



**NOTE BY THE DIRECTOR-GENERAL**

**COMMENTS ON THE REPORT OF THE ADVISORY BODY ON ADMINISTRATIVE AND FINANCIAL MATTERS AT ITS THIRTY-SEVENTH SESSION**

1. At its Thirty-Fourth Session, the Executive Council (hereinafter “the Council”) requested that the Director-General, when submitting reports of the Advisory Body on Administrative and Financial Matters (ABAF) to the Council for its consideration, indicate what actions the Technical Secretariat (hereinafter “the Secretariat”) has taken in response to the recommendations of the ABAF, and what decisions are required by the Council on the report being submitted (paragraph 21.4 of EC-34/5, dated 26 September 2003).

2. The Director-General welcomes the continuing advice and support provided by the ABAF, as reflected in the conclusions it reached during its Thirty-Seventh Session (ABAF-37/1, dated 4 September 2014), which was held from 1 to 4 September 2014.

**Review of the report of the previous session of the ABAF (paragraph 4 of ABAF-37/1)**

3. The Secretariat notes the request by the ABAF to receive updates on outstanding audit recommendations at its future sessions (paragraph 4.2).

**Status of the 2014 financial performance (first half of 2014) (paragraph 5 of ABAF-37/1)**

4. The Secretariat notes the positive comments on improvements made to budget tracking and will continue to make every attempt to utilise available allotments efficiently and to the maximum extent possible, in line with the Programme and Budget of the OPCW for 2014 (C-18/DEC.6, dated 4 December 2013) (paragraph 5.5).

**Draft Programme and Budget of the OPCW for 2015 (including the Medium-Term Plan and the programme performance report for 2013) (paragraph 6 of ABAF-37/1)**

5. The Secretariat takes note of the ABAF’s recommendation to review the format of the programme and budget document. It will continue its efforts to implement results-based management (RBM) and to improve the presentation of the programme and budget according to the principles of RBM, with a view to showing a clear link between objectives, strategies, outputs, activities, and resources (paragraph 6.2).



6. The Secretariat notes the ABAF's recommendation that a zero-based budgeting approach be adopted when formulating resource requests, in order to take into consideration prior patterns of expenditure. The Secretariat will consider historical expenditures when estimating future resource requirements and will also continue to refine its zero-based budgeting methodology to ensure that planned activities are costed consistently and as accurately as possible, using the latest cost data (paragraph 6.4).
7. The Secretariat notes the ABAF recommendation that programmes should seek to absorb the financial impact of new initiatives through efficiency savings and a re-prioritisation of activities. The Secretariat already follows this approach through its annual priorities review process, which is used to consider and prioritise new funding initiatives prior to the formulation of the programme and budget. Only new initiatives that are considered essential to the delivery of programme objectives are allocated fresh resources, which the Secretariat seeks to offset with efficiency savings within the same, or other, programmes (paragraph 6.4).
8. The Secretariat acknowledges the recommendations of the ABAF to draw down from the special accounts to the extent possible in order to lessen the impact of future significant budget requests for inspection and laboratory equipment, and can report that steps have already been taken in this regard. By the end of 2014, the Special Account for Inspection Equipment will be drawn down to nearly a zero balance, while the Special Account for Laboratory Equipment will be reduced to a balance of approximately EUR 600,000. This latter balance is considered appropriate to cover contingencies for off-site analysis and emergency equipment replacement needs (paragraph 6.8).
9. Taking into consideration the ABAF's recommendation that the key-performance indicators (KPIs) for the Office of Strategy and Policy (OSP) be reviewed and improved for the 2016 Programme and Budget to take account of its RBM mandate, the Secretariat has drafted a new RBM KPI for inclusion in the OSP's 2015 Programme and Budget. The Secretariat also notes the recommendation that the OSP work in close cooperation with the Budget, Planning and Control (BUD) Branch as part of the programme and budget formulation process in order to fully embed RBM principles. The OSP and the BUD worked closely during the preparation of the Programme and Budget for 2015, and both units are represented in the Budget Steering Committee, which is mandated to guide the annual programme and budget preparation process. The OSP and the BUD will continue to collaborate to ensure that RBM principles are embedded into the Organisation's planning, programming, and budgeting (paragraph 6.11).
10. The Secretariat notes the ABAF request for further information on how comparable international organisations resource their internal oversight functions, and will present its findings to the ABAF at its Thirty-Eighth Session (paragraph 6.12).
11. The Secretariat acknowledges the ABAF recommendation that all expenses related to enterprise resource planning (ERP) be removed from the regular programme of work and funded by the ERP Special Fund. In the light of this recommendation, the Secretariat has removed a EUR 78,000 provision that had been included in the 2015

Administration Programme Budget for ERP business process mapping. This cost will be funded by the ERP Special Fund, subject to the Fund's approval by the Council (paragraph 6.14).

12. The Secretariat takes note of the ABAF request to be provided, at a future ABAF session, with an update on the implementation of the Medium-Term Plan and on progress made in defining a clear vision for the future of the Organisation. Such updates will be provided, as appropriate (paragraph 6.17).

**Any other business (paragraph 7 of ABAF-37/1)**

Presentation on the enterprise-resource-planning strategy

13. The Secretariat takes note of the ABAF recommendation that the decision on the hosting option for the ERP system should not be based on cost only but should also fully take into consideration all aspects related to data security and confidentiality (paragraph 7.3).
14. The Secretariat also notes the ABAF recommendation that the proposed text of the draft decision on "Implementation of an Enterprise-Resource-Planning System and Establishment of a Special Fund for this Purpose" (EC-77/DEC/CRP.4, dated 12 September 2014) should include a specific reference to ensure that it respects the OPCW's confidentiality and security regime. Accordingly, the appropriate wording has been included in the draft decision (paragraph 7.6).

Recommendation for write-offs of irrecoverable accounts receivable and of losses of assets

15. The Secretariat appreciates the recommendation of the ABAF that the Council approve, at its next regular session, the write-off of irrecoverable accounts receivable and of losses of assets. It also notes the recommendation of the ABAF that the Secretariat apply any lessons learned to the procedures followed in this regard, with a view to reducing these amounts in future (paragraph 7.11).