whether or not a transfer had a detrimental programmatic impact, the Secretariat indicated that, firstly, budget holders are extremely involved in the budget transfer decisions before they are implemented. In addition, the Secretariat informed the ABAF that the Programme Performance Report for any given year indicates how programmes fared against their key performance indicators, and when they did not achieve a key performance indicator the reason for the variance was explained in the report, whether or not it related to a budget transfer.
- 8.4 The ABAF **noted with pleasure** that the report on transfers of funds during 2017 (EC-87/DG.13 C-23/DG.2) indicated that no transfers had been made between chapters and that all other transfers were within the allowable parameters of transfers between programmes and subprogrammes.
- 8.5 The ABAF **reviewed** the analysis provided by the Budget and Finance Branch, which indicated that of the overall EUR 2.6 million in 2017 funds transfers between programmes and subprogrammes, 60% (EUR 1.5 million) were to cover staff cost shortfalls. The remaining 40% (EUR 1.0 million) of transfers were related to transfers for non-staff related costs. Increased programmatic activity resulted in an increase in travel-related costs, namely cargo and inspection-related travel. The transfers relating to laboratory equipment occurred late in the year, when the budget forecast indicated that sufficient budget contingency was available to accommodate the purchase of necessary high-value equipment and when budget transfers within Chapter 1 would help make the overall purchase feasible.
- 8.6 The ABAF **noted** that the Budget and Finance Branch had indicated that in 2017 it had become evident that the standard costing used for the formulation of the staff cost component of the 2017 Programme and Budget was too low, owing to two main factors: (1) the average step for each grade being understated and (2) a change in the International Civil Service Commission (ICSC) pay scales, which had come into effect in 2017. The result was that the vast majority of budget transfers that occurred in 2017 were to cover staff cost shortfalls. The ABAF **commended** the Secretariat for using this information and proactively revising the staff standard cost to be more reflective in the formulation of the 2018 Programme and Budget. The ABAF also **noted** that the Secretariat was looking closely at more reflective costing for cargo and inspectorate travel in the formulation of the 2019 Programme and Budget.

9. Programme performance 2017

- 9.1 The ABAF **reviewed** the Programme Performance Report for the year 2017 (S/1615/2018, dated 18 April 2018) and **inquired** about the status of its previous recommendations. The Secretariat informed the ABAF that it continued to take into account the encouragement of the ABAF to consider implementing information based on financial performance into the report, so that the document would become a “programme and budget performance report”, and that when the ERP was implemented it would greatly assist in providing this result. The ABAF **reiterated** its previous encouragement for the Secretariat to further develop a narrative for the report, to highlight achievements, to provide a meaningful assessment of the outcomes and activities, and to catalogue lessons learned during programme implementation.

The Secretariat indicated that it would be looking to include this in subsequent reporting.

- 9.2 The ABAF **inquired** as to how programme performance measurement was linked to the performance management of directors. The Secretariat indicated that this remained a work in progress.

10. Financial Regulations and Rules: Regulation 6.3

- 10.1 In response to Note Verbale 08/18 (dated 28 February 2018) from the Permanent Representation of Germany to the OPCW, the ABAF was requested to review Rule 6.3 (the ABAF **noted** that this should instead read Regulation 6.3), to examine the matter, and to determine if it was in the best interest of the Organisation. The ABAF was also requested to elaborate a recommendation for consideration by the Council in autumn 2018 on whether to revert back to the previous version of the regulation or to modify the existing one.
- 10.2 The ABAF **acknowledged** that the Secretariat had made the changes to the Financial Regulations and Rules through an extensive review and consultation process in 2017, however, in the case of Financial Regulation 6.3, as indicated in the note verbale, further review was required in this particular case.
- 10.3 The Secretariat explained that the change to Financial Regulation 6.3 was essentially in two parts. The first was to introduce the concept of a cash deficit and the second was to provide scope on how to address, under the ultimate authority and decision of the Conference, such a cash deficit should one arise.
- 10.4 The ABAF **noted** that Financial Regulation 6.3 introduced for the first time the concept of a cash deficit, which had been absent from the previous version of the Financial Regulations and Rules. The ABAF **agreed** that providing a definition of a cash deficit was required and should remain in the revised Financial Regulations and Rules. The ABAF **noted** that a cash deficit had occurred in 2014 and might occur again, for example in 2017, so ignoring this concept would not be correct.
- 10.5 The ABAF **questioned** why the allocation of a cash surplus to cover a cash deficit would be considered when the WCF exists. The Secretariat indicated that the WCF was not intended for longer-term liquidity issues such a cash deficit, also noting that the WCF had to be repaid within a year and should also be at a sufficient level to accommodate in-year operational liquidity issues.
- 10.6 The ABAF **recognised** the need for the Secretariat to establish the notion of a cash deficit and that the decision on how to deal with such a deficit ultimately rested with the Conference. The ABAF **recommended** however that further analysis of Financial Regulation 6.3 should take place and **encouraged** members of the ABAF and the requesting State Party to work with the Secretariat on potential wording for consideration at the ABAF's next session.

