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**STATEMENT BY THE EXTERNAL AUDITOR OF THE OPCW
AT THE EIGHTY-THIRD SESSION OF THE EXECUTIVE COUNCIL**

Chairperson, distinguished delegates,

On behalf of the Comptroller and Auditor General of the United Kingdom of Great Britain and Northern Ireland, Sir Amyas Morse, I have the honour to outline the findings from this, our first year as your appointed external auditor. I would like to thank the delegates for entrusting us with the important responsibility to provide you, the States Parties, with the important and independent assurance, which is a key component of the mechanisms by which you hold the Technical Secretariat (hereinafter “the Secretariat”) to account for the use of the resources you dedicate to it.

In my presentation I will focus on four areas, outlining the results of our audit, and follow by introducing the three areas of our wider reporting, which this year has focused on financial management, governance and the implementation of the new Enterprise Resource Planning system.

Firstly, I am pleased to report that the External Auditor’s opinion confirms that the audit revealed no errors or weaknesses which we considered material to the accuracy, completeness, and validity of the Financial Statements as a whole. It also confirms that expenditure has been incurred in accordance with the authorities and regulations set by you as States Parties. I am pleased to note the sound processes which the OPCW have established to compile a good quality set of financial statements, despite the difficulties arising from the cumbersome financial system which is used to draw the data to support these statements.

I move now to the second key element of our report, which speaks to the issues of financial and budgetary management.

OPCW has faced significant General Fund cash pressures, arising mainly from delayed payment of assessed contributions and Article IV & V inspection reimbursements. As our predecessors expressed, it remains important for States Parties to make the contributions due from them on a timely basis, as this will be the best way in which to ease the financial pressures faced by the Organisation.

Our report highlights the steps taken by management during 2015 to ease these financial pressures and we have commented on the improved budget monitoring which enabled the resources of the Organisation to achieve a high rate of budget implementation. Many of the steps taken by the Secretariat were effective measures for the circumstances in which the Organisation found itself.



However, we have highlighted the need for the OPCW to look for sustainable financial solutions to ensure reserves which were used in 2015 can be replenished. These include taking a more structured approach to building up an appropriate level of reserves as part of a longer term approach to financial planning. In addition to longer term planning of financial resources the Organisation should continue its focus on ways in which it can achieve greater efficiencies.

Thirdly, we have made observations on the overall governance mechanisms which we commend to States Parties as critical to how you provide effective oversight. Most of the key aspects of good governance are present, but we have identified areas for further improvement and development to strengthen these. This has included building on the recommendations of our predecessors to strengthen oversight through development of discreet expert scrutiny, through the adoption of an audit and oversight committee to complement the work of the ABAF. This would provide greater challenge and insight over risk, the quality of the audit functions and of internal control within the OPCW. We commend these as a critical part of effective modern governance, which is widely adopted across international organisations.

We have also highlighted the need to build upon the development of the risk registers compiled in 2014, to ensure they are updated more regularly and better support management decision making. Greater attention needs to be given to keeping risks and their mitigations under regular review, and for the risk process to be better embedded. Similarly, we have identified improvements to some of the Internal Oversight arrangements to ensure adequate resources are available to enable the delivery of a risk focused audit plan.

Our report has also highlighted the need to strengthen the way in which the OPCW considers fraud risks and how it develops policies to mitigate these risks and embed an anti-fraud culture. The sum of our observations will strengthen the Director-General's ability to compile a more evidenced based Statement on Internal Control. The OPCW's adoption of this statement represents best practice, however, for it to have impact the transparency of the disclosures and the evidence to support them needs to be strengthened. Our report highlights that the OPCW needs to do more to make this an effective governance tool.

Finally, we have reviewed the initial governance of the Enterprise Resource Planning project. The project will replace old legacy systems and provide an opportunity to streamline processes to make them more efficient; and to strengthen both the internal control framework and improve the way in which data within these systems can inform business decisions.

Our observations are that the project's governance is well established but that the initial business case did not sufficiently outline the benefits and cost savings against which the project benefits could be measured. This will limit the ability to assess whether the project has delivered value for money on its completion. We understand that the Secretariat is developing improvements to this initial plan to address these concerns. Given the importance of this project we will continue to monitor this business critical project over the coming year, including the Organisation's preparations for the cultural changes within the OPCW which will be required for the change to be a success.

I can confirm that management have noted the findings of our report which were shared and agreed for factual accuracy. We will continue to support the Secretariat in implementing these recommendations effectively.

I wish to express my sincere thanks to the Director-General and to all the staff of the OPCW Secretariat for their cooperative and responsive attitude; this has been particularly welcome in our first year.

Thank you for your kind attention.

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