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**REPORT BY THE DIRECTOR-GENERAL**

**FINANCIAL STATEMENTS OF THE  
ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS  
AND REPORT OF THE EXTERNAL AUDITOR  
FOR THE YEAR ENDING 31 DECEMBER 2016**



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<sup>1</sup> The Financial Statements and Report of the External Auditor are copies of the original audited sets.

**Annex 1**



**ORGANISATION FOR THE PROHIBITION  
OF CHEMICAL WEAPONS**

**FINANCIAL STATEMENTS**

**OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**FINANCIAL STATEMENTS**  
**OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**Statement by the Director-General**

1. Financial Regulation 11.1 of the OPCW stipulates that the Director-General is responsible for submitting annually financial statements prepared in accordance with the International Public Sector Accounting Standards (IPSAS) for the financial period to which they relate. The regulation further states that the financial statements and the notes to the financial statements, including significant accounting policies, shall include all funds, where such funds include, amongst other things, the Regular Budget Fund, the Working Capital Fund and the Voluntary Fund for Assistance. The account(s) shall provide comparative figures for the financial period prior to that being reported on.
2. We believe that the financial statements for the year ended 31 December 2016 are presented fairly according to the requirements of IPSAS and the OPCW's Financial Regulations and Rules (reference OPCW-S/DGB/22, dated 14 December 2012).
3. Any other specific directions of the OPCW's policy-making organs as well as additional information prescribed in Financial Regulations 11.1(a) to (e) are presented within the Appendix to the financial statements. The additional information in the Appendix (pages 66 to 101) is not part of the IPSAS-compliant financial statements.
4. It is also our opinion that the financial statements present a view which is consistent with our understanding of the OPCW's financial position as at 31 December 2016, results of its operations, changes in net assets, and cash flows for the year then ended.
5. This statement of the Director-General is made pursuant to Financial Regulation 11.1(a).

[Signed]

Ahmet Üzümcü  
Director-General

[Signed]

William Amoroso  
Director, Administration  
Principal Financial Officer

18 May 2017

## STATEMENT OF INTERNAL CONTROL FOR 2016

### Scope of responsibility

As Director-General of the Organisation for the Prohibition of Chemical Weapons (OPCW), in accordance with the responsibility assigned to me and, in particular, Article 10 of the Financial Regulations, I am accountable for maintaining a sound system of internal control to “establish detailed financial rules and procedures to ensure: effective financial administration; the exercise of economy; the efficient use of resources; and the proper custody of the OPCW’s physical assets”.

### Purpose of the system of internal control

Internal control is designed to reduce and manage rather than eliminate the risk of failure to achieve the Organisation's aims, objectives and related policies. Therefore, it can only provide a reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify the principal risks, evaluate the nature and extent of those risks, and manage them efficiently, effectively and economically.

Internal control is a process effected by the policy-making organs, the Director-General, senior management and other personnel, and designed to provide reasonable assurance on the achievement of the following internal control objectives:

- (a) effectiveness and efficiency of operations and the safeguarding of assets;
- (b) reliability of financial reporting; and
- (c) compliance with applicable rules and regulations.

Thus, on an operational level, the OPCW's internal control system is not solely a policy or procedure that is performed at certain points in time but, rather, operated continually at all levels within the Organisation through internal control processes to ensure the above objectives.

My current statement on the OPCW’s internal control processes, as described above, applies for the year ended 31 December 2016, and up to the date of the approval of the Organisation's 2016 financial statements.

### Risk management and control framework

The Organisation’s risk management programme includes:

- (a) the identification of risks classified according to relevance, impact, and probability of occurrence and are recorded in the risk register accordingly; and
- (b) a Risk Management Committee whose mandate is to develop action plans to address major risks, build up an integrated risk-management framework, strengthen risk management capacities, and a risk management culture and regularly re-evaluate risks and the Organisation’s tolerance levels in light of the evolving environment.

In addition, the internal control system framework is designed to ensure that the Organisation’s objectives are achieved efficiently and will continue to evolve and be

strengthened over time. The establishment of a policy framework for internal control comprising policies, procedures and processes underpinned by appropriate ethical values includes, but is not limited to, current and comprehensive regulations, rules and directives for the management and control of administrative processes such as financial management, contracting, travel and human resources.

Furthermore, my senior team and I are committed to a continuous improvement programme to strengthen the system of internal control across the Organisation.

### **Review of effectiveness**

My review of the effectiveness of the system of internal controls is mainly informed by:

- (a) my senior managers, in particular the Division Directors and Office Directors who play important roles and are accountable for expected results, performance, controlling their respective Division and Office activities, and the resources entrusted to them. The information channels rely mainly on periodic meetings held by the Management Board. For the year ended 31 December 2016, control issues, together with a remedial action plan, have been identified through a self-assessment process, as confirmed by my Division and Office Directors' personal written attestations;
- (b) the Office of Internal Oversight (OIO), on whose reports of internal audits and evaluations I rely, and which also are provided to the individual Division or Office for strengthening the internal control, risk management and governance processes. During the year 2016, the OIO has conducted audits and evaluations to assess the adequacy and effectiveness of internal controls in several high risk areas and made several recommendations which further strengthen the system of internal controls. These include confidentiality audits on manpower planning in the Inspectorate Division, IT infrastructure in the OPCW Laboratory, internal audit of evaluation of governance in the Technical Secretariat, evaluations of the programmes and activities of the Health and Safety Branch and evaluation of Quality Management System in the OPCW. The areas for audits and evaluations have been selected based on a risk assessment process performed by the OIO. A summary of the audit recommendations is provided in the Annual Report of the OIO to the Conference of the States Parties. Management accepted the audit recommendations, and is taking action to implement them;
- (c) the Advisory Body on Administrative and Financial Matters, whose purpose is to advise me on administrative and financial issues;
- (d) the Risk Management Committee; and
- (e) the External Auditor, whose comments are submitted to the Executive Council and the Conference of the States Parties.

## **Conclusion**

Effective internal control, no matter how well designed, has inherent limitations, including the possibility of circumvention and, therefore, can provide only reasonable assurance. Furthermore, because of changes in conditions, the effectiveness of internal control may vary over time.

I am committed to addressing any weaknesses in internal controls noted during the year and brought to my attention.

Based on the above, I conclude that, to the best of my knowledge and information, there are no material weaknesses which would prevent the External Auditor from providing an unqualified opinion on the Organisation's financial statements, nor are there other significant matters arising which would need to be raised in the present document for the year ended 31 December 2016.

[signed]

Ahmet Üzümcü  
Director-General  
18 May 2017

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**THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**  
(expressed in euro '000s)

	Note	2016	2015
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6.1	4,544	6,281
Intangible assets	6.2	778	622
<b>Total non-current assets</b>		<b>5,322</b>	<b>6,903</b>
<b>Current assets</b>			
Inventories	10	1,060	1,182
Assessed contributions recoverable	7	5,328	6,223
Article IV & V receivables	8	573	1,207
Other assets	9	8,652	9,351
Cash and cash equivalents	11	28,057	18,559
<b>Total current assets</b>		<b>43,670</b>	<b>36,522</b>
<b>Total assets</b>		<b>48,992</b>	<b>43,425</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Working Capital Fund	13	4,160	4,160
Voluntary Fund for Assistance	14	1,553	1,542
Cash surplus - reimbursable to States Parties	15	1,990	-
Employee benefits	16	3,363	3,475
Other non-current liabilities	19	3,789	1,674
<b>Total non-current liabilities</b>		<b>14,855</b>	<b>10,851</b>
<b>Current liabilities</b>			
Cash surplus - reimbursable to States Parties	15	57	60
Employee benefits	16	4,976	6,915
Accounts payable	17	2,276	3,423
Provisions	18	-	15
Other current liabilities	19.3	16,948	13,897
<b>Total current liabilities</b>		<b>24,257</b>	<b>24,310</b>
<b>Total liabilities</b>		<b>39,112</b>	<b>35,161</b>
<b>Net assets</b>		<b>9,880</b>	<b>8,264</b>
<b>Net assets</b>			
Accumulated surplus/(deficit)		9,880	8,264
Other reserves		-	-
<b>Total net assets</b>		<b>9,880</b>	<b>8,264</b>

**THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**  
(expressed in euro '000s)

	Note	For the Period Ended 31 December 2016	For the Period Ended 31 December 2015 (Reclassified)*
<b>Revenue</b>			
Assessed contribution revenue	20	61,366	65,254
Voluntary contribution revenue	21	12,504	40,163
Article IV & V revenue	22	1,383	3,427
Other revenue	23	758	13,755
<b>Total revenue</b>		<b>76,011</b>	<b>122,599</b>
<b>Other income</b>	24	<b>66</b>	<b>218</b>
<b>Expenses</b>			
Employee benefit expenses*	25	44,869	50,172
Travel expenses		7,819	9,321
Consultancy and contractual services	26	11,156	40,217
Internships, grants, contributions to seminars and workshops		461	654
General operating expenses	27	6,396	6,048
Depreciation and impairment of property, plant and equipment	6.1	1,023	1,256
Amortisation and impairment of intangible assets	6.2	184	281
Impairment of assessed contributions receivable	7.4	81	101
Impairment of Article IV & V receivables	8.5	304	4,890
Other operating expenses*	28	1,850	548
<b>Total expenses</b>		<b>74,143</b>	<b>113,488</b>
<b>Net finance income/(cost)</b>	29	<b>1</b>	<b>17</b>
<b>Net surplus/(deficit) for the period</b>		<b>1,935</b>	<b>9,346</b>

\* See note 25 for further details of reclassification of 2015 comparative information.

**THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**  
(expressed in euro '000s)

	Note	Attributable to States Parties		
		General Fund	Trust Funds, Working Capital Fund and Special Accounts	Total Net Assets
<b>Balance at 1 January 2016</b>		<b>(5,281)</b>	<b>13,545</b>	<b>8,264</b>
Changes recognised in net assets:				
Actuarial gains/(losses) on post-employment benefit obligations	16.10	(319)	-	(319)
<b>Net revenue recognised directly in net assets</b>		<b>(319)</b>	<b>-</b>	<b>(319)</b>
Surplus/(deficit) for the period		520	1,415	1,935
<b>Total recognised revenue and expense for the year 2016</b>		<b>201</b>	<b>1,415</b>	<b>1,616</b>
<b>Balance at 31 December 2016</b>		<b>(5,080)</b>	<b>14,960</b>	<b>9,880</b>

**THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**  
(expressed in euro '000s)

	Note	Attributable to States Parties		
		General Fund	Trust Funds, Working Capital Fund and Special Accounts	Total Net Assets
<b>Balance at 1 January 2015</b>		<b>(7,021)</b>	<b>6,303</b>	<b>(718)</b>
Changes recognised in net assets:				
Actuarial gains/(losses) on post-employment benefit obligations	16.10	(364)	-	(364)
<b>Net revenue recognised directly in net assets</b>		<b>(364)</b>	<b>-</b>	<b>(364)</b>
Surplus/(deficit) for the period		2,104	7,242	9,346
<b>Total recognised revenue and expense for the year 2015</b>		<b>1,740</b>	<b>7,242</b>	<b>8,982</b>
<b>Balance at 31 December 2015</b>		<b>(5,281)</b>	<b>13,545</b>	<b>8,264</b>

**THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**  
(expressed in euro '000s)

	Note	For the Year Ended 31 December 2016	For the Year Ended 31 December 2015
<b>Cash flows from operating activities</b>			
Net surplus/(deficit) for the period		1,935	9,346
<b>Non-cash movements</b>			
Depreciation and impairment of property, plant and equipment	6.1	1,023	1,256
Change in fixed asset recognition threshold tangibles	6.1	1,100	-
Amortisation and impairment of intangible assets	6.2	184	281
Change in fixed asset recognition threshold intangibles	6.2	172	-
(Gains)/losses on disposal of property, plant and equipment	24, 6.1	32	(135)
Increase/(decrease) in provision for impairment of assessed contributions recoverable	7.4	1	74
Increase/(decrease) in provision for impairment of Article IV & V receivables	8.5	304	4,667
Increase/(decrease) in 'Other non-current liabilities'	19.1	2,115	(11,542)
Increase/(decrease) in cash surplus (non-cash)	15	1,990	(1,531)
Movement in employee benefits (liability)	16	(2,370)	(234)
Movements in provisions	18	(15)	(25)
Unrealised currency exchange gain/(loss)		(20)	(60)
Repayments of cash surplus	15	(3)	(3)
<b>Changes in working capital</b>			
(Increase)/decrease in assessed contributions recoverable (current)	7	895	(673)
(Increase)/decrease in Article IV & V receivables (current)	8	330	(515)
(Increase)/decrease in other current receivables	9	698	18,683
(Increase)/decrease in inventories	10	122	(89)
Increase/(decrease) in accounts payable and other current liabilities	17, 19.2	1,905	(40,335)
<b>Net cash flows from operating activities</b>		<b>10,398</b>	<b>(20,835)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment	24	-	148
Purchases of property, plant and equipment	6.1	(418)	(2,516)
Purchases of intangible assets	6.2	(512)	(441)
<b>Net cash flows from investing activities</b>		<b>(930)</b>	<b>(2,809)</b>
<b>Cash flows from financing activities</b>			
Increase/(decrease) in the Working Capital Fund (ERP)	13.6	-	(19)
Proceeds received from the Working Capital Fund	13.6	-	1
Proceeds received for the Voluntary Fund for Assistance	14	11	10
<b>Net cash flows from financing activities</b>		<b>11</b>	<b>(8)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>9,479</b>	<b>(23,652)</b>
Cash and cash equivalents at beginning of the period		18,559	42,151
Unrealised currency exchange gain/(loss)		19	60
<b>Cash and cash equivalents at end of the period</b>	11	<b>28,057</b>	<b>18,559</b>

**THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

(expressed in euro '000s)

	Budgeted Amounts for the Period Ended 31 December 2016		Actual* Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
<b>Receipts</b>				
Assessed contributions	65,530	65,530	65,530	-
Voluntary contributions	-	-	-	-
Articles IV & V	1,451	1,451	1,135	316
Miscellaneous income	95	95	228	(133)
<b>Total receipts</b>	<b>67,076</b>	<b>67,076</b>	<b>66,893</b>	<b>183</b>
<b>Expenditure</b>				
<b>Verification</b>				
Office of the Director	548	535	480	55
Chemical Demilitarisation Branch	1,101	1,231	1,214	17
Declarations Branch	2,922	2,792	2,568	224
Industry Verification Branch	1,265	1,278	1,274	4
OPCW Laboratory	2,039	2,039	1,806	233
<b>Subtotal</b>	<b>7,875</b>	<b>7,875</b>	<b>7,342</b>	<b>533</b>
<b>Inspectorate</b>				
Office of the Director	319	319	294	25
Inspectorate Management Branch	499	349	307	42
Operations and Planning Branch	3,326	3,191	2,818	373
Inspection Team Leaders and Personnel	17,628	17,913	17,903	10
<b>Subtotal</b>	<b>21,772</b>	<b>21,772</b>	<b>21,322</b>	<b>450</b>
<b>Chapter One</b>	<b>29,647</b>	<b>29,647</b>	<b>28,664</b>	<b>983</b>
<b>International Cooperation and Assistance</b>				
Office of the Director	342	389	388	1
Assistance and Protection Branch	2,018	1,965	1,867	98
Implementation Support Branch	2,490	2,460	1,935	525
International Cooperation Branch	2,762	2,763	2,471	292
<b>Subtotal</b>	<b>7,612</b>	<b>7,577</b>	<b>6,661</b>	<b>916</b>
<b>Support to the Policy-Making Organs</b>				
Office of the Director	1,492	1,131	1,119	12
Language Services Branch	3,318	3,690	3,687	3
<b>Subtotal</b>	<b>4,810</b>	<b>4,821</b>	<b>4,806</b>	<b>15</b>
<b>External Relations</b>				
Office of the Director	300	328	325	3
Political Affairs and Protocol Branch	952	969	966	3
Public Affairs Branch	690	616	593	23
<b>Subtotal</b>	<b>1,942</b>	<b>1,913</b>	<b>1,884</b>	<b>29</b>