11. Strategic financing strategy for the OPCW

- 11.1 The Secretariat provided the ABAF with the Strategic Financing Paper as well as a presentation of its key concepts. The ABAF **welcomed** the paper and **confirmed** that

it was in line with the ABAF's original request and that of the External Auditor, and that it was time well invested by the Secretariat.

- 11.2 The ABAF **noted** that the Strategic Financing Paper was well reasoned and practical in its approach for concepts that could be considered by an international organisation such as the OPCW.
- 11.3 The ABAF **indicated** that the Strategic Financing Paper was comprehensive and useful and served as an excellent source to have within one paper and among areas of importance multiple financial issues, including biennial budgeting, zero real growth budgets, sufficient working capital funds, the introduction of a major capital investment plan, and a major capital investment fund .
- 11.4 The ABAF **commented** that the Strategic Financing Paper was analytical in nature. The use of summary boxes after each main area of the paper provided easy reference to the main concepts and points.
- 11.5 The ABAF **noted** that the Secretariat had incorporated in the structure of the paper suggestions that it had made at its last session.
- 11.6 The ABAF **highlighted** the importance of the principles outlined within the Strategic Financing Paper and **commended** the paper for the intention of States Parties. The ABAF **noted** that States Parties would have to decide which concepts would be brought forward for further consideration. The Secretariat had stated that so far the concepts in the paper had been brought forward with the Open-Ended Working Group on the Future Priorities of the OPCW, with the External Auditor, and with the ABAF. In the near future, the key concepts would also be presented to the Open-Ended Working Group for the Preparation of the Fourth Review Conference (OEWG-RC).
- 11.7 The ABAF **indicated** that it did not see the need for a separate ABAF report on the Strategic Financing Paper as once considered, but **encouraged** the Secretariat to consider shortening the paper from its 50 or so pages with annexes to a condensed version of 10 pages, for focused use in future stakeholder consultations.

12. Audit committee

- 12.1 In its deliberations on the issue of an audit committee, the ABAF **noted** that this issue had first been raised in the External Auditor's report for 2015 and had continued to be a matter of deliberation through a number of ABAF meetings.
- 12.2 The ABAF **revisited** the views of the External Auditor on this matter, information provided by the OIO at the Forty-Second Session of the ABAF, and its own previous deliberations on the matter, including the key points provided by the Director of Internal Oversight of the International Atomic Energy Agency (IAEA) during his briefing to the Forty-Third Session of the ABAF on that organisation's thoughts and experience on the issue of an audit committee.
- 12.3 In reviewing the OIO presentation to the ABAF at its Forty-Second Session, the ABAF **revisited** general models that could be pursued as follows: (1) establishing a stand-alone, independent audit committee; (2) not establishing an audit committee and remaining with existing oversight mechanisms, particularly whereby the ABAF would

discharge audit committee responsibilities; and (3) complementing the ABAF with a panel of independent experts with specific expertise profiles.

