



Seventy-First Session  
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### NOTE BY THE TECHNICAL SECRETARIAT

#### REPORT ON THE STATUS OF IMPLEMENTATION OF THE RECOMMENDATIONS OF THE EXTERNAL AUDITOR

1. At its Twelfth Meeting, the Executive Council (hereinafter “the Council”) recommended that the Conference of the States Parties (hereinafter “the Conference”) request the Technical Secretariat (hereinafter “the Secretariat”) to report half-yearly to the Council on the implementation of the recommendations of the External Auditor (subparagraph 7.2(b) of EC-M-XII/3, dated 4 May 2001). At its Sixth Session, the Conference endorsed the recommendation of the Council (subparagraph 12.2(g) of C-VI/6, dated 19 May 2001 and Corr.1, dated 7 September 2001).
2. This Note reports on the status of implementation of the recommendations made in the “Financial Statements of the Organisation for the Prohibition of Chemical Weapons and Report of the External Auditor for the Year Ending 31 December 2011” (EC-70/DG.1 C-17/DG.4, dated 10 July 2012 and Corr.1, dated 28 September 2012). The recommendations are listed in Annex A of EC-70/DG.1 C-17/DG.4.
3. This is the first of two Notes addressing the recommendations made by the External Auditor in regard to the year ending 31 December 2011. The report of the External Auditor for the year ending 31 December 2012, in which the most recent recommendations of the External Auditor will be presented, will be submitted to the Council when it meets for its Seventy-Fourth Session (from 8 to 11 October 2013).

#### **Financial situation**

4. The first issue raised by the External Auditor concerns the obligation of the States Parties to make full payments of their assessed contributions in a timely manner. The Secretariat continues to remind States Parties of their unpaid assessed contributions on a regular basis, including in the opening statements by the Director-General to the regular sessions of the Council and the Conference. The Secretariat also regularly sends individual letters to States Parties in arrears and those that have not paid the current year’s assessed contributions. In the Financial Statements of the OPCW for the year ending 31 December 2012, the Secretariat will have to write down accumulated unpaid contributions that have been outstanding for more than three years, as the International Public Sector Accounting Standards (IPSAS) require that only recoverable amounts can be shown on the statement of financial position. The write-down action, however, does not release the States Parties from their legal obligations to pay their outstanding contributions.



### **Strengthening effectiveness and efficiency in the Operations Centre**

5. The second recommendation includes the suggestion that the OPCW Operations Centre should be staffed by staff members with communications skills. The Centre is now staffed by a Senior Operations Officer, a Communications Officer, and a Communications Clerk during normal working hours. All are fully trained communications experts. At nights and weekends, the Centre is staffed by an Inspector and a Communications Clerk. The Secretariat ensures that at least one communications expert is on duty at the Centre at all times.

### **Statement of internal control**

6. The third recommendation concerns the development of a statement of internal control (SIC). The SIC was introduced in both the public and private sector as a move towards more effective corporate governance. Following the implementation of IPSAS, many United Nations organisations have introduced such statements as part of their financial statements, in which the Director-General of the organisation in question confirms the effectiveness of internal control systems in his/her organisation and the organisation's capacity to manage risks. The Secretariat will work to develop a control framework that would allow the Director-General to issue a statement of internal control in the future.

### **Invoices to States Parties for costs of verification under Articles IV and V of the Chemical Weapons Convention**

7. The fourth recommendation refers to invoices to States Parties for their reimbursement to the Secretariat of the costs of verification activities under Articles IV and V of the Chemical Weapons Convention. The Secretariat has had several discussions with the States Parties concerned to encourage them to make full payment of the invoiced amounts.
8. Furthermore, in January 2013, the Secretariat revised the administrative directive entitled "Invoices to States Parties for Costs of Verification Under Articles IV and V of the Chemical Weapons Convention" (AD/FIN/9/Rev.4, dated 18 January 2013), with a view to defining a clear process and timeframe in the event that a State Party challenges an invoice or part of an invoice. The communication between the Inspectorate Division (INS) and the Administration Division (ADM) has also been improved, to ensure that all costs incurred by the INS are fully and punctually transmitted to the ADM, which prepares and issues invoices to States Parties.

### **Risk management**

9. The fifth recommendation made by the External Auditor concerns risk management. The Secretariat has developed a risk-management policy, appointed the Director of Administration as the risk manager of the Organisation, and created a high-level risk-management committee to support the risk manager in implementing and monitoring risk management in the Secretariat. The Secretariat is also developing a corporate risk register, which will be reviewed by the Management Board on a quarterly basis, so as to identify, monitor, and manage risk.

### **Enterprise-resource-planning system**

10. The sixth recommendation concerns the enterprise-resource-planning (ERP) system. A working group, consisting of representatives from the ADM, was established in March 2011 to assess the risks associated with the implementation of a new ERP system, as well as the risks of keeping the current system, *SMARTStream*. These risks were compared and analysed and a report on “ERP System Risk Analysis” was finalised in August 2012, making five recommendations for long-term solutions. The report was submitted to the Advisory Body on Administrative and Financial Matters. A business analyst has also been working on the concerns raised by the External Auditor; his findings will be presented to the External Auditor, together with a proposed implementation plan.

### **Property Survey Board**

11. The seventh and final recommendation addresses the Property Survey Board. The maximum time between the identification of an asset “loss” and the write-off measures to be taken is to be defined in a further revision of the administrative directive entitled “Management of Non-Expendable and Expendable Assets” (AD/FIN/6/Rev.1, dated 2 November 2010), which is foreseen to be issued early in 2013.

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