	Budgeted Amounts for the Period Ended 31 December 2016		Actual* Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
<b>Executive Management</b>				
Office of the Director-General	1,383	1,432	1,403	29
Office of the Deputy Director-General	416	430	425	5
Office of Internal Oversight	844	878	868	10
Office of the Legal Adviser	1,161	1,206	1,194	12
Office of Strategy and Policy	1,495	1,555	1,543	12
Office of Confidentiality and Security	2,807	2,927	2,908	19
Health and Safety Branch	917	877	857	20
<b>Subtotal</b>	<b>9,023</b>	<b>9,305</b>	<b>9,198</b>	<b>107</b>
<b>Administration</b>				
Office of the Director	522	500	476	24
Budget, Planning and Control Branch	449	449	382	67
Finance and Accounts Branch	1,384	1,406	1,404	2
Human Resources Branch	1,978	1,950	1,869	81
Procurement and Support Services Branch	6,130	6,130	6,123	7
Information Services Branch	3,579	3,378	3,238	140
<b>Subtotal</b>	<b>14,042</b>	<b>13,813</b>	<b>13,492</b>	<b>321</b>
<b>Chapter Two</b>	<b>37,429</b>	<b>37,429</b>	<b>36,041</b>	<b>1,388</b>
<b>Total expenditure</b>	<b>67,076</b>	<b>67,076</b>	<b>64,705</b>	<b>2,371</b>
<b>Net receipts/(expenditure)</b>	<b>-</b>	<b>-</b>	<b>2,188</b>	<b>(2,188)</b>

\* The actual amounts are based on the budgetary accounts, which are maintained on a modified cash basis (see Appendix 5.1).

**THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(expressed in euro '000s)

	Budgeted Amounts for the Period Ended 31 December 2015		Actual* Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
<b>Receipts</b>				
Assessed contributions	65,530	65,530	65,534	(4)
Voluntary contributions	151	151	145	6
Articles IV & V	3,583	3,583	3,426	157
Miscellaneous income	55	55	244	(189)
<b>Total receipts</b>	<b>69,319</b>	<b>69,319</b>	<b>69,349</b>	<b>(30)</b>
<b>Expenditure</b>				
<b>Verification</b>				
Office of the Director	481	388	383	5
Chemical Demilitarisation Branch	1,250	1,220	1,213	7
Declarations Branch	2,487	2,443	2,434	9
Industry Verification Branch	1,264	1,288	1,284	4
OPCW Laboratory	1,643	1,406	1,402	4
<b>Subtotal</b>	<b>7,125</b>	<b>6,745</b>	<b>6,716</b>	<b>29</b>
<b>Inspectorate</b>				
Office of the Director	318	278	269	9
Operations and Planning Branch	3,274	2,798	2,789	9
Inspectorate Management Branch	523	402	399	3
Inspection Team Leaders and Personnel	21,592	23,313	23,309	4
<b>Subtotal</b>	<b>25,707</b>	<b>26,791</b>	<b>26,766</b>	<b>25</b>
<b>Chapter One</b>	<b>32,832</b>	<b>33,536</b>	<b>33,482</b>	<b>54</b>
<b>International Cooperation and Assistance</b>				
Office of the Director	323	331	329	2
Assistance and Protection Branch	1,881	1,882	1,880	2
Implementation Support Branch	2,149	1,919	1,863	56
International Cooperation Branch	2,681	2,548	2,546	2
<b>Subtotal</b>	<b>7,034</b>	<b>6,680</b>	<b>6,618</b>	<b>62</b>
<b>Support to the Policy-Making Organs</b>				
Office of the Director	1,443	1,345	1,332	13
Language Services Branch	3,226	3,593	3,576	17
<b>Subtotal</b>	<b>4,669</b>	<b>4,938</b>	<b>4,908</b>	<b>30</b>
<b>External Relations</b>				
Office of the Director	297	268	264	4
Government Relations and Political Affairs Branch	631	588	586	2
Media and Public Affairs Branch	570	479	478	1
Protocol and Visa Branch	607	575	567	8
<b>Subtotal</b>	<b>2,105</b>	<b>1,910</b>	<b>1,895</b>	<b>15</b>

	Budgeted Amounts for the Period Ended 31 December 2015		Actual* Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
<b>Executive Management</b>				
Office of the Director-General	1,383	1,368	1,359	9
Office of the Deputy Director-General	598	528	524	4
Office of Internal Oversight	830	905	887	18
Office of the Legal Adviser	1,079	1,117	1,115	2
Office of Strategy and Policy	1,624	1,601	1,582	19
Office of Confidentiality and Security	2,577	2,589	2,585	4
Health and Safety Branch	912	912	887	25
<b>Subtotal</b>	<b>9,003</b>	<b>9,020</b>	<b>8,939</b>	<b>81</b>
<b>Administration</b>				
Office of the Director	469	421	405	16
Budget, Planning and Control Branch	447	497	495	2
Finance and Accounts Branch	1,346	1,336	1,331	5
Human Resources Branch	1,825	1,791	1,756	35
Procurement and Support Services Branch	6,059	6,076	6,062	14
Information Services Branch	3,531	3,114	3,091	23
<b>Subtotal</b>	<b>13,677</b>	<b>13,235</b>	<b>13,140</b>	<b>95</b>
<b>Chapter Two</b>	<b>36,487</b>	<b>35,783</b>	<b>35,500</b>	<b>283</b>
<b>Total expenditure</b>	<b>69,319</b>	<b>69,319</b>	<b>68,982</b>	<b>337</b>
<b>Net receipts/(expenditure)</b>	<b>-</b>	<b>-</b>	<b>367</b>	<b>(367)</b>

\* The actual amounts are based on the budgetary accounts, which are maintained on a modified cash basis (see Appendix 5.1).

## **ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS**

### **1. REPORTING ENTITY**

- 1.1 The Organisation for the Prohibition of Chemical Weapons (OPCW) is an international organisation which was established by the States Parties to the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction (hereinafter “the Convention”). The Convention entered into force on 29 April 1997, and the OPCW is located at Johan de Wittlaan 32, 2517 JR The Hague, the Netherlands.
- 1.2 The mission of the OPCW is to achieve the object and purpose of the Convention, to ensure the implementation of its provisions, including those for international verification, and to provide a forum for consultation and cooperation among States Parties.
- 1.3 The continued existence of the OPCW in its present form, with its present programmes of activity, is dependent on States Parties and their continuing annual appropriations and financial contributions.
- 1.4 The reporting entity, the OPCW, comprises the General Fund, the Working Capital Fund, Special Accounts, the Voluntary Fund for Assistance, and the Trust Funds.

### **2. BASIS OF PREPARATION**

- 2.1 The financial statements have been prepared on an accruals and going-concern basis and comply with the requirements of IPSAS. Where IPSAS is silent concerning any specific standard, the appropriate International Financial Reporting Standards (IFRS) is applied.
- 2.2 The financial statements are presented in euros, rounded to the nearest thousand. These financial statements cover the calendar year ended 31 December 2016. The financial period is the calendar year.

#### **Future accounting pronouncements**

- 2.3 The following significant future accounting pronouncements from the International Public Sector Accounting Standards Board have been issued as at 31 December 2016, but are not yet effective:

Standard	Objective of Standard	Effective Date	Estimated Impact on OPCW Financial Statements
<b>IPSAS 33</b> First Time Adoption of Accrual Based IPSAS	To provide guidance to a first-time adopter that prepares and presents financial statements following the adoption of accrual basis IPSASs, in order to provide high quality information.	1 January 2017	Not applicable – OPCW has already implemented and been IPSAS compliant since 2011.
<b>IPSAS 34</b> Separate Financial Statements	To prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.	1 January 2017	OPCW has considered the prospective impact of these new Standards, with specific regard to the treatment of the OPCW Provident Fund in the OPCW Financial Statements. The OPCW does not consider the requirements of these Standards as applicable, on the basis that OPCW does not exert control over the Provident Fund or any other entities, as defined in IPSAS 35.
<b>IPSAS 35</b> Consolidated Financial Statements	To establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.		
<b>IPSAS 36</b> Investments in Associates and Joint Ventures	To prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.		
<b>IPSAS 37</b> Joint Arrangements	To establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).		
<b>IPSAS 38</b> Disclosures of Interests in Other Entities	To require entity to disclose information that enables users of its financial statements to evaluate: The nature of, and risk associated with, its interest in controlled entities, unconsolidated entities, joint arrangements and associates, and structured entities that are not consolidated; and The effects of those interests on its financial position, financial performance and cash flows.		

### 3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The objective of these general purpose financial statements is to provide information about the financial position, performance, and cash flows of the OPCW to a wide range of users. For an organisation such as the OPCW, the objectives are more specifically to provide information useful for decision making and to demonstrate the accountability of the OPCW for the resources entrusted to it. The principal accounting policies applied in the preparation of these financial statements are set out below.

#### Consolidation

3.2 The scope of consolidation of the OPCW comprises one entity, the OPCW. No associates or joint ventures have been identified for inclusion in the scope of consolidation of these financial statements.

#### Foreign currency translation

3.3 The following exchange rates have the most significant impact on the preparation of these financial statements:

Period	USD/EUR	GBP/EUR	INR/EUR
31 December 2016	0.956	1.170	0.014
Average 12 months	0.903	1.223	0.013

Period	USD/EUR	GBP/EUR	JPY/EUR
31 December 2015	0.914	1.354	0.008
Average 12 months	0.902	1.379	0.007

(a) Functional and presentation currency: Items included in the financial statements are measured using the euro, the functional currency, which is the currency of the primary economic environment in which the OPCW operates. The financial statements are also presented in euros, the presentation currency of the OPCW.

(b) Transactions and balances: Foreign currency transactions are translated into the functional currency using the United Nations Operational Rate of Exchange (UNORE) prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance. Year-end balances of monetary assets and liabilities denominated in foreign currencies are converted into euros on the basis of the exchange rates applicable on 31 December 2016.

### **Cash and cash equivalents**

- 3.4 Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to cash and subject to insignificant risk of changes in value, with original maturities of three months or less, and bank overdrafts. The OPCW is prohibited from having any bank overdrafts and accordingly does not have any.

### **Financial assets**

#### Classification

- 3.5 The OPCW classifies its financial assets as loans and receivables. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months of the reporting date, which are classified as non-current. The OPCW's loans and receivables comprise 'receivables and recoverables from non-exchange transactions' and 'receivables from exchange transactions'.

#### Recognition and measurement

- 3.6 Loans and receivables are initially recognised at fair value plus transaction costs, and are derecognised when the rights to receive cash flows have expired or have been transferred and the OPCW has transferred substantially all risks and rewards of ownership.

#### Subsequent measurement

- 3.7 Loans and receivables are carried at amortised cost using the effective interest method.

#### Impairment

- 3.8 All financial assets are subject to review for impairment. The OPCW assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.
- 3.9 If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted using the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of financial performance.

### **Inventories**

- 3.10 Inventories are stated at the lower of cost and current replacement cost. The cost of finished goods comprises all costs of purchase and other costs incurred in bringing the

inventories to their present location and condition. Cost is determined using the first in, first out (FIFO) method. Current replacement cost is the cost the entity would incur to acquire the asset on the reporting date. Inventory items acquired in non-exchange transactions are measured at their fair value on the date of acquisition in accordance with IPSAS 12.

### **Property, plant and equipment**

- 3.11 Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items, including costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Items of property, plant and equipment equal to or exceeding EUR 5,000 per unit and leasehold improvements equal to or exceeding EUR 50,000 per unit are capitalised. These capitalisation thresholds have been applied prospectively from 1 January 2016 as outlined in note 6.3. The threshold used to 31 December 2015 was EUR 1,000 for both property, plant and equipment, and leasehold improvements. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits or service potential, associated with the item, will flow to the OPCW and the cost of the item can be reliably measured. All other repairs and maintenance are charged to the statement of financial performance during the financial period in which they are incurred. Assets under construction are not depreciated but are subject to impairment. Subsequent to construction completion and upon the in-service date, the assets are transferred to the above categories and the corresponding useful life will be applied.
- 3.12 Depreciation is calculated using the straight-line method to allocate costs to their residual values over their estimated useful lives, which are as follows:

<b>Asset</b>	<b>Estimated Useful Life</b>
Inspection and verification equipment	Shorter of operational period of asset or 10 years
Security and health equipment	5 years
Office furniture and equipment	7 years
Hardware equipment	4 years
Vehicles	5 years
Leasehold improvements	Shorter of lease term or useful life

- 3.13 The residual value will be set at nil value as per the acquisition date. An asset's carrying amount is written down immediately to its recoverable service amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to note 3.19 'Impairment of non-cash-generating assets'). Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in 'other income' and 'other operating expenses' respectively within the statement of financial performance.

## **Leases**

### Operating lease

- 3.14 An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. As a lessee, the OPCW rents premises, equipment and other facilities under contracts that are considered operating leases. As a lessor, the OPCW rents small portions of office space to third parties on the OPCW's premises at Johan de Wittlaan 32 in The Hague. The rent receipts are recognised as other income.

## **Intangible assets**

- 3.15 Intangible assets are carried at cost less accumulated amortisation and impairment. Donated intangible assets are recognised at cost, using the fair value at the acquisition date. The OPCW recognises as intangible assets both acquired software with a cost equal to or exceeding EUR 5,000 and internally generated software with a cost equal to or exceeding EUR 50,000. These capitalisation thresholds have been applied prospectively from 1 January 2016 as outlined in note 6.3. The threshold used to 31 December 2015 was EUR 1,000 for both acquired software and internally generated software. Internally generated software is capitalised when the criteria stated in note 3.18 are met. The development of new software or the development of new functionalities of software that is already in operation, and purchased software which requires significant customisation or configuration before it can be used by the OPCW may be recognised as internally generated software. Acquired computer software meeting the recognition criteria is capitalised based on costs incurred to acquire and bring the specific software to use. The cost of internally generated software comprises all directly attributable costs to create, produce, and prepare the asset to be capable of operating in the manner intended by management, including costs of materials and services, and employee benefits determined based on a standard rate that includes an appropriate portion of relevant overheads. Costs associated with maintaining computer software programmes are recognised as expenses as incurred.
- 3.16 Development costs that are directly associated with the development of software for use by the OPCW are capitalised as an intangible asset if the following criteria are met:
- (a) it is technically feasible to complete the software product so that it will be available for use;
  - (b) management intends to complete the software product and use or sell it;
  - (c) there is an ability to use or sell the software product;
  - (d) it can be demonstrated how the software product will generate probable future economic benefits or service potential;
  - (e) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and

(f) the expenditure attributable to the software product during its development can be reliably measured.