- 12.4 There was consensus among the ABAF members that a separate audit committee would not be appropriate for the OPCW at this time. Through its deliberations the ABAF **determined** a number of reasons for this consensus, including the duplication of functions between what an audit committee would traditionally be responsible for and what other mechanisms within the Secretariat, including the ABAF, already provided. The ABAF **noted** that the introduction of an audit committee would also bring an additional layer of bureaucracy and financial cost to the Organisation, and that any additional oversight provided would not be proportional to the size of the Organisation and its existing oversight mechanisms. The ABAF **considered** what extra benefit would be brought to the Organisation by an audit committee and **determined** that any additional benefit would be questionable.
- 12.5 The ABAF **noted** the experience of the IAEA, a scientific organisation similar to the OPCW, that had decided not to implement an audit committee and **noted** its concerns, most notably that an audit committee would create an information flow barrier to States Parties, as only States Parties that were members of the audit committee would receive direct access to certain information. The ABAF **further noted** that other organisations that have employed audit committees lack other oversight mechanisms, and that for those organisations audit committees have proven useful. The ABAF **indicated** that based on its experience in organisations that have both an audit committee and other oversight mechanisms, the role and additional value of audit committees was not clear and, in fact, created duplication and in many cases did not function in the way that might have been envisaged.
- 12.6 Upon review of the duties of the ABAF (akin to terms of reference) contained within Financial Regulation 15.1, the ABAF **agreed** that the outlined duties were robust and fit for purpose, encapsulating the functions that would also be expected of an audit committee. The ABAF **particularly noted** Financial Regulation 15.1 (i), which states the ABAF shall “advise and comment on any other administrative and financial matters when appropriate”. Financial Regulation 15.1 (f), which states that the ABAF shall “where appropriate, examine and comment on the internal-oversight/audit reports” and Financial Regulation 15.1 (g) which states that the ABAF shall “examine and report on the OPCW’s audited financial statements, including the External Auditor’s report and opinion thereon” were all functions is the ABAF was already performing and which would be duplicated by an audit committee. The ABAF **further noted** that it was a standing resource to States Parties and could be drawn upon at any time, even outside of its scheduled biannual meetings.
- 12.7 The ABAF **suggested** that its membership should be held to a reasonable level and not exceed its current level of 10 members and observers, to ensure an efficiently functioning mechanism, providing a mix of expertise and viewpoints for effective deliberations. The ABAF **noted** that should specific issues warrant specialised expertise, it could request such expertise to complement its composition, on an as-needed basis for a period of time.

13. Combined Fourth Review Conference and Twenty-Third Session of the Conference

- 13.1 The ABAF at its previous session had requested additional clarity on the budget for the Fourth Review Conference as well as information on the cost efficiencies that should be realised by combining the Fourth Review Conference and the Twenty-Third Session of the Conference.
- 13.2 In response to this request, the Secretariat provided a presentation that showed that combining the Fourth Review Conference and Twenty-Third Session of the Conference was anticipated to result in approximately EUR 318,000 in savings compared to holding the events independently. The ABAF **welcomed** the significance of this efficiency and anticipated savings.
- 13.3 The ABAF **noted** that a Special Fund had been established for the Fourth Review Conference (EC-86/DEC.3, dated 11 October 2017), to which the costs of the review conference would be charged, thereby facilitating budgetary control and expenditure reporting.
- 13.4 The Secretariat informed the ABAF that the breakdown of the mix of days for the Fourth Review Conference and the Twenty-Third Session of the Conference had changed based on decision by the States Parties from the time the 2018 Programme and Budget had been formulated, but that the overall number of days for the two combined events remained the same, so that the total cost for the combined events was the same as has been budgeted for in the 2018 Programme and Budget.
- 13.5 At its previous session, the ABAF had recommended that consideration be given to sustainable funding for future review conferences. The Secretariat indicated that this was raised during the 2018 budget facilitation sessions but that an agreement had not been achieved at that time. However, the concept was outlined within the Strategic Financing Paper for future consideration.
- 13.6 The ABAF **recommended** that once the combined Fourth Review Conference and the Twenty-Third Session of the Conference had occurred and the actual costs were determined, the issue of sustainable funding for future review conferences could be reconsidered. The ABAF **noted** that for the Fourth Review Conference part of the 2015 cash surplus had been used to cover a significant part of the budgeted cost, and that cash surpluses were not guaranteed.

14. Any other business

The OPCW website and the ABAF

- 14.1 The Secretariat indicated that the ABAF content on the OPCW website would be updated. The ABAF **recommended** that during this process the Secretariat should consider a secure option for post-session documentation.

