



Seventy-Fifth 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 2012” (EC-74/DG.3 C-18/DG.5, dated 30 July 2013). The recommendations are listed in Annex A to Annex 2 of EC-74/DG.3 C-18/DG.5. They consist of new recommendations made on 31 December 2012 and those carried forward from previous years.
3. The report of the External Auditor for the year ending 31 December 2013, 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-Seventh Session (from 7 to 10 October 2014).

#### **Actuarial valuation of employee benefits**

4. The first issue raised by the External Auditor concerns actuarial valuation of employee benefits. The Secretariat hires an external actuary who calculates the present value of employee benefits to be paid to staff members in future years, namely post-employment benefits and other long-term employee benefits. The External Auditor recommended that the Secretariat should monitor and update the assumptions used for calculations whenever necessary. The Secretariat would like to confirm that it reviews the assumptions proposed by the actuary before calculating and finalising the present values and actuarial gains and/or losses of employee benefits. It also ensures that the proposed assumptions appropriately reflect economic, demographic, and social factors. The Secretariat proposes that this recommendation be closed.



### **Net assets/equity and unfunded liabilities**

5. The second recommendation regards the financial status of negative equity of the Organisation. As at 31 December 2012, total liabilities exceeded total assets by EUR 3.5 million. The Secretariat is of the view that, as long as States Parties continue to support the operational costs of the Secretariat through annual assessed contributions, there is no need for them to provide additional funding to cover the unfunded liabilities. The Secretariat proposes that this recommendation be closed.

### **Programme support costs**

6. The third recommendation concerns the development of a policy of recovering programme support costs from voluntary contributions. The Secretariat revised the administrative directive entitled "Voluntary Contributions and Trust Funds" (AD/FIN/17/Rev.3, dated 31 October 2013) to include a charge for programme support costs of 7% against actual expenditure from voluntary contributions higher than EUR 10,000. The Secretariat recommends that this recommendation be closed.

### **Outsourcing of the electronic performance management appraisal system data hosting**

7. The fourth recommendation refers to cost/benefit analysis of the current provider of the electronic performance management appraisal system (ePMAS). The Secretariat confirms that the submitted bids were evaluated both from a technical and financial standpoint and a recommendation on the service provider was presented for consideration of the Committee on Contracts in accordance with the established procedure. Since the supplier provides a unique platform for the ePMAS and the electronic learning management system (eLMS), it has been decided to retain the current service provider for 2014. The Secretariat proposes that this recommendation be closed.

### **Assessed contributions**

8. The fifth recommendation made 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 every possible occasion and also sends individual letters to those in arrears on a regular basis. In 2012, the Secretariat had to write-down an additional EUR 16,163 that had been outstanding for more than three years as unpaid contributions in accordance with the requirements of the International Public Sector Accounting Standards. As at 31 December 2012, accumulated unpaid contributions that had been written down stood at EUR 555,648. The write-down action, however, does not discharge the States Parties of their legal obligations to pay their outstanding contributions.

### **Risk management and statement of internal control**

9. The sixth recommendation made by the External Auditor concerns risk management and a statement of internal control (SIC). The Secretariat has developed a new administrative directive entitled "OPCW Risk Management Policy" (AD/ADM/33, dated 6 February 2013), and is piloting an online tool to register and monitor risks.

Fifty-eight potential risks have been identified, of which 10 are considered as high-level corporate risks and are currently being refined. A quarterly review of the risk register by the Management Board will also assess the appropriateness of identified measures to mitigate the high-level corporate risks.

10. With regard to a statement of internal control, the Secretariat is developing a self-assessment questionnaire and attestation of compliance for Branch Heads and Division Directors, which will enable them to identify key areas for improving the efficiency of programme implementation and strengthening compliance with applicable regulations and rules in order to mitigate risk.

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

11. The seventh issue 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 External Auditor acknowledges the considerable improvement of the invoicing process, within the constraints of the current information-technology system.

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

12. The eighth recommendation concerns the enterprise-resource-planning (ERP) system. The Advisory Body on Administrative and Financial Matters (ABAF) reviewed a report on “ERP system risk analysis” that compared and analysed the risks associated with the implementation of a new ERP system, as well as the risks of keeping the current system, SmartStream. The Secretariat intends to contract a business-process consultant who would initiate the review and optimisation of all business processes, not only to improve the operation of current processes, but also with a view to a possible move to a fully integrated ERP system. The Secretariat will provide the ABAF with updates as and when they are available.

#### **Property Survey Board**

13. The ninth 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 was defined in the revised administrative directive entitled “Management of OPCW Assets” (AD/FIN/6/Rev.2, dated 2 July 2013). The Secretariat proposes that this recommendation be closed.