3.17 Expenditures that do not meet these criteria are recognised as expenses as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Research costs are recognised as an expense in the financial period in which they are incurred.

3.18 Amortisation is recorded on a straight-line basis on all intangible assets of finite life, at rates that will write off the cost or value of the assets to their estimated residual values. Intangible assets under construction are not amortised but are subject to impairment. The useful lives of major classes of intangible assets have been estimated as follows:

Asset	Estimated Useful Life
Acquired software	3 to 5 years
Internally developed software	3 to 10 years

### **Impairment of non-cash-generating assets**

3.19 Non-cash-generating assets are property, plant and equipment, and intangible assets (note 6). As such, these are assessed at each reporting date to determine whether there are any indications that the carrying amount of the assets may not be recoverable and that such assets may be impaired. The asset's recoverable service amount is the higher of the asset's fair value less costs to sell and its value in use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. Impairment losses are recognised immediately in the statement of financial performance.

### **Employee benefits**

#### Short-term employee benefits

3.20 Short-term employee benefits are expected to be settled within 12 months of the reporting period and are measured at their nominal values based on accrued entitlements at current rates of pay. Short-term employee benefits comprise recurring benefits, deductions and contributions (including salaries, special post allowances, dependency allowances), compensated absences (annual leave, special leave, sick leave), other short-term benefits (salary advances, retroactive payments, education grants, employee income tax reimbursement, travel and removal costs at initial appointment, and assignment grants). These are treated as current liabilities.

#### Post-employment benefits

3.21 Post-employment benefits include travel and removal costs at separation, and repatriation grants and death benefits after the completion of employment. Post-employment benefit plans are classified as either defined contribution or defined benefit plans.

3.22 For defined contribution post-employment plans, the obligation for each period is determined by the amounts to be contributed for that period, and no actuarial

assumptions are required to measure the obligation or the expense. Actuarial gains and losses for post-employment benefits are recognised in net assets in the period in which they occur.

#### Other long-term employee benefits

- 3.23 Other long-term employee benefits include home leave and long-term sick leave. Long-term employee benefits which are expected to be settled more than 12 months after the end of the reporting period are treated as non-current liabilities and are measured at the present value of the estimated future cash flows if the payments and the impact of discounting are considered to be material. Actuarial gains and losses for other long-term employee benefits are recognised directly in surplus/deficit in the period in which they occur.

#### **Financial liabilities**

- 3.24 The OPCW's financial liabilities include accounts payable, 'Working Capital Fund', 'Voluntary Fund for Assistance' and 'Cash surplus reimbursable to States Parties'. These financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The financial liabilities 'Working Capital Fund', 'Voluntary Fund for Assistance' and 'Cash surplus' are not discounted considering the specific objectives and the indefinite nature of these amounts (similar to a permanent advance) and the restrictions imposed on these amounts.

#### **Provisions and contingencies**

##### Provisions

- 3.25 Provisions are recognised for future expenditures of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not made for future operating losses.
- 3.26 Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

##### Contingent liabilities

- 3.27 A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of future events not wholly within the control of the entity. A contingency is also recognised when it is not probable that a present obligation exists, but all other aspects of the definition of a provision are met. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements.

##### Contingent assets

- 3.28 A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain

future events not wholly within the control of the entity. Contingent assets are not recognised.

## **Taxes**

- 3.29 The OPCW enjoys privileged tax exemption, and as such, assets, income and other properties are exempt from all direct taxation.

## **Revenue recognition**

### Revenue from non-exchange transactions

- 3.30 The OPCW's major categories of non-exchange revenue are assessed contributions and voluntary contributions. Assessed contributions are assessed annually based on the scale of assessments as approved by the Conference of the States Parties (hereinafter "the Conference"). Voluntary contributions are received from various States Parties and other parties for various purposes as specified in each donor agreement.
- 3.31 Non-exchange revenue represents transactions in which OPCW receives value from another entity without providing approximately equal value to another entity in exchange. For non-exchange transactions, revenue is recognised on the inflow of assets except to the extent that a liability—representing a present obligation to the OPCW—exists. As the OPCW satisfies this present obligation, it reduces the carrying amount of the liability and recognises revenue. Non-exchange revenue is measured at the amount of the increase in net assets recognised by the OPCW. A recoverable relating to non-exchange revenue is recognised at the net realisable amount, after reducing any impaired receivable from the carrying amount. Goods in kind are recognised as assets when the goods are received or when there is a binding agreement to receive the goods and no conditions are attached. Services in kind are not recognised.

### Revenue from exchange transactions

- 3.32 The OPCW's major category of exchange revenue is Article IV and V revenue, amounts that are invoiced to States Parties for various services (as described in note 22 'Article IV and V revenue') provided in the verification of and destruction of chemical weapons.
- 3.33 Revenue from exchange transactions is measured at the fair value of the consideration received or receivable and is recognised as services are rendered according to the estimated stage of completion when the outcome of a transaction can be estimated reliably. Revenue is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. When the outcome of the transaction cannot be estimated reliably, revenue is recognised to the extent of the expenses recognised that are recoverable. Revenue from services is recognised at the fair value of the consideration received or receivable. When a receivable is impaired, the carrying amount is reduced to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the receivable. Subsequent recoveries of amounts previously impaired are credited

to miscellaneous income within the statement of financial performance. Interest income is recognised on a time-proportion basis using the effective interest method.

### **Expenses**

- 3.34 Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets, other than those relating to distributions to owners. Expenses are aggregated on the face of the statement of financial performance according to their nature.

### **Segment information**

- 3.35 A segment is a distinguishable activity or group of activities for which it is appropriate to separately report financial information. At the OPCW, segment information is based on the principal distinguishable services that are engaged in achieving the OPCW's objectives.
- 3.36 Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the OPCW. Assets and liabilities are not allocated to segments.

## **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

- 4.1 In accordance with IPSAS and generally accepted accounting principles, the financial statements include amounts based on estimates and assumptions. The OPCW makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

### **Employee benefits: Post-employment benefits and other long-term employee benefits**

- 4.2 The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Actuarial assumptions are established to anticipate future events and are used in calculating post-employment benefits and other long-term employee benefits expense and liability. Assumptions have been made with respect to the discount rate, inflation, indexation, rates of future compensation increases, turnover rates, and life expectancy. Any changes in these assumptions will impact the amount of benefits expense and the related liability.
- 4.3 The OPCW determines the discount rate annually. This is the interest rate that should be used to determine the present value of the estimated future cash outflows expected to be required to settle the employee benefit obligations. In determining the appropriate discount rate, the OPCW considers the interest rate of government bonds within the Eurozone that have terms to maturity approximating the terms of the related employee benefit liabilities.

- 4.4 The other assumptions are based in part on current market conditions and historical experience of the OPCW. Additional information is disclosed in note 16 'Employee benefits'.

**Receivables: Determination of impairment**

- 4.5 The OPCW's receivables are required to be reviewed at the end of each reporting period for impairment and indications of uncollectibility. The OPCW makes an estimate of the amount of receivables that it is not able to recover based on prior payment history and expectations of future amounts it expects to recover from these receivables.

**Revenue recognition: Conditions on voluntary contributions**

- 4.6 Revenue for non-exchange transactions is recognised by OPCW in line with the policy set out in notes 3.30 and 3.31, and with IPSAS 23 (Revenue from non-exchange transactions). When reviewing stipulations linked to voluntary contributions and assessing the extent to which revenue may be recognised, the OPCW makes a judgement to determine whether a present obligation to the OPCW exists which would give rise to a financial liability. The OPCW uses contractual information and past practice with donors to inform this judgement.

**5. FINANCIAL RISK MANAGEMENT**

**Financial risk factors**

- 5.1 The OPCW's activities expose it to a variety of financial risks, including market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The OPCW's overall risk management programme is carried out by the Treasury Section under policies approved by the Investment Committee. The Investment Committee comprises six members and is chaired by the Deputy Director-General. The Investment Committee meets at least quarterly, however, meetings generally occur more frequently depending on economic circumstances existing in the financial markets. The OPCW does not enter into hedging activities and does not use derivative financial instruments.

**Market risk: Foreign exchange risk**

- 5.2 Foreign exchange risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The OPCW operates internationally and is exposed to limited foreign exchange risk arising from certain currency exposures.
- 5.3 The OPCW's cash inflows from assessed contributions as determined by the Conference are denominated in euros. Receipts of assessed contributions can be in currencies other than euros; however, the States Parties are responsible for any foreign currency fluctuations that may arise. Voluntary contributions are primarily denominated in euros, US dollars, UK pounds, Norwegian kroner, and Canadian dollars. Foreign-currency exposure arises on voluntary contributions denominated in currencies other than euros. However, the OPCW minimises this risk by immediately converting all foreign currency denominated voluntary contributions into euros at the

spot rate of the receiving bank. The OPCW records the contributions at the actual euro amounts received, and all corresponding expenses are reported to the donors in euros. If there is an unused balance, the OPCW refunds the euro balance, which the bank converts back to the original currency at the spot rate prevailing at the time of payment.

- 5.4 The OPCW's cash outflows relate primarily to payments to employees and payments to vendors. Employee salaries are denominated in US dollars, however, are paid in euros. Payments to vendors are typically denominated in euros. Certain payments are denominated in foreign currencies, primarily the US dollar, the UK pound and the Japanese yen. Payments to vendors that are denominated in currencies other than euros typically account for less than 5% of total payments.
- 5.5 At 31 December 2016, if the euro had weakened/strengthened by 10% against the US dollar, net surplus/deficit for the year would have been EUR 55 thousand higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated assessed contributions recoverable, voluntary contributions recoverable, and accounts payable.
- 5.6 Receivables in other currencies than the euro and US dollar and any corresponding effect of exchange rate changes in those currencies on the net surplus/deficit are not significant.

#### **Market risk: Interest rate risk**

- 5.7 Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The OPCW invests its cash and cash equivalents in accounts with financial institutions for short-term maturities at fixed interest rates. The future cash flows representing interest income from these deposits will not fluctuate because these are invested for short periods. These investment policies requiring maturities of no longer than 12 months and restricting the investments to cash and cash equivalents are established by the OPCW's Investment Committee.

#### **Credit risk**

- 5.8 Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents with banks and financial institutions and exposures to receivables from States Parties. The OPCW's Investment Committee meets at least quarterly to review the OPCW's investment policies for financial assets. The Investment Committee may meet more frequently if economic circumstances demand additional attention. The Investment Committee determines which financial institutions may be used for the investment of cash and cash equivalents. The OPCW will only invest deposits in financial institutions with a Moody's Investors Service Global short-term rating of no lower than a P-1 rating.

	<b>(expressed in euro '000s)</b>	
<b>Moody's Investors Service Ratings</b>	<b>31-Dec-16</b>	<b>31-Dec-15</b>
Rating P-1*	28,057	10,089
Non-rated	-	-
<b>Total cash and cash equivalents</b>	<b>28,057</b>	<b>10,089</b>

\* Issuers (or supporting institutions) rated Prime-1 (P-1) have a superior ability to repay short-term debt obligations.

5.9 Credit risk arises from receivables from States Parties.

### Liquidity risk

5.10 Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The OPCW has obligations to make certain payments for financial liabilities; liquidity risk arises in that the OPCW may encounter difficulties in meeting these obligations. Cash flow forecasting is performed by the OPCW on a daily, weekly and monthly basis. The Treasury Section may invest surplus cash in short-term deposits, investing these amounts for periods of no longer than 12 months. Investments are denominated in euros to avoid foreign currency fluctuations. The tables below analyse the OPCW's financial liabilities into relevant maturity groupings based on their contractual undiscounted cash flows.

As at 31 December 2016:

<b>(expressed in euro '000s)</b>	<b>Less Than 1 Year</b>	<b>1 to 5 Years</b>	<b>5 to 10 Years</b>	<b>Beyond 10 Years</b>	<b>Undefined Maturity</b>	<b>Total</b>
Working Capital Fund	-	-	-	-	4,160	<b>4,160</b>
Voluntary Fund for Assistance	-	-	-	-	1,553	<b>1,553</b>
Cash surplus reimbursed to States Parties	57	1,990	-	-	-	<b>2,047</b>
Accounts payable	2,276	-	-	-	-	<b>2,276</b>
<b>Total financial liabilities</b>	<b>2,333</b>	<b>1,990</b>	-	-	<b>5,713</b>	<b>10,036</b>

As at 31 December 2015:

<b>(expressed in euro '000s)</b>	<b>Less Than 1 Year</b>	<b>1 to 5 Years</b>	<b>5 to 10 Years</b>	<b>Beyond 10 Years</b>	<b>Undefined Maturity</b>	<b>Total</b>
Working Capital Fund	-	-	-	-	4,160	<b>4,160</b>
Voluntary Fund for Assistance	-	-	-	-	1,542	<b>1,542</b>
Cash surplus reimbursed to States Parties	60	-	-	-	-	<b>60</b>
Accounts payable	3,423	-	-	-	-	<b>3,423</b>
<b>Total financial liabilities</b>	<b>3,483</b>	-	-	-	<b>5,702</b>	<b>9,185</b>

### **Capital risk management**

- 5.11 The Conference consists of all members of the OPCW. It decides on the Programme and Budget and the scale of annual financial contributions to be paid by States Parties in the form of assessed contributions. The OPCW is prohibited from obtaining debt financing.

### **Fair value estimation**

- 5.12 The determination of the fair value of the OPCW's financial instruments generally approximates the carrying amount. The OPCW's receivables are recognised at net recoverable amount and the cash and cash equivalents are recognised at fair value. As mentioned in note 3.24, the financial liabilities 'Working Capital Fund', 'Voluntary Fund for Assistance' and 'Cash surplus' are not discounted.