15. Next session and agenda

The ABAF **adopted** the following provisional agenda for its Forty-Fifth Session, which will be held from 31 July to 3 August 2018:

1. Opening of the session
2. Adoption of the agenda
3. Review of the report of the previous session
4. ABAF members as per EC-88 decision
5. Status of 2018 financial performance (first half of 2018)
6. Draft Programme and Budget for 2019
7. Update on the status of the ERP project
8. Financial Regulation 6.3
9. Office of Internal Oversight revised charter
10. OPCW Laboratory project
11. Election of the Chairperson and Vice-Chairperson of the ABAF
12. Any other business
13. Next session and agenda
14. Adoption of the report

16. Adoption of the report

The ABAF **adopted** the report of its Forty-Fourth Session on 8 June 2018.

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

Annex

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

Title	
1.	Agenda for the Forty-Fourth Session of the Advisory Body on Administrative and Financial Matters
2.	Report of the Forty-Third Session of the Advisory Body on Administrative and Financial Matters (ABAF-43/1, dated 1 September 2017)
3.	Note by the Director-General: Comments on the Report of the Advisory Body on Administrative and Financial Matters at its Forty-Third Session (EC-86/DG.24*, dated 27 September 2017)
4.	Notes by the Technical Secretariat: Nomination for Membership for the Advisory Body of Administrative and Financial Matters as per EC-86 and EC-87
5.	Report by the Director-General: OPCW Income and Expenditure for the Period 1 January to 31 December 2017 (Fourth Quarter of the Financial Year Ending 31 December 2017) (S/1586/2018, dated 19 February 2018)
6.	Report by the Director-General: OPCW Income and Expenditure for the Period 1 January to 31 March 2018 (First Quarter of the Financial Year Ending 31 December 2018), (S/1620/2018, dated 25 April 2018)
7.	Note by the Director-General: Monthly Financial Situation Report as at 30 April 2018 (S/1627/2018, dated 17 May 2018)
8.	Note by the Director-General: Transfers of Funds During 2017 (EC.87/DG.13 C-23/DG.2, dated 15 February 2018)
9.	Note by the Technical Secretariat: Programme Performance for the Year 2017 (S/1615/2018, dated 18 April 2018)
10.	Financial Statements of the Organisation for the Prohibition of Chemical Weapons and Report of the External Auditor for the year ending 31 December 2017 (includes the status of External Auditor recommendations from prior years)
11.	External Auditor Audit Completion Report on the 2017 OPCW Financial Statements
12.	Note by the Director-General: Annual Report of the Office of Internal Oversight for the Period from 1 January to 31 December 2017 (EC-88/DG.6 C-23/DG.3, dated 16 May 2018)
13.	OPCW Financial Administrative Directive: AD/FIN/1/Rev.4 on Procurement of Goods and Services
14.	Draft Non-Paper on Strategic Financing for the OPCW
15.	Note Verbale 08/18 (Federal Republic of Germany) dated 28 February 2018 requesting ABAF-44 review of Financial Rule 6.3
16.	Revised Financial Regulations and Rules of the OPCW (Booklet, January 2018)
17.	Note by the Technical Secretariat: Proposed Amendments to the OPCW Financial Regulations and Rules (S/1553/2017, dated 14 September 2017)
18.	Revised OPCW Staff Regulations and Interim Staff Rules (Booklet, January 2018)
19.	Decision: Establishment of an Advisory Body on Administrative and Financial Matters (EC-II/Dec.1, dated 30 June 1997).

20.	ABAF Rules of Procedure (Extracted from the Report of the Twenty-Seventh Session of the Advisory Body on Administrative and Financial Matters (ABAF-27/1, dated 3 September 2009 and Corr.1, dated 15 October 2009))
21.	Decision: Establishment of a Special Fund for the Fourth Review Conference (EC-86/DEC.3, dated 11 October 2017)
22.	Presentation: OPCW Cash Position, Status of Assessed Contributions and Verification Reimbursements, Working Capital Fund, etc.
23.	Presentation: 2017 Budget Transfers
24.	Presentation: OPCW 2018 first quarter + April budget implementation and forecast
25.	Presentation: OIO Annual report for 2017
26.	Presentation: ERP update
27.	Presentation: OPCW 2017 Financial Statements
28.	Presentation: Draft Non-paper on Strategic Financing for the OPCW
29.	Presentation: Revisiting the audit committee issue including the OIO presentation to ABAF-42 on an audit committee and summary of ABAF-42 and ABAF-43 comments on the audit committee
30.	Presentation: Fourth Review Conference and Twenty-Third Session of the Conference