## 6. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

### 6.1 Property, plant and equipment

As at 31 December 2016:

(expressed in euro '000s)	Inspection and Verification Equipment	Security and Health Equipment	Office Furniture and Equipment	Hardware Equipment	Vehicles	Leasehold Improvements	Assets Under Construction	Total
At 1 January 2016:								
Cost	8,514	978	1,113	1,795	275	209	-	12,884
Accumulated depreciation and impairment	(3,588)	(784)	(725)	(1,258)	(210)	(38)	-	(6,603)
<b>Net book amount</b>	<b>4,926</b>	<b>194</b>	<b>388</b>	<b>537</b>	<b>65</b>	<b>171</b>	<b>-</b>	<b>6,281</b>
<b>Year ended 31 December 2016:</b>								
Opening net book amount	4,926	194	388	537	65	171	-	6,281
Change in asset recognition threshold (note 6.3)	(426)	(148)	(301)	(225)	-	-	-	(1,100)
Additions	233	32	-	115	-	-	38	418
Transfers	-	-	-	-	-	-	-	-
Disposals	(532)	-	-	(47)	-	-	-	(579)
Accumulated depreciation on disposed assets	500	-	-	47	-	-	-	547
Depreciation charge	(777)	(32)	(21)	(141)	(26)	(42)	-	(1,039)
Impairment losses	(6)	-	-	-	-	-	-	(6)
Impairment losses reversed	22	-	-	-	-	-	-	22
<b>Closing net book amount</b>	<b>3,940</b>	<b>46</b>	<b>66</b>	<b>286</b>	<b>39</b>	<b>129</b>	<b>38</b>	<b>4,544</b>
<b>At 31 December 2016:</b>								
Cost	7,397	678	359	1,045	275	209	38	10,001
Accumulated depreciation and impairment	(3,457)	(632)	(293)	(759)	(236)	(80)	-	(5,457)
<b>Net book amount</b>	<b>3,940</b>	<b>46</b>	<b>66</b>	<b>286</b>	<b>39</b>	<b>129</b>	<b>38</b>	<b>4,544</b>

As at 31 December 2015:

(expressed in euro '000s)	Inspection and Verification Equipment	Security and Health Equipment	Office Furniture and Equipment	Hardware Equipment	Vehicles	Leasehold Improvements	Assets Under Construction	Total
<b>At 1 January 2015:</b>								
Cost	6,533	946	1,089	1,593	275	-	313	<b>10,749</b>
Accumulated depreciation and impairment	(3,094)	(697)	(639)	(1,101)	(184)	-	-	<b>(5,715)</b>
<b>Net book amount</b>	<b>3,439</b>	<b>249</b>	<b>450</b>	<b>492</b>	<b>91</b>	<b>-</b>	<b>313</b>	<b>5,034</b>
<b>Year ended 31 December 2015:</b>								
Opening net book amount	3,439	249	450	492	91	-	313	<b>5,034</b>
Additions	875	44	41	282	-	-	1,274	<b>2,516</b>
Transfers	1,378	-	-	-	-	209	(1,587)	-
Disposals	(273)	(12)	(16)	(80)	-	-	-	<b>(381)</b>
Accumulated depreciation on disposed assets	266	8	14	80	-	-	-	<b>368</b>
Depreciation charge	(755)	(95)	(101)	(237)	(26)	(38)	-	<b>(1,252)</b>
Impairment losses	(6)	-	-	-	-	-	-	<b>(6)</b>
Impairment losses reversed	2	-	-	-	-	-	-	<b>2</b>
<b>Closing net book amount</b>	<b>4,926</b>	<b>194</b>	<b>388</b>	<b>537</b>	<b>65</b>	<b>171</b>	<b>-</b>	<b>6,281</b>
<b>At 31 December 2015:</b>								
Cost	8,514	978	1,113	1,795	275	209	-	<b>12,884</b>
Accumulated depreciation and impairment	(3,588)	(784)	(725)	(1,258)	(210)	(38)	-	<b>(6,603)</b>
<b>Net book amount</b>	<b>4,926</b>	<b>194</b>	<b>388</b>	<b>537</b>	<b>65</b>	<b>171</b>	<b>-</b>	<b>6,281</b>

There are no restrictions on the title to the OPCW's property, plant and equipment.

## 6.2 Intangible assets

As at 31 December 2016:

(expressed in euro '000s)	Acquired Software	Internally Generated Software	Software Under Development	Assets Under Construction	Total
<b>Balance as at 1 January 2016:</b>					
Cost	698	484	1	-	<b>1,183</b>
Accumulated amortisation and impairment	(290)	(271)	-	-	<b>(561)</b>
<b>Net book amount</b>	<b>408</b>	<b>213</b>	<b>1</b>	<b>-</b>	<b>622</b>
<b>Year ended 31 December 2016:</b>					
Opening net book value	408	213	1	-	<b>622</b>
Change in asset recognition threshold (note 6.3)	(88)	(83)	(1)	-	<b>(172)</b>
Additions	13	-	-	499	<b>512</b>
Transfers	-	-	-	-	<b>-</b>
Amortisation charge	(107)	(81)	-	-	<b>(188)</b>
Impairment losses	4	-	-	-	<b>4</b>
<b>Net book amount as at 31 December 2016</b>	<b>230</b>	<b>49</b>	<b>-</b>	<b>499</b>	<b>778</b>
<b>As at 31 December 2016:</b>					
Cost	520	318	-	499	<b>1,337</b>
Accumulated amortisation and impairment	(290)	(269)	-	-	<b>(559)</b>
<b>Net book amount as at 31 December 2016</b>	<b>230</b>	<b>49</b>	<b>-</b>	<b>499</b>	<b>778</b>

As at 31 December 2015:

(expressed in euro '000s)	Acquired Software	Internally Generated Software	Software Under Development	Assets Under Construction	Total
<b>Balance as at 1 January 2015:</b>					
Cost	363	345	34	-	<b>742</b>
Accumulated amortisation and impairment	(128)	(152)	-	-	<b>(280)</b>
<b>Net book amount</b>	<b>235</b>	<b>193</b>	<b>34</b>	<b>-</b>	<b>462</b>
<b>Year ended 31 December 2015:</b>					
Opening net book value	235	193	34	-	<b>462</b>
Additions	46	105	1	289	<b>441</b>
Transfers	289	34	(34)	(289)	<b>-</b>
Amortisation charge	(158)	(119)	-	-	<b>(277)</b>
Impairment losses	(4)	-	-	-	<b>(4)</b>
<b>Net book amount as at 31 December 2015</b>	<b>408</b>	<b>213</b>	<b>1</b>	<b>-</b>	<b>622</b>
<b>As at 31 December 2015:</b>					
Cost	698	484	1	-	<b>1,183</b>
Accumulated amortisation and impairment	(290)	(271)	-	-	<b>(561)</b>
<b>Net book amount as at 31 December 2015</b>	<b>408</b>	<b>213</b>	<b>1</b>	<b>-</b>	<b>622</b>

6.3 On 1 January 2016, the OPCW revised the threshold for the recognition of property, plant and equipment, and intangible assets from EUR 1,000 per item to the thresholds noted in notes 3.11 and 3.15. The net impact of this change is a EUR 1.272 million decrease in the net book value of non-current assets reported as at 31 December 2016, and a corresponding increase in expenses for 2016 (note 28). The comparative values for 2015 reflect the previous threshold.

6.4 Intangible assets include assets under construction in the amount of EUR 499 thousand related to the new enterprise resource planning (ERP) system. Refer to Appendix 5.3 for further financial details regarding the ERP system.

## 7. ASSESSED CONTRIBUTIONS RECOVERABLE

	<b>(expressed in euro '000s)</b>	
	<b>2016</b>	<b>2015</b>
Assessed contributions	6,071	6,965
Less: allowance for impairment of assessed contributions	(743)	(742)
<b>Total assessed contributions - net</b>	<b>5,328</b>	<b>6,223</b>

7.1 Every Member State is assessed an annual contribution due to the OPCW. These amounts are enforceable amounts due by the States Parties to the OPCW each year. The assessed contributions are issued at the beginning of each calendar year and are payable in full within 30 days of States Parties' receipt of the requests for payments or on the first day of the financial period to which they relate, whichever is later. The fair value of these assessed contributions approximates the carrying amount; as the amounts due after more than one year are insignificant, the impact of discounting is immaterial.

7.2 As of 31 December 2016, assessed contributions of EUR 5.328 million (2015: EUR 6.223 million) were past due but not impaired. These include assessed contributions recoverable of States Parties with arrears of less than three years old and receivables from States Parties who have made proposal for multi-year payment plans, irrespective of the age of the receivables. The ageing analysis of these assessed contributions is as follows:

	<b>(expressed in euro '000s)</b>			
	<b>2016</b>	<b>%</b>	<b>2015</b>	<b>%</b>
Up to 1 year old	3,874	73%	3,425	55%
Older than 1 year and up to 2 years	804	15%	2,652	43%
Older than 2 years and up to 3 years	591	11%	74	1%
Older than 3 years and up to 10 years	12	0%	26	0%
Older than 10 years	47	1%	46	1%
	<b>5,328</b>	<b>100%</b>	<b>6,223</b>	<b>100%</b>

7.3 As of 31 December 2016, assessed contributions of EUR 0.743 million (2015: EUR 0.742 million) were impaired and provided for. The amount impaired as at 2016 year end includes the accumulated unpaid assessed contributions net of corresponding

cash surplus, as at 31 December 2015, of States Parties who are in arrears with respect to the financial period 2013 and before. The assessed contributions recoverable in the statement of financial position are shown net of this provision, which does not constitute legal discharges of concerned States Parties from their obligations to make payments to the OPCW. The ageing analysis of these assessed contributions is as follows:

	<b>(expressed in euro '000s)</b>			
	<b>2016</b>	<b>%</b>	<b>2015</b>	<b>%</b>
Up to 1 year old	-	0%	-	0%
Older than 1 year and up to 2 years	75	10%	87	12%
Older than 2 years and up to 3 years	78	11%	85	11%
Older than 3 years and up to 10 years	365	49%	374	51%
Older than 10 years	225	30%	196	26%
	<b>743</b>	<b>100%</b>	<b>742</b>	<b>100%</b>

- 7.4 The OPCW determines the amount of assessed contributions in euros. Certain older assessed contributions were historically denominated in US dollars. Movements in the OPCW's provision for impairment of assessed contributions are as follows:

	<b>(expressed in euro '000s)</b>	
	<b>2016</b>	<b>2015</b>
At 1 January	742	668
Provision for impairment of assessed contributions (write-down)	81	101
Unused amounts reversed (other income)	(80)	(27)
<b>At 31 December</b>	<b>743</b>	<b>742</b>

- 7.5 Both the creation and the release of the provision for impaired assessed contributions have been included in a separate line in the statement of financial performance under other income and other expenses, respectively. Amounts are impaired, without implying legal discharge of the States Parties obligation to pay, when there is no expectation of recovering additional cash from the States Parties.

## 8. ARTICLE IV AND V RECEIVABLES

	<b>(expressed in euro '000s)</b>	
	<b>2016</b>	<b>2015</b>
Article IV & V receivables	5,767	6,097
Less: allowance for impairment of Article IV & V receivables (write-down)	(5,194)	(4,890)
<b>Total Article IV &amp; V receivables - net</b>	<b>573</b>	<b>1,207</b>

- 8.1 The OPCW charges States Parties for its services provided in the verification and destruction of chemical weapons. The amounts charged to States Parties for services provided include amounts to cover the OPCW's staff costs, travel expenses, daily subsistence allowance and transportation charges for hazardous materials. The rates relating to staff costs charged to States Parties by the OPCW are established annually by agreement of the States Parties, taking into account actual expenses incurred. The

OPCW provides services in exchange for generating this revenue in the form of expertise of its employees regarding chemical weapons.

8.2 The fair value of these Article IV and V receivables approximates the carrying amount as payments of Article IV and V invoices are due on the short term.

8.3 As of 31 December 2016, Article IV and V receivables of EUR 0.573 million (2015: EUR 1.207 million) were past due but not impaired. Amounts are impaired, without implying legal discharge of the concerned States Parties' obligation to pay, when there is no expectation of recovering additional cash. The ageing analysis of the Article IV and V receivables is as follows:

	<b>(expressed in euro '000s)</b>			
	<b>2016</b>	<b>%</b>	<b>2015</b>	<b>%</b>
Up to 3 months	573	100%	1,071	89%
Older than 3 months and up to 6 months	-	-	136	11%
Older than 6 months and up to 1 year	-	-	-	-
	<b>573</b>	<b>100%</b>	<b>1,207</b>	<b>100%</b>

8.4 As of 31 December 2016, Article IV and V receivables of EUR 5.194 million (2015: EUR 4.890 million) were impaired and provided for, without legally discharging the concerned States Parties' obligations to make payments to the OPCW. The Article IV and V receivables in the statement of financial position are shown net of this provision. The ageing analysis of these receivables is as follows:

	<b>(expressed in euro '000s)</b>			
	<b>2016</b>	<b>%</b>	<b>2015</b>	<b>%</b>
Up to 3 months	177	4%	638	13%
Older than 3 months and up to 6 months	127	3%	-	0%
6 months to 1 year	118	2%	752	15%
Older than 1 year and up to 2 years	1,272	24%	3,500	72%
Older than 2 years and up to 3 years	3,500	67%	-	0%
	<b>5,194</b>	<b>100%</b>	<b>4,890</b>	<b>100%</b>

8.5 The carrying amounts of the Article IV and V receivables are denominated in euros. Movements in the OPCW's provision for impairment of Article IV and V receivables are as follows:

	<b>(expressed in euro '000s)</b>	
	<b>2016</b>	<b>2015</b>
<b>At 1 January</b>		
Beginning of period	4,890	223
Provision for impairment of Article IV & V receivables	304	4,890
Amounts repaid	-	(223)
<b>At 31 December</b>	<b>5,194</b>	<b>4,890</b>

8.6 Both the creation and the release of the provision for impaired Article IV and V receivables have been shown in separate lines on the statement of financial performance under other income and other expenses, respectively.

## 9. OTHER ASSETS

9.1 Other assets comprise the following items:

	<b>(expressed in euro '000s)</b>	
	<b>2016</b>	<b>2015</b>
Voluntary contributions recoverable	1,716	2,165
Receivables from staff members*	797	1,066
Value-added tax and other recoverable taxes**	1,394	1,083
Receivables from vendors	736	55
'Working Capital Fund' receivable	7	7
Miscellaneous	20	9
Prepayments - vendors***	1,462	1,214
Prepayments - UNOPS	2,497	3,695
Prepayments - UNDP	23	57
<b>Other assets</b>	<b>8,652</b>	<b>9,351</b>

\* 'Receivables from staff members' comprise receivables due for advances made relating to travel expenses and certain employee benefit advances.

\*\* 'Value-added tax and other recoverable taxes' include refundable taxes primarily relating to environmental taxes, energy taxes, and taxes due to the United States government. These receivables arise due to the OPCW's tax-exempt status.

\*\*\* 'Prepayments - vendors' comprises primarily prepaid rent for the Headquarters' building.

### **Voluntary contributions recoverable**

9.2 The OPCW receives voluntary contributions which are used for various purposes as specified in each donor agreement. In certain agreements, donors advance a proportion of the total agreement amount at the project inception, and pay the remaining amount upon receipt of a final project report. Voluntary contributions recoverable represent the remaining amounts payable to the OPCW under these agreements. The corresponding non-exchange revenue or liability in relation to these agreements are included within voluntary contribution revenue (note 21) and other liabilities (note 19) respectively.

**10. INVENTORIES**

	<b>(expressed in euro '000s)</b>		
	<b>2016</b>		
	<b>Primary</b>	<b>Secondary</b>	<b>Total</b>
<b>At 1 January 2016</b>	500	682	1,182
Purchases	(126)	(91)	(217)
Inventory consumed	92	42	134
Other adjustments	(21)	(18)	(39)
<b>At 31 December 2016</b>	<b>445</b>	<b>615</b>	<b>1,060</b>

	<b>(expressed in euro '000s)</b>		
	<b>2015</b>		
	<b>Primary</b>	<b>Secondary</b>	<b>Total</b>
<b>At 1 January 2015</b>	511	582	1,093
Purchases	71	190	261
Inventory consumed	(64)	(94)	(158)
Other adjustments	(18)	4	(14)
<b>At 31 December 2015</b>	<b>500</b>	<b>682</b>	<b>1,182</b>

- 10.1 The OPCW's inventories relate primarily to its inspection and verification activities and are located in the equipment store in Rijswijk, the Netherlands. Primary consumables consist of consumable items that are listed by name within the "List of Approved Equipment with Operational requirements and Technical Specifications" (C-I/DEC.71\*, dated 30 November 2010) as approved by the Conference. Secondary consumables consist of consumable items that are integral parts of the approved inspection equipment.
- 10.2 The physical stock count of primary and secondary consumables was carried out as at 31 December 2016. The carrying amount of inventories is shown at lower of cost or current replacement cost as at 31 December 2016.

**11. CASH AND CASH EQUIVALENTS**

	<b>(expressed in euro '000s)</b>	
	<b>2016</b>	<b>2015</b>
<b>Unrestricted</b>		
Interest-bearing current accounts	25,351	16,864
Time deposits	-	-
<b>Total unrestricted</b>	<b>25,351</b>	<b>16,864</b>
<b>Restricted</b>		
Interest-bearing current accounts	2,706	153
Time deposits	-	1,542
<b>Total restricted</b>	<b>2,706</b>	<b>1,695</b>
<b>Total cash and cash equivalents</b>	<b>28,057</b>	<b>18,559</b>

- 11.1 The following amounts of cash and cash equivalents are not available for use by the OPCW without prior approval:

	<b>(expressed in euro '000s)</b>		
	<b>Note</b>	<b>2016</b>	<b>2015</b>
Restricted cash and cash equivalents			
Working Capital Fund	11.2	1,153	153
Voluntary Fund for Assistance	11.3	1,553	1,542
<b>Total restricted cash and cash equivalents</b>		<b>2,706</b>	<b>1,695</b>

### **Working Capital Fund**

- 11.2 The Working Capital Fund is a fund that has been established to meet short-term liquidity problems. The required balance of this fund is determined by the Conference. These funds are managed in a segregated bank account. In 2015, EUR 4 million was transferred from the Working Capital Fund to the OPCW General Fund to provide short-term liquidity, and was repaid in early 2016. In December 2016, a further EUR 3 million was transferred from the Working Capital Fund to the General Fund to again provide short-term liquidity. This amount will be reimbursed to the Working Capital Fund in 2017 in line with Financial Regulation 6.6. Refer to further information disclosed in note 13 'Working Capital Fund'.

### **Voluntary Fund for Assistance**

- 11.3 The Voluntary Fund for Assistance has been established in accordance with the Convention to coordinate and deliver assistance to a State Party when requested. Contributions to the fund may be accepted from States Parties, non-governmental organisations, institutions, private parties or individuals. These funds are managed in a segregated bank account. Restrictions placed by donors on the use of the contributions may apply only where acceptance of such funds is exceptionally authorised by the Conference. Restrictions on the availability of these amounts are imposed by the Convention and not by donors of the contributions. Refer to further information disclosed in note 14 'Voluntary Fund for Assistance'.

## **12. CONTINGENT ASSETS**

- 12.1 In accordance with the OPCW's regulations, a cash surplus based on the cash basis of accounting is applied to the OPCW's budget. After finalisation, this amount, including any necessary adjustments, is returned to States Parties proportional to the assessed contributions in the year in which the surplus arose, by means of an adjustment to the assessed contributions.
- 12.2 At 31 December 2015, the OPCW reported a final cash deficit of EUR 0.680 million for 2014 (Appendix 5.5), instead of a cash surplus, primarily due to arrears in assessed contributions and Article IV and V receivables.
- 12.3 In the event of a cash deficit, the OPCW may obtain the right, through a decision by the Conference, to recover the amount of the cash deficit from States Parties. The basis of this recovery is determined in the decision made by the Conference, as the

Financial Regulation does not prescribe the steps to be taken in the event of cash deficit. As at 31 December 2016, no formal decision had been made by the Conference with regard to the cash deficit for 2014. A decision is expected in 2017 in light of the determination of the final cash surplus for 2015.

- 12.4 Given the continuing uncertainty of the amount that may be recoverable by the OPCW, and timing of this decision, no asset is recognised for this amount. Instead, a contingent asset of EUR 0.680 million (2014: EUR 0.680 million) continues to be disclosed for the final cash deficit for 2014.

### **13. WORKING CAPITAL FUND**

- 13.1 The Working Capital Fund has been established to meet short-term liquidity problems, including temporarily funding appropriated budgetary expenditures pending the receipt of contributions. The Working Capital Fund is financed from advances by all States Parties in accordance with the scale of assessment determined by the Conference.
- 13.2 A Working Capital Fund in the amount of EUR 4.5 million was established by the Conference at its First Session (C-I/DEC.74\*, dated 23 May 1997). At its Ninth Session, the Conference (C-9/DEC.12, dated 2 December 2004) decided to increase the Working Capital Fund to the amount of EUR 9.9 million, based on the OPCW's scale of assessment for 2005.
- 13.3 At its Nineteenth Session, the Conference (C-19/DEC.8, dated 3 December 2014) decided to reduce the Working Capital Fund to a level of EUR 4.2 million, in accordance with Financial Regulations 6.4 and 6.5 of the OPCW and based on the draft Programme and Budget for 2015 (EC-77/DEC.4, dated 9 October 2014), and decided to transfer the surplus of EUR 5.7 million arising from the reduction of the WCF to a special ERP fund to be established for the purpose of implementation of a new ERP system.
- 13.4 In 2015, an additional EUR 19 thousand was transferred from the Working Capital Fund to the special ERP fund following approval of the final Programme and Budget for 2016 (C-19/DEC.4, dated 3 December 2014).
- 13.5 Any new States Parties joining the OPCW make an advance to the Working Capital Fund in accordance with the scale of assessment applicable to the budget of the year of their ratification of, or accession to, the Convention. The level of the Working Capital Fund is increased by any amounts that new States Parties are required to pay, until the Conference establishes a new level for the Fund. In 2016, no new States Parties joined the OPCW and made contributions to the Working Capital Fund (2015: two).

- 13.6 The movement in the balance of the Working Capital Fund during the reporting period, and the amount held in it, is explained as follows:

	<b>(expressed in euro '000s)</b>		
	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>Movement in the Working Capital Fund liability</b>			
At 1 January	Appendix 5.7	4,160	4,178
Contributions of new States Parties		-	1
Transfer to the special account for new ERP*	Appendix 5.7	-	(19)
<b>Total Working Capital Fund as at 31 December</b>		<b>4,160</b>	<b>4,160</b>
Of which:			
Non-current portion Working Capital Fund liability	Appendix 5.7	4,160	4,160
Current portion of Working Capital Fund liability		-	-
<b>Total Working Capital Fund as at 31 December</b>		<b>4,160</b>	<b>4,160</b>

\* The transfer to other liabilities is shown as a decrease in the Working Capital Fund in the cash flow statement under 'Cash flows from financing activities'.

- 13.7 Restrictions regarding the availability of use by the OPCW of amounts of the Working Capital Fund are disclosed in note 11 'Cash and cash equivalents'.
- 13.8 The Working Capital Fund liability balance differs to the Working Capital Fund cash balance reported in note 11.1 due to the temporary transfer of EUR 3 million to the General Fund in 2016. The Working Capital Fund liability reflects the line of credit provided by States Parties, as set out in Financial Regulation 6.4 and determined by the Conference.

#### **14. VOLUNTARY FUND FOR ASSISTANCE**

- 14.1 The Voluntary Fund for Assistance was established by the Conference at its First Session (C-I/DEC.52, dated 16 May 1997). Its objective is to provide funding to coordinate and deliver assistance to a State Party, in terms of Article X of the Convention, when requested in the event of use or a threat of use of chemical weapons. The Fund is financed through voluntary contributions from States Parties. Receipts are recorded as liabilities until the related performance obligations are fulfilled, based on which revenue will be recognised.

14.2 The movement of the Voluntary Fund for Assistance during the reporting period is as follows:

	<b>(expressed in euro '000s)</b>	
	<b>2016</b>	<b>2015</b>
<b>Balance as at 1 January</b>	<b>1,542</b>	<b>1,532</b>
Contributions received/disbursement from States Parties	10	10
Interest earned and bank charges	1	-
<b>Net proceeds received for Voluntary Fund for Assistance</b>	<b>11</b>	<b>10</b>
<b>Total Voluntary Fund for Assistance as at 31 December</b>	<b>1,553</b>	<b>1,542</b>
Of which:		
Non-current portion Voluntary Fund for Assistance	1,553	1,542
Current portion of Voluntary Fund for Assistance	-	-
<b>Total Voluntary Fund for Assistance as at 31 December</b>	<b>1,553</b>	<b>1,542</b>

## 15. CASH SURPLUS – REIMBURSABLE TO STATES PARTIES

15.1 In accordance with the OPCW's regulations, a cash surplus based on the cash basis of accounting is applied to the OPCW's budget. After finalisation, this amount, including any necessary adjustments, is returned to States Parties proportional to the assessed contributions in the year in which the surplus arose, by means of an adjustment to the assessed contributions.

15.2 At its Twentieth Session, the Conference (C-20/DEC.11, dated 3 December 2015) approved the suspension of the application of Financial Regulation 6.3 of the OPCW, on an exceptional basis, with regard to the allocation of the cash surplus for 2013 among States Parties, and authorised the transfer of the cash surplus for 2013 to the special fund for OPCW special missions.

15.3 An amount of EUR 3 thousand (2015: EUR 3 thousand) represents final cash surpluses from 2011 and prior years allocated during the reporting period to States Parties which owed amounts to the OPCW and have paid their assessed annual contributions in full for the financial period to which the surplus relates.

15.4 Current liabilities at 31 December 2016 of EUR 57 thousand (2015: EUR 60 thousand) represent cash surpluses from 2011 and prior years withheld from the States Parties due to non-payment of assessed contributions to the OPCW.

15.5 The following amounts have been recognised as a financial liability in the statement of financial position:

<b>(expressed in euro '000s)</b>		<b>2016</b>	
		<b>Non-current</b>	<b>Current</b>
<b>Balance as at 1 January 2016</b>		-	<b>60</b>
Distributed cash surplus*	Appendix 5.13	-	(3)
Final cash surplus for 2015	Appendix 5.5	1,990	-
<b>Balance as at 31 December 2016</b>		<b>1,990</b>	<b>57</b>

(expressed in euro '000s)		2015	
		Non-current	Current
<b>Balance as at 1 January 2015</b>		<b>1,531</b>	<b>63</b>
Transfer of 2013 cash surplus to the special account for the new ERP*		(1,531)	
Distributed cash surplus*		-	(3)
Final cash surplus for 2014**	Appendix 5.5	-	-
<b>Balance as at 31 December 2015</b>		<b>-</b>	<b>60</b>

\* The transfer of the final 2013 cash surplus and distributed cash surpluses are included in the cash flow statement under 'Cash flows from operating activities', as the original cash flows from assessed contributions are also included within 'Cash flows from operating activities'.

\*\* As per Appendix 5.5, 2014 resulted in a final cash deficit (EUR 0.680 million). No cash surplus is therefore payable to States Parties for 2014. Refer also to note 12.

## 16. EMPLOYEE BENEFITS

16.1 The OPCW's statement of financial position presents 'Employee benefits', which comprises the following items:

Employee Benefit	Note	(expressed in euro '000s)					
		2016			2015		
		Non-current	Current	Total	Non-current	Current	Total
<b>Long-term employee benefits</b>							
<b>Post-employment benefits</b>							
Repatriation grant	16.6	2,097	1,383	3,480	2,160	2,240	4,400
Removal	16.6	568	335	903	637	614	1,251
Repatriation travel	16.6	294	164	458	314	328	642
Death benefit	16.6	300	33	333	364	36	400
<b>Total post-employment benefits</b>	16.6	<b>3,259</b>	<b>1,915</b>	<b>5,174</b>	<b>3,475</b>	<b>3,218</b>	<b>6,693</b>
<b>Other long-term employee benefits</b>							
Home leave	16.12	104	363	467	-	594	594
<b>Total long-term employee benefits</b>		<b>3,363</b>	<b>2,278</b>	<b>5,641</b>	<b>3,475</b>	<b>3,812</b>	<b>7,287</b>
<b>Short-term employee benefits</b>							
Annual leave	16.2	-	1,912	1,912	-	2,232	2,232
Other short-term employee benefits	16.2	-	786	786	-	871	871
<b>Total short-term employee benefits</b>		<b>-</b>	<b>2,698</b>	<b>2,698</b>	<b>-</b>	<b>3,103</b>	<b>3,103</b>
<b>Total employee benefits</b>		<b>3,363</b>	<b>4,976</b>	<b>8,339</b>	<b>3,475</b>	<b>6,915</b>	<b>10,390</b>

### Short-term employee benefits

16.2 As described in note 3.20, short-term employee benefits comprise recurring benefits, deductions and contributions (including salaries, post adjustments, dependency allowances), compensated absences (annual leave), other short-term benefits (retroactive payments, education grants, income tax reimbursements, travel and removal costs at initial appointment, assignment grants) and the current portion of long-term benefits provided to current employees.

16.3 Disclosure of these items is provided in note 25 'Employee benefit expenses' and note 34 'Key management remuneration'.

### Post-employment benefits

- 16.4 Liabilities relating to post-employment are calculated by a qualified and independent actuary. The actuarial valuation as at 31 December 2016 was performed on 1 March 2017.

#### Defined contribution plans

- 16.5 The OPCW's pension plan is the Provident Fund. The OPCW contributes a fixed amount for all employees into the Provident Fund. Upon departure from the OPCW (provided a minimum service period of three months has been performed), the employee receives contributions made by the OPCW on their behalf and accrued interest. After this payment upon departure, the OPCW has no remaining legal or constructive obligations to pay further contributions. During the period ended 31 December 2016, a Provident Fund contribution of EUR 6.832 million (2015: EUR 7.811 million) has been recognised in the employee benefit expenses line of the statement of financial performance (note 25), representing the OPCW's contribution to the Provident Fund "B" accounts for 2016.

#### Defined benefit plans

- 16.6 The OPCW provides the following post-employment benefits to eligible employees: death benefits (payments to surviving spouse and dependents), repatriation grant (assistance with repatriation expenses upon separation from the OPCW), travel costs at separation (assistance with travel expenses upon separation from the OPCW) and removal costs at separation (assistance with removal costs upon separation from the OPCW). The movement in the defined benefit obligation over the year is as follows:

Post-Employment Benefits	(expressed in euro '000s)	
	Per Actuarial Valuation	
	2016	2015
Balance as at 1 January	6,693	6,744
Current service cost	1,085	1,196
Interest cost	7	23
Actuarial (gains)/losses	319	364
Benefits paid	(2,930)	(1,634)
<b>Balance as at 31 December</b>	<b>5,174</b>	<b>6,693</b>

- 16.7 The defined benefit obligation disclosed above is wholly unfunded. As a result, there are no plan assets.

Post-Employment Benefits	(expressed in euro '000s)	
	2016	2015
Balance as at 31 December		
Present value of defined benefit obligation	5,174	6,693
Fair value of plan assets	-	-
<b>Deficit/(surplus) in the plan</b>	<b>5,174</b>	<b>6,693</b>

- 16.8 A reconciliation of the present value of the defined benefit obligation to the liability in the statement of financial position is as follows:

	<b>(expressed in euro '000s)</b>	
<b>Post-Employment Benefits</b>	<b>2016</b>	<b>2015</b>
Present value of unfunded obligations	5,174	6,693
<b>Liability in the statement of financial position</b>	<b>5,174</b>	<b>6,693</b>

- 16.9 The amounts recognised in the statement of financial performance based on actuarial valuation of post-employment benefits are as follows:

	<b>(expressed in euro '000s)</b>	
<b>Post-Employment Benefits</b>	<b>2016</b>	<b>2015</b>
Current service cost	1,085	1,196
Interest cost	7	23
<b>Total expense recognised in statement of financial performance</b>	<b>1,092</b>	<b>1,219</b>

- 16.10 The statement of changes in net assets includes a negative change of EUR 319 thousand relating to actuarial gains and losses in 2016 (2015: negative EUR 364 thousand) and EUR 0 relating to the effect of the limit on the asset per IPSAS 25.69.b.

- 16.11 The expected total contribution to post-employment benefit plans (expected benefit payment to beneficiaries) for the year ended 31 December 2017 is EUR 1.915 million (2016: EUR 3.218 million).

#### Other long-term employee benefits

- 16.12 As described in note 3.23, other long-term employee benefits include home-leave benefits. The discount rate used is 0.00% (2015: 0.00%). Disclosure of these items is provided in note 25 'Employee benefit expenses'. The movement in other long-term employee benefits liabilities over the year is as follows:

	<b>(expressed in euro '000s)</b>	
<b>Other long-term employee benefits (home-leave benefits)</b>	<b>2016</b>	<b>2015</b>
<b>Balance as at 1 January</b>	594	501
Current service cost	534	538
Interest cost	-	2
Actuarial (gains)/losses	(65)	82
Benefits paid	(596)	(529)
<b>Balance as at 31 December</b>	<b>467</b>	<b>594</b>

16.13 The defined benefit obligation in respect of other long-term employee benefits is wholly unfunded. As a result, there are no plan assets.

	<b>(expressed in euro '000s)</b>	
<b>Other long-term employee benefits (home-leave benefits)</b>	<b>2016</b>	<b>2015</b>
<b>Balance as at 31 December</b>		
Present value of defined benefit obligation	467	594
Fair value of plan assets	-	-
<b>Deficit/(surplus) in the plan</b>	<b>467</b>	<b>594</b>

16.14 The amount recognised in the statement of financial performance based on actuarial valuation of other long-term employee benefits is as follows:

	<b>(expressed in euro '000s)</b>	
<b>Other long-term employee benefits (home-leave benefits)</b>	<b>2016</b>	<b>2015</b>
Current service cost	534	538
Interest cost	-	2
Actuarial (gains)/losses	(65)	82
<b>Total expense recognised in statement of financial performance</b>	<b>469</b>	<b>622</b>

16.15 The principal assumptions used for post-employment benefits and other long-term employee benefits as of 31 December 2016 are the following:

<b>Long-term employee benefits</b>	<b>2016</b>	<b>2015</b>
Discount rate: Death benefits	0.95%	1.45%
Discount rate: Repatriation grant, removal costs, travel costs	- 0.30%	0.00%
Discount rate: Home leave	- 0.45%	0.00%
Expected rate of return for periods presented in financial statements on any reimbursement right	-	-
Inflation	1.60%	2.00%
Indexation: Travel and removal costs	2.25%	2.25%
Indexation: Home leave	0.00%	0.00%
Mortality tables: Dutch generational tables "AG prognosis table 2014"	-	-
Future salary increases: Based on UN salary scales	-	-

16.16 If the discount rates used in the determination of the employee benefit expense and liability were higher or lower by 0.25% from management's estimate (to minimum rate of 0.0%), the carrying amount of the benefit liability would be an estimated EUR 37 thousand (2015: 38 thousand) lower or EUR 37 thousand (2015: 10 thousand) higher, respectively.

### Termination benefits

16.17 No liability for termination benefits exists at the reporting date.

## 17. ACCOUNTS PAYABLE

17.1 Accounts payable comprise:

	<b>(expressed in euro '000s)</b>	
	<b>2016</b>	<b>2015</b>
Accounts payable - vendors	1,726	2,722
Reimbursements to governments	78	361
Accounts payable - staff	472	340
	<b>2,276</b>	<b>3,423</b>

### Accounts payable - vendors

17.2 Accounts payable - vendors relate to the purchase of goods and services that have been received or rendered but not yet paid for as at 31 December 2016.

### Reimbursements to governments

17.3 Reimbursements to governments relate to the unused balance of voluntary contributions that became refundable to the donors upon finalisation of the activities for which the contributions were made.

### Accounts payable - staff

17.4 Accounts payable - staff relate to staff medical insurance premiums and other travel related staff claims that are payable as at 31 December 2016.

## 18. PROVISIONS

### Legal claims

18.1 There are legal cases filed at the International Labour Organisation Administrative Tribunal (ILOAT) against the OPCW by former staff members and the cases are expected to be decided upon in the subsequent financial year. As at 31 December 2016, no provision is recognised (2015: EUR 15 thousand) with respect to the outflow that is expected to arise as result of these decisions.

18.2 The movements in the provisions in 2016 comprise:

<b>Provisions for Legal Claims</b>	<b>(expressed in euro '000s)</b>	
	<b>2016</b>	<b>2015</b>
At 1 January	15	40
Increase of provisions	-	15
Used during the year	(15)	(40)
<b>At 31 December</b>	<b>-</b>	<b>15</b>

## 19. OTHER LIABILITIES

### Other non-current liabilities

- 19.1 IPSAS requires that a liability be recognised in respect of an inflow of resources from a non-exchange transaction that are also recognised as assets, to the extent that a present obligation exists against the same inflow. Performance obligations exist as at 31 December 2016 with respect to assessed contributions received or receivable of EUR 3.789 million (2015: EUR 1.674 million) requiring recognition of a corresponding liability. This liability is shown in the statement of financial position as other non-current liabilities.

### Other current liabilities

- 19.2 The OPCW received some assessed contributions relating to the subsequent financial year during the reporting period. These receipts represent liabilities since they apply to a future financial year. Some voluntary contributions received for trust funds as at the reporting date also require the recognition of liabilities, as they contain performance obligations which have not been met at the reporting date, and where the donor demonstrates a history of repayment of unspent balances. The liabilities established are reduced and revenue is recognised only when the OPCW fulfils the performance obligations in question.

- 19.3 Other current liabilities comprise:

	<b>(expressed in euro '000s)</b>	
<b>Other current liabilities</b>	<b>2016</b>	<b>2015</b>
<b>Voluntary contributions with conditions</b>		
Trust funds for Syria	5,492	5,686
Other trust funds	3,394	6,672
<b>Total voluntary contributions with conditions</b>	<b>8,886</b>	<b>12,358</b>
Contributions received in advance	7,143	1,539
Other current liabilities	919	-
	<b>16,948</b>	<b>13,897</b>

## 20. ASSESSED CONTRIBUTION REVENUE

Every Member State is assessed a contribution due to the OPCW each year. The amounts of assessed contributions approved by the Conference for the year 2016 is EUR 65.529 million (2015: EUR 65.529 million). IPSAS require that inflow of resources from a non-exchange transaction are recognised as asset and revenue, except to the extent that a present obligation exists in respect of the same inflow, which needs to be recognised as liability. The carrying amount of the liability is reduced and revenue is recognised equal to that reduction as the OPCW satisfies the present obligations. The amount recognised as revenue in 2016 with respect to inflow of resources in assessed contributions as well as reduction of previously recognised liabilities relating to satisfied obligations is EUR 61.366 million (2015: EUR 65.254 million). Amounts for which the OPCW does not satisfy the obligations are

reimbursable to States Parties as cash surplus that is determined in the budgetary accounts (see Appendix 5.5).

## 21. VOLUNTARY CONTRIBUTION REVENUE

21.1 Certain States Parties make voluntary contributions which are used for various purposes under conditions as specified by the donor. Voluntary contributions can include specified performance obligations by the OPCW, the consideration payable by the donor, and other general terms and conditions. Conditions that may be attached to the contributions include, inter alia, stipulations that a training or workshop be organised in a certain region, conditions related to progress and completion of research performed, and refund of unspent amounts contributed. The carrying amounts of the voluntary contributions are primarily denominated in euros.

21.2 Voluntary contribution revenue comprises:

	<b>(expressed in euro '000s)</b>	
<b>Voluntary contribution revenue</b>	<b>2016</b>	<b>2015</b>
Trust funds for Syria	8,284	37,743
Trust funds for Libya	2,635	1,143
Other trust funds	1,585	1,277
<b>Total voluntary contribution revenue</b>	<b>12,504</b>	<b>40,163</b>

21.3 Refer to note 19 'Other liabilities' for additional information regarding liabilities recognised in respect of performance obligations relating to voluntary contributions.

## 22. ARTICLE IV AND V REVENUE

22.1 The OPCW charges States Parties for its services provided in the verification of and destruction of chemical weapons. The OPCW provides the following types of services to States Parties:

- (a) Inspections of chemical weapons storage facilities accounting for stocks of chemical weapons;
- (b) Expert on-site verification of the destruction of chemical weapons stockpiles and chemical weapons related items at the chemical weapons destruction facilities;
- (c) Inspections of sites in relation to various categories of chemical weapons (old or abandoned chemical weapons) and prior destroyed or converted chemical weapons production facilities for peaceful purposes; and
- (d) Transportation, storage, and analyses of hazardous samples collected during inspections using the OPCW mobile laboratory.

22.2 With respect to these specific services provided, the OPCW invoices amounts to possessor States Parties relating to inspectors' salaries, inspection travel expenses, including airfare tickets, daily subsistence allowances, interpretation and cargo expenses, and other costs incurred while performing these services.

**23. OTHER REVENUE**

	<b>(expressed in euro '000s)</b>	
	<b>2016</b>	<b>2015</b>
Revenue for special funds for the new ERP and OPCW special missions	193	9,125
Write-down of other non-current liabilities	137	4,525
Other operating revenue	428	105
<b>Total other operating revenue</b>	<b>758</b>	<b>13,755</b>

- 23.1 Other revenue of EUR 0.137 million (2015: EUR 4.525 million) relates to reduction of 'Other non-current liabilities'. These liabilities are linked to inflow of resources recognised as assets (assessed contributions recoverable and Article IV and V receivables) against which obligations exist in the form of potential cash surpluses reimbursable to States Parties upon collection of the recoverable and receivables. The assets underlying these liabilities have been impaired (see notes 7.3 and 8.3). Accordingly, recognition of write-down of the liabilities is also necessary to the extent of impairment of the underlying assets, since the OPCW is not required to reimburse cash surplus to States Parties against resources not received.
- 23.2 Other operating revenue represents exchange revenue relating to recovery of costs of inspections of old and abandoned chemical weapons from a State Party, and exchange revenue relating to the provision of services to the OPCW-United Nations Joint Investigative Mechanism (JIM).

**24. OTHER INCOME**

	<b>(expressed in euro '000s)</b>	
	<b>2016</b>	<b>2015</b>
Rental income	46	46
Other/miscellaneous	20	25
Gain on sale of assets	-	147
<b>Total other income</b>	<b>66</b>	<b>218</b>

Office rental income comprises the rental of a small portion of office space to a third party in the OPCW's premises at Johan de Wittlaan 32 in The Hague.

## 25. EMPLOYEE BENEFIT EXPENSES

	<b>(expressed in euro '000s)</b>	
	<b>2016</b>	<b>2015</b>
<b>Short-term employee benefit expenses</b>		
Salaries and post-adjustment expense	27,456	30,709
Dependency allowances	676	754
Rental subsidies	149	186
Medical insurance subsidies	893	944
Death and disability insurance	233	321
Annual leave expense	3,362	3,690
Child care allowances	414	526
Incoming employee expenses (including travel expenses, removal costs and assignment grant)	1,421	720
Income tax reimbursement*	52	160
Education grant and travel expenses	1,503	1,881
Others	294	356
<b>Total short-term employee benefit expenses</b>	<b>36,453</b>	<b>40,247</b>
<b>Post-employment benefit expenses</b>		
Provident Fund pension expense (defined contribution plan)	6,832	7,811
Death benefit expense	56	56
Repatriation grant expense	723	796
Travel costs upon separation from the OPCW	118	598
Removal costs upon separation from the OPCW	221	342
<b>Total post-employment benefit expenses</b>	<b>7,950</b>	<b>9,603</b>
<b>Other long-term employee benefit expenses</b>		
Home leave expense	466	406
<b>Total other long-term employee benefit expenses</b>	<b>466</b>	<b>406</b>
<b>Total – Employee benefit expenses</b>	<b>44,869</b>	<b>50,256</b>
Less: Capitalised employee benefit expenses - Software under development by OPCW staff	-	(84)
<b>Net employee benefit expenses</b>	<b>44,869</b>	<b>50,172</b>

\* Expenses in the amount of EUR 99 thousand reported as 'other operating costs' (other staff costs) in the 2015 Financial Statements have been reclassified to 'Employee benefit expenses' (short-term employee benefit expenses, income tax reimbursement) in the 2015 comparative figures in the 2016 Financial Statements in order to facilitate comparison, in line with IPSAS 1.55. Refer to note 28. The reclassification is summarised in the table below:

	Note	Reported in 2015 Financial Statements for the Period Ended 31 Dec 2015	Reclassification	Reclassified Value for the Period Ended 31 Dec 2015
<b>Employee benefit expenses</b> (Income tax reimbursement)	25	61	99	160
<b>Other operating expenses</b> (Other staff costs)	28	114	(99)	15

**26. CONTRACTUAL SERVICES**

Contractual services of EUR 11.156 million (2015: EUR 40.217 million) represent expenses incurred in relation to the destruction of chemical weapons and chemical weapons production facilities by contractual partners, as well as consultant fees, interpretation services, laboratory and inspector services. The reduction in costs for contractual services between 2015 and 2016 is mainly due to the exceptional volume of destruction activities undertaken in Libya and Syria in 2015.

**27. GENERAL OPERATING EXPENSES**

General operating expenses comprise the following:

	<b>(expressed in euro '000s)</b>	
	<b>2016</b>	<b>2015</b>
Operating lease rental expense	3,488	3,473
Supplies and materials	358	358
Utilities	318	310
Maintenance	793	529
Inventories	283	321
Impairment of other accounts receivable	-	2
Other general operating expenses	1,156	1,061
<b>Total general operating expenses</b>	<b>6,396</b>	<b>6,054</b>
Less: Capitalised general operating expenses - Software under development by OPCW staff	-	(6)
<b>Net general operating expenses</b>	<b>6,396</b>	<b>6,048</b>

**28. OTHER OPERATING EXPENSES**

Other operating expenses comprise the following:

	<b>(expressed in euro '000s)</b>	
	<b>2016</b>	<b>2015</b>
Loss on disposal of property, plant and equipment	33	12
Purchases of furniture and equipment	463	506
Other staff costs*	14	15
Movement in provisions	68	15
Change in threshold of fixed assets	1,272	-
<b>Total other expenses</b>	<b>1,850</b>	<b>548</b>

\* Expenses in the amount of EUR 99 thousand reported as 'other operating costs' (other staff costs) in the 2015 Financial Statements have been reclassified to 'Employee benefit expenses' (short-term employee benefit expenses, income tax reimbursement) in the 2015 comparative figures in the 2016 Financial Statements in order to facilitate comparison, in line with IPSAS 1.55. Refer to note 25.

## 29. FINANCE INCOME AND COSTS

	<b>(expressed in euro '000s)</b>	
	<b>2016</b>	<b>2015</b>
<b>Finance income</b>		
Interest income arising on cash and cash equivalents	13	7
Foreign currency gains	171	194
<b>Total finance income</b>	<b>184</b>	<b>201</b>
<b>Finance costs</b>		
Unwinding of discounts on employee benefits	7	25
Foreign currency losses	176	159
<b>Total finance costs</b>	<b>183</b>	<b>184</b>
<b>Net finance income/(costs)</b>	<b>1</b>	<b>17</b>

## 30. SERVICES IN KIND

30.1 Services in kind are services provided by individuals to the OPCW in a non-exchange transaction. The major classes of services in kind received by the OPCW are described below.

### **Accommodation and transportation services**

30.2 For various OPCW activities such as training seminars and international meetings, accommodation and transportation services are provided.

### **Security services**

30.3 During various OPCW activities such as training seminars and international meetings, security services are provided to ensure the security and safety of attendees.

### **Laboratory services**

30.4 Specialised laboratory services are provided regarding the testing and evaluation of data, preparation and analysis of samples, and other specialised services.

### **Usage of facilities**

30.5 For various OPCW activities such as training seminars and international meetings, facilities (such as usage of meeting facilities, break facilities, etc.) are provided, including use of the World Forum Convention Centre, The Hague.

### **Other services**

30.6 Other services provided to the OPCW include the transportation and destruction of chemical weapons, specialised employees for the delivery of training courses, and services provided by students during the Summer Training Programme with the OPCW.

### Services provided by the OPCW to the Provident Fund

- 30.7 The staff members of the Finance and Accounts Branch provide the OPCW's Provident Fund with disbursements, accounting, reporting, and other administrative services. The Provident Fund Management Board is formed of six staff members including the Deputy Director-General, the Director of Administration, two Professional and higher staff and two General-Service staff, who provide services on a voluntary basis. The OPCW provides necessary materials and facilities needed for the Provident Fund's operations. The Provident Fund does not compensate the staff members for such services.

### 31. CONTINGENT LIABILITIES

The OPCW has contingent liabilities in respect of legal claims arising in the course of business for which estimates cannot be made at present. Outstanding legal cases with probable obligations for which estimates are available have been provided for in note 18 'Provisions'.

### 32. COMMITMENTS

#### Capital commitments

- 32.1 Capital expenditure contracted for at the reporting date but not yet incurred is as follows:

	<b>(expressed in euro '000s)</b>	
<b>Capital Commitments</b>	<b>2016</b>	<b>2015</b>
Property, plant and equipment	684	1,704
Intangible assets	177	20
	<b>861</b>	<b>1,724</b>

#### Operating lease commitments

- 32.2 The future aggregate minimum lease payments under non-cancellable operating leases where the OPCW is lessee are as follows:

	<b>(expressed in euro '000s)</b>	
<b>Operating Leases (OPCW as Lessee)</b>	<b>2016</b>	<b>2015</b>
No later than 1 year	3,053	3,127
Later than 1 year and no later than 5 years	11,577	3,639
Later than 5 years	3,254	-
	<b>17,884</b>	<b>6,766</b>

- 32.3 The OPCW leases various buildings (including its Headquarters in The Hague, the Netherlands), office space, conference facilities, parking facilities, and various items of office and laboratory equipment under non-cancellable operating leases. The lease terms generally range from one year to 15 years. The OPCW is typically required to provide a notice period in order to cancel any of these operating lease agreements. Operating lease payments that are recognised in the statement of financial

performance amount to EUR 3.488 million (2015: EUR 3.474 million). The operating lease expense is also disclosed in note 27 'General operating expenses'. Sublease payments received from the rental of office space in one of the OPCW's buildings is disclosed in note 24 'Other income'. In 2016, the OPCW extended the lease of the Headquarter building until February 2023.

### 33. RELATED PARTY TRANSACTIONS

- 33.1 The OPCW is not controlled by another entity, however the OPCW Provident Fund is considered a related party of the OPCW as it shares key management personnel (Deputy Director-General), and the OPCW provides the principal source of Provident Fund Participants' contributions.
- 33.2 The OPCW provides administrative support to the Provident Fund free of charge (note 30.7). All other transactions between the OPCW and the Provident Fund are conducted at arm's length. As at 31 December 2016, a balance in the amount of EUR 0.1 thousand was payable from the OPCW to the Provident Fund.
- 33.3 The OPCW is not party to any further arrangements that could be considered as related parties.

### 34. KEY MANAGEMENT REMUNERATION

- 34.1 Key management personnel for the OPCW are the Director-General and Deputy Director-General. The remuneration paid or payable to key management for employee services is shown below, and includes benefits available in line with the OPCW Staff Regulations (e.g. base salary, post adjustment, provident fund contributions, education grant, home leave and repatriation costs):

(expressed in euro '000s)	2016	
	Number of Posts	Aggregate Remuneration
Director-General and Deputy Director-General	2	585

(expressed in euro '000s)	2015	
	Number of Posts	Aggregate Remuneration
Director-General and Deputy Director-General*	2	720

\* The former Deputy Director-General's remuneration up to 15 July 2015 is also included in addition to the current Deputy Director-General's remuneration.

- 34.2 The undue effort required for the OPCW to determine the amount of post-employment benefits and other long-term employee benefits relating to key management precludes disclosure of these amounts.

## **35. SEGMENT INFORMATION**

- 35.1 The OPCW's segment reporting is based on the structure of the OPCW's budget, as this reflects the OPCW's manner of evaluating past performance in achieving its objectives and making decisions about future allocation of resources in the OPCW. The OPCW's segments are described below.

### **Verification**

- 35.2 The main activities are related to the implementation of the verification regime provided for by the Convention. The types of activities include planning, overseeing and finalising inspections; providing operational and policy guidance on verification and inspection regimes; and providing technical support.
- 35.3 The following subprogrammes are included: Office of the Director, Chemical Demilitarisation Branch, Declarations Branch, Industry Verification Branch, and the OPCW Laboratory.

### **Inspections**

- 35.4 The main activities are related to providing inspections to verify the destruction and storage of chemical weapons by States Parties, inspecting the status of production facilities, and non-proliferation of chemical weapons in compliance with the Convention.
- 35.5 The following subprogrammes are included: Office of the Director, Operations and Planning Branch, Inspectorate Management Branch, and Inspection Team Leaders and Personnel.

### **International Cooperation and Assistance**

- 35.6 The main activities include promoting the peaceful use of chemistry, facilitating implementation by States Parties of their national obligations under the Convention, and assisting States Parties to develop capabilities to deal with any situation arising out of the use or threat of use of chemical weapons.
- 35.7 The following subprogrammes are included: Office of the Director, Assistance and Protection Branch, International Cooperation Branch, and Implementation Support Branch.

### **Support to the Policy-Making Organs**

- 35.8 The main activities are related to facilitating meetings and wider consultations between States Parties and with the OPCW's Technical Secretariat (hereinafter "the Secretariat"), ensuring substantive and operating support in their decision-making process, follow-up of decisions, coordination of the preparation and translation of formal documents, and providing interpretation services for formal meetings.

- 35.9 The following subprogrammes are included: Office of the Director, and Language Services Branch.

#### **External Relations**

- 35.10 The main activities include support and encouraging cooperation between the OPCW and States Parties in implementing the Convention, increasing the international level of involvement in OPCW activities and events, and enhancing partnerships and cooperation between the OPCW and the United Nations and other regional and international organisations.
- 35.11 The following subprogrammes are included: Office of the Director, Political Affairs and Protocol Branch, and Public Affairs Branch.

#### **Executive Management**

- 35.12 The main activities are related to providing strategic guidance and direction, effective governance and accountability, and organisational management and leadership within the Secretariat.
- 35.13 The following subprogrammes are included: Office of the Director-General, Office of the Deputy Director-General, Office of Internal Oversight, Office of the Legal Adviser, Office of Strategy and Policy, Office of Confidentiality and Security, and Health and Safety Branch.

#### **Administration**

- 35.14 The main activities are related to providing support for budget, finance, human resources, information services, procurement and infrastructure support, and training.
- 35.15 The following subprogrammes are included: Office of the Director; Budget, Planning and Control Branch; Finance and Accounts Branch; Human Resources Branch; Information Services Branch; and Procurement and Support Services Branch.

#### **Special accounts and Voluntary Fund for Assistance**

- 35.16 Special account for the OPCW Equipment Store: The purposes of this special account are:
- (a) to provide a basis for evaluating new technologies and samples of new equipment, the availability of which cannot be forecast on a calendar basis, and for purchasing new equipment approved by the Conference, which cannot necessarily be accomplished within the calendar year;
  - (b) to provide an account from which to make payments for reimbursements to States Parties for costs incurred in disposing of or decontaminating equipment on site.
- 35.17 Special account for activities related to designated laboratories: The purpose of this special account is to provide funds for paying designated laboratories for the analysis of samples taken during on-site inspections.

- 35.18 Special account for new ERP system: The purpose of this special account is to provide funds to meet the financial requirements of implementing the new ERP, as set out in Conference decision C-19/DEC.7, dated 3 December 2014.
- 35.19 Special fund for OPCW special missions: The purpose of this fund is to provide a funding source for future, unforeseen special mission deployments, which will be undertaken at short notice and outside the regular programme of work, as set out in Conference decision C-20/DEC.11.
- 35.20 Voluntary Fund for Assistance: The main activities of this fund are to coordinate and deliver assistance, in terms of Article X of the Convention, to a State Party when requested.

### **Trust funds**

- 35.21 Trust funds are established to account for voluntary contributions. They may be established by the Conference or the Director-General for clearly defined activities that are consistent with the policies, aims and activities of the OPCW for the implementation of the Convention. Presently, the following trust funds are operational within the OPCW:
- (a) Trust fund for regional seminars
  - (b) Trust fund for courses for personnel of National Authorities
  - (c) Trust fund for the implementation of Article X in relation to the provision of assistance and protection, on request, to any Member State in the event of the use or threat of use of chemical weapons
  - (d) United States voluntary trust fund to meet costs associated with the inspection-and-verification regime and with international cooperation (including support for enhancing national measures to combat chemical terrorism)
  - (e) Trust fund for the Associate Programme
  - (f) Trust fund for the procurement of GC-MS systems to support on- and off-site chemical analysis
  - (g) Trust fund for the implementation of Article VII obligations
  - (h) Trust fund for the Internship-Support Programme to finance four internships at OPCW Headquarters and the OPCW Laboratory
  - (i) Trust fund for the Scientific Advisory Board
  - (j) Trust fund to support participation in the OPCW events of a broader group of NGOs from Africa, Asia and Latin America
  - (k) Trust fund for the conference on international cooperation and chemical safety and security

- (l) Trust fund for training: support to the OPCW in its transition as its main activities change focus, with work on verifying destruction of chemical weapons stockpiles moving towards completion
- (m) Trust fund of Canada for Libya established to assist the Libyan chemical weapons destruction programme
- (n) Trust fund for the International Support Network for Victims of Chemical Weapons
- (o) European Union support for OPCW activities 2012 in the framework of the implementation of the European Union Strategy against Proliferation of Weapons of Mass Destruction
- (p) Trust Fund for Syria to support inspections in the Syrian Arab Republic pursuant to the decision of the Executive Council (EC-M-33/DEC.1, dated 27 September 2013)
- (q) Syria Trust Fund for the Destruction of Chemical Weapons pursuant to the decision of the Executive Council (EC-M-34/DEC.1, dated 15 November 2013)
- (r) OPCW Nobel Prize trust fund to support the allocation of an annual prize to nominees selected by the OPCW Prize Committee for their contribution to the Convention
- (s) Trust fund for programme support costs established in September 2014 to recover indirect support costs associated with the implementation and administration of programme activities funded by voluntary contributions
- (t) Trust Fund for Syria Missions established in November 2015 to support full elimination of the Syrian Chemical Weapons Programme and clarification of facts related to the alleged use of chemical weapons, in accordance with the relevant decisions of the policy-making organs of the OPCW
- (u) Trust fund for support to Iraq established in April 2016 to support the Government of Iraq, through the provision of training, in the completion of its destruction activities
- (v) Trust fund for temporary support to Libya established in July 2016 to support short-term requirements for planning activities related to the possible removal and destruction of chemical weapons from Libya
- (w) Trust fund for support to Libya established in July 2016 to provide extrabudgetary resources necessary to cover operational planning costs, as well as costs to support the removal, destruction and verification of Libyan chemical weapons.

**Segment Information**  
**For the period ended 31 December 2016**

(expressed in euro '000s)	Verification	Inspections	International Cooperation and Assistance	Support to the Policy-Making Organs (PMO)	External Relations	Executive Management	Administration	Trust Funds and Special Accounts	Unallocated	Total
<b>Total segment revenue / income</b>	<b>7,204</b>	<b>21,430</b>	<b>6,931</b>	<b>4,411</b>	<b>1,751</b>	<b>8,513</b>	<b>12,637</b>	<b>12,997</b>	<b>203</b>	<b>76,077</b>
Segment revenue from budget allocation:										
Assessed contributions	7,204	19,919	6,931	4,411	1,751	8,513	12,637	-	-	61,366
Article IV & V revenue	-	1,383	-	-	-	-	-	-	-	1,383
Segment revenue from external sources :										-
Voluntary contributions	-	-	-	-	-	-	-	12,504	-	12,504
Other income / revenue	-	128	-	-	-	-	-	493	203	824
<b>Total segment expense</b>	<b>6,608</b>	<b>17,984</b>	<b>6,384</b>	<b>4,661</b>	<b>1,747</b>	<b>8,493</b>	<b>12,956</b>	<b>10,862</b>	<b>4,449</b>	<b>74,144</b>
Employee benefit expenses	5,890	13,463	2,760	3,809	1,510	7,481	7,063	1,343	1,550	44,869
Travel expenses	118	2,860	2,728	250	15	388	54	1,406	-	7,819
Contractual services	385	990	347	340	103	489	1,310	7,192	-	11,156
General operating expenses	194	447	117	262	106	97	4,372	535	266	6,396
Others	21	224	432	-	13	38	157	386	2,633	3,904

The OPCW does not attribute assets and liabilities to reporting segments.

**Segment Information**  
**For the period ended 31 December 2015**

(expressed in euro '000s)	Verification	Inspections	International Cooperation and Assistance	Support to the Policy-Making Organs (PMO)	External Relations	Executive Management	Administration	Trust Funds and Special Accounts	Unallocated	Total
<b>Total segment revenue / income</b>	<b>6,349</b>	<b>28,753</b>	<b>6,288</b>	<b>4,649</b>	<b>1,798</b>	<b>8,491</b>	<b>12,458</b>	<b>49,143</b>	<b>4,888</b>	<b>122,817</b>
Segment revenue from budget allocation										
Assessed contributions	6,349	25,221	6,288	4,649	1,798	8,491	12,458	-	-	65,254
Article IV & V revenue	-	3,427	-	-	-	-	-	-	-	3,427
Segment revenue from external sources :										
Voluntary contributions	-	-	-	-	-	-	-	40,018	145	40,163
Other income / revenue	-	105	-	-	-	-	-	9,125	4,743	13,973
<b>Total segment expense</b>	<b>6,141</b>	<b>24,803</b>	<b>6,501</b>	<b>4,696</b>	<b>1,855</b>	<b>8,595</b>	<b>12,759</b>	<b>40,040</b>	<b>8,098</b>	<b>113,488</b>
Employee benefit expenses *	5,388	18,834	2,508	3,653	1,502	7,688	6,890	1,892	1,817	50,172
Travel expenses	175	3,716	2,908	254	52	424	51	1,741	-	9,321
Contractual services	402	1,683	303	354	153	394	1,207	35,721	-	40,217
General operating expenses	127	528	128	416	136	88	4,276	138	211	6,048
Others *	49	42	654	19	12	1	335	548	6,070	7,730

\* Expenses in the amount of EUR 99 thousand reported as 'other operating expenses' in the 2015 Financial Statements have been reclassified to 'employee benefit expenses' in the 2015 comparative figures in the 2016 Financial Statements in order to facilitate comparison, in line with IPSAS 1.55. Refer to notes 25 and 28.

The OPCW does not attribute assets and liabilities to reporting segments.

## **36. BUDGETARY INFORMATION**

36.1 The approved Programme and Budget covers the period from 1 January 2016 to 31 December 2016. No additional entities are included. The Budget is prepared using a combination of cash and commitment based accounting whilst these financial statements are prepared using accrual based accounting. Additional information regarding the budgetary accounts is presented as an Appendix. The Appendix is not considered part of the IPSAS financial statements.

### **Differences between budget and actual amounts**

36.2 The following is an overview of the significant differences that have arisen between the OPCW's revised budget and actual amounts, presented in the 'Statement of comparison of budget and actual amounts' on page 12 of these financial statements.

36.3 There was no change between the overall original and final budgets during 2016, which totalled EUR 67.076 million.

36.4 Transfers were made between programmes and subprogrammes in accordance with Financial Regulation 4.6, as detailed under EC-84/DG.17 C-22/DG.3, dated 16 February 2017.

36.5 The level of expenditure for 2016 reflects an overall budget utilisation rate of 96.5%. The Chapter One utilisation rate was 96.7%; the Chapter Two rate was 96.3%.

36.6 The Secretariat spent less than the final budget in all programmes. The utilisation of programme budgets was between 87.9% and 99.7%. Factors contributing to the underutilisation will be detailed in the 2016 Programme Performance Report and taken into consideration when formulating the 2018 Programme and Budget.

### **Reconciliation of actual amounts from budgetary basis to financial statement basis**

36.7 The modified cash basis is used to prepare the budgetary amounts. A reconciliation of the actual amounts on the budgetary basis to the net cash flows from operating, investing, and financing activities is presented below.

For the year ended 31 December 2016:

(expressed in euro '000s)	Operating	Financing	Investing	Total
<b>Actual net surplus amount on budgetary basis (Statement of Comparison of Budget and Actual Amounts)</b>	<b>2,188</b>	-	-	<b>2,188</b>
<b>Basis differences</b>				
Unliquidated obligations	3,257	-	-	3,257
Assessed contributions revenue	(3,351)	-	-	(3,351)
Articles IV and V revenue	274	-	-	274
Employee benefits	(116)	-	-	(116)
Other basis differences	3,666	-	791	4,457
<b>Budgetary (General Fund) results on cash basis</b>	<b>5,918</b>	-	<b>791</b>	<b>6,709</b>
<b>Entity differences</b>				
Trust funds and special accounts	4,480	11	(1,721)	2,770
<b>Timing differences</b>				
<b>Actual amount in the IPSAS cash flow statement</b>	<b>10,398</b>	<b>11</b>	<b>(930)</b>	<b>9,479</b>

For the year ended 31 December 2015:

(expressed in euro '000s)	Operating	Financing	Investing	Total
<b>Actual net surplus amount on budgetary basis (Statement of Comparison of Budget and Actual Amounts)</b>	<b>367</b>	-	-	<b>367</b>
<b>Basis differences</b>				
Unliquidated obligations	2,688	-	-	2,688
Assessed contributions revenue	(1,053)	-	-	(1,053)
Articles IV and V revenue	(4,938)	-	-	(4,938)
Employee benefits	505	-	-	505
Other basis differences	2,398	-	(1,750)	648
<b>Budgetary (General Fund) results on cash basis</b>	<b>(33)</b>	-	<b>(1,750)</b>	<b>(1,783)</b>
<b>Entity differences</b>				
Trust funds and special accounts	(20,802)	(8)	(1,059)	(21,869)
<b>Timing differences</b>	-	-	-	-
<b>Actual amount in the IPSAS cash flow statement</b>	<b>(20,835)</b>	<b>(8)</b>	<b>(2,809)</b>	<b>(23,652)</b>

36.8 The differences arising are basis and entity differences. Basis differences arise because the budgetary amounts are prepared on a different basis than the IPSAS financial statements, as described above. Entity differences typically arise because the budget includes transactions relating to the General Fund only, whereas the OPCW consolidated IPSAS financial statements include all programmes and entities. Timing differences typically do not arise because the budget period and the reporting period for these financial statements are identical.

### Reconciliation from budgetary result to IPSAS result

36.9 To aid the users of the OPCW's IPSAS financial statements, the following reconciliation has been provided as an overview of the differences arising between the budgetary result and the IPSAS result as reported in these financial statements. This information is not required to be included in financial statements prepared in accordance with IPSAS, however, is provided as additional, voluntary information.

	(expressed in euro '000s)	
	2016	2015
<b>Budgetary Accounts (all funds) - excess/(shortfall) of income over expenditure (Appendix 5.1)</b>	<b>2,267</b>	<b>(13,038)</b>
Prior year adjustments reclassified as current year revenue and expense	39	(27)
<b>Net excess/(shortfall) of income over expenditure</b>	<b>2,306</b>	<b>(13,065)</b>
<b>Differences</b>		
Expenses of the budgetary accounts reclassified as property, plant and equipment	(659)	1,175
Expenses of the budgetary accounts reclassified as inventories	133	126
Expenses of the budgetary accounts reclassified as intangible assets	14	304
Recognition of expenses against inventories consumed	(216)	(158)
Recognition of depreciation and impairment expense on property, plant and equipment	(2,123)	(1,256)
Recognition of amortisation and impairment expense (intangible assets)	(356)	(281)
Derecognition of unliquidated obligations	7,887	5,600
Recognition of long-term employee benefit expenses	1,860	489
Recognition of short-term employee benefit expenses	393	250
Assessed contribution recognised as other non-current liabilities	(4,164)	(280)
Recognition of impairment expense of assessed contributions	(81)	(101)
Recognition of impairment expense of Articles IV and V receivables	(304)	(4,890)
Recognition of other impairment	(39)	(14)
Recognition of write-down of other non-current liabilities	137	4,525
Recognition of expenses based on current year receipt of goods and services	(5,329)	(30,436)
Recognition of provisions (legal cases)	15	25
Gain (loss) on disposal of property, plant and equipment	-	136
Miscellaneous adjustments to expense	369	1,301
Miscellaneous adjustments to income	20	12
Adjustments to exchange revenue	555	1
Income and expense reclassified as finance income/finance cost	(369)	(1,323)
Adjustments to non-exchange revenue (voluntary contributions with conditions)	1,886	47,206
<b>Total differences</b>	<b>(371)</b>	<b>22,411</b>
	-	-
<b>IPSAS net surplus/(deficit) for the period</b>	<b>1,935</b>	<b>9,346</b>

### 37. EVENTS AFTER THE REPORTING PERIOD

In March 2017, the Executive Council decided to authorise the Director-General to inform the owner of the OPCW Headquarters building that the OPCW will not terminate the Tenancy Agreement on 15 February 2023, resulting in the extension of the Tenancy Agreement through 2028, in exchange for an incentive payment of EUR 1.4 million, to be credited to the OPCW Working Capital Fund (EC-84/DEC.3, dated 9 March 2017). A payment of EUR 0.4 million was received by the OPCW from the owner of the OPCW Headquarters building in March 2017 in relation to this

arrangement. This decision is treated as a non-adjusting event after the reporting period. No other significant events are reported after the reporting date. The date of authorisation for issue is the date at which the financial statements are certified by the external auditors.

Appendix: Additional Information to the Financial Statements (Unaudited)

## **Appendix**

### **ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS (UNAUDITED)**

#### **1. BUDGETARY ACCOUNTS**

1.1 The OPCW's Financial Regulations 11.1(b) to 11.1(e) require the Director-General to provide the following information in addition to the financial statements prepared in accordance with the International Public Sector Accounting Standards (IPSAS).

- (a) a statement for the status of appropriations, as per Financial Regulation 11.1(b), including:
  - (i) the original budget appropriations;
  - (ii) the appropriations as modified by any transfers of funds;
  - (iii) credits, if any, other than appropriations approved by the Conference;
  - (iv) the amounts charged against the appropriations and/or other credits; and
  - (v) an unobligated balance of appropriations.
- (b) a statement on the investments held at 31 December as per Financial Regulation 11.1(c);
- (c) such notes, other statements, and schedules, as are required to provide a fair presentation of the financial statements and the results of the OPCW's operations for the financial period as per Financial Regulation 11.1(d); and
- (d) a statement of all losses, as per Financial Regulation 11.1(e).

1.2 Accordingly, this Appendix presents statements and schedules based on financial information derived within the OPCW's budgetary accounting. Pursuant to the OPCW's Financial Regulation 2.2, the budgetary accounting involves the recording and reporting of financial information on a modified cash basis, the same basis as that followed for appropriations for the regular budget or for other funds governed by other agreements, in a manner that is consistent with the Financial Regulations and Rules, with Financial Directives, and with any other instructions as may be issued by or on behalf of the Director-General for their administration. The required additional information has, therefore, been extracted from the budgetary accounts and presented in the following schedules and statements under the indicated paragraphs of the Appendix.

- (a) Statement for the status of appropriations (paragraph 3);
- (b) Statement of cash and investments (paragraph 4);

- (c) Income, expenditure, and changes in reserves and fund balances for all funds (paragraph 5.1);
- (d) Assets, liabilities and reserves and fund balances for all funds (paragraph 5.2);
- (e) Income, expenditure and changes in reserve and fund balances for the special accounts and Voluntary Fund for Assistance (paragraph 5.3);
- (f) Income, expenditure and changes in reserves and fund balances for all trust funds (paragraph 5.4);
- (g) Statement of cash surpluses – General Fund (paragraph 5.5);
- (h) Status of assessed annual contributions – General Fund (paragraph 5.6);
- (i) Status of advances to the Working Capital Fund (paragraph 5.7);
- (j) Statement of expenditure by funding programme and major expenditure category – General Fund (paragraph 5.8);
- (k) Statement of budgetary obligations by funding programme and major expenditure category – General Fund (paragraph 5.9);
- (l) Statement of budgetary obligations by funding programme and major expenditure category – special accounts, Voluntary Fund for Assistance and trust funds (paragraph 5.10);
- (m) Statement of savings on prior year's obligations – General Fund (paragraph 5.11);
- (n) Statement of savings on prior year's obligations – trust funds, special accounts and Voluntary Fund for Assistance (paragraph 5.12);
- (o) Statement of cash surpluses credited to Member States – General Fund (paragraph 5.13);
- (p) Reimbursements for inspections invoiced under Articles IV and V (paragraph 5.14);
- (q) Trust funds – voluntary contributions by donors (paragraph 5.15); and
- (r) Statement of losses (paragraph 7).

## **2. RECONCILIATION OF BUDGETARY RESULTS TO IPSAS RESULTS**

- 2.1 Due to application of different accounting bases, namely, the IPSAS basis and the modified cash basis, respectively, in the preparation of the financial statements and the statements and schedules in the Appendix, differences exist in various balances as well as their presentations in the statements and schedules. Breakdowns of these

differences are provided in the reconciliation statements shown within the notes to the financial statements under note 36.9 'Reconciliation from budgetary result to IPSAS result'.

The reconciliation of the budgetary result to the IPSAS result shows a breakdown of the major areas of differences between the amounts of 'Excess/(shortfall) of income over expenditure' reported under the budgetary accounts to the net surplus/(deficit) reported under the IPSAS-based statement of financial performance.

- 2.2 Additional footnotes are also provided within the Appendix, as necessary, to explain specific items in the various sections of the statements and schedules of the budgetary accounts, where these are derived or presented on a different basis than the financial statements.

### 3. STATEMENT FOR THE STATUS OF APPROPRIATIONS (FINANCIAL REGULATION 11.1(B))

#### 3.1 Statement of appropriations - General Fund - For the period ended 31 December 2016 (expressed in euros)

Funding Programme	Appropriations <sup>2</sup>			Expenditure			Balance
	Appropriations	Transfers	Revised	Disbursements	Unliquidated <sup>3</sup> Obligations	Total <sup>4</sup> Expenditure	
Programme 1. Verification	7,874,000	-	<b>7,874,000</b>	6,794,016	546,916	<b>7,340,932</b>	<b>533,068</b>
Programme 2. Inspections	21,771,800	-	<b>21,771,800</b>	20,370,498	951,551	<b>21,322,049</b>	<b>449,751</b>
<b>Total verification costs (Chapter 1)</b>	<b>29,645,800</b>	-	<b>29,645,800</b>	<b>27,164,514</b>	<b>1,498,467</b>	<b>28,662,981</b>	<b>982,819</b>
Programme 3. International Cooperation and Assistance	7,612,100	(36,000)	<b>7,576,100</b>	6,385,242	274,738	<b>6,659,980</b>	<b>916,120</b>
Programme 4. Support to the Policy-Making Organs	4,809,800	11,334	<b>4,821,134</b>	4,720,403	86,058	<b>4,806,460</b>	<b>14,674</b>
Programme 5. External Relations	1,942,000	(28,146)	<b>1,913,854</b>	1,827,838	57,621	<b>1,885,459</b>	<b>28,395</b>
Programme 6. Executive Management	9,023,000	282,146	<b>9,305,146</b>	8,652,753	545,286	<b>9,198,039</b>	<b>107,107</b>
Programme 7. Administration	14,042,800	(229,334)	<b>13,813,466</b>	12,696,769	794,576	<b>13,491,345</b>	<b>322,121</b>
<b>Total administrative and other costs (Chapter 2)</b>	<b>37,429,700</b>	-	<b>37,429,700</b>	<b>34,283,005</b>	<b>1,758,279</b>	<b>36,041,284</b>	<b>1,388,416</b>
<b>TOTAL (paragraph 5.8(a) and 5.9(a))</b>	<b>67,075,500</b>	-	<b>67,075,500</b>	<b>61,447,519</b>	<b>3,256,746</b>	<b>64,704,265</b>	<b>2,371,235</b>

<sup>2</sup> Appropriations for 2016, in the total amount of EUR 67,075,500 (2015: EUR 69,319,000), were approved by the Conference at its Twentieth Session (C-20/DEC.6). The agreed appropriations were to be financed from assessed annual contributions paid by all States Parties in the amount of EUR 65,529,600 (2015: EUR 65,529,600) and from budgeted direct income in the amount of EUR 1,545,900 (2015: EUR 3,789,400). The balance (budget less expenditures) of EUR 2,371,235 represents a surplus over the amount appropriated, not the amount allotted. The difference between allotment and appropriation is the amount withheld according to Financial Regulation 4.7 (contingency margin to account for assessments not likely to be received in the financial period). The amount of the contingency margin is based on the average of the collection rate for the previous three years (Financial Rule 4.7.01). No contingency margin was utilised in 2016 (2015: 0.0%).

<sup>3</sup> Expenditure obligations which are established during the financial period, and remain outstanding as at the end of the reporting period, are recognised under the budgetary accounts as expenditure for the financial period when they are based on a contract, binding purchase order, agreement or other form of undertaking by the OPCW before the end of the financial period, or are based on a liability recognised by the OPCW. In this context, the cost of goods (supplies, furniture, equipment, and other property) ordered before the end of the financial period but received (and paid for) in the following period is recognised as expenditure, and a liability, in the reporting period. The cost of services, including staff costs, is recognised as expenditure, and a liability, during the reporting period only to the extent that the associated services are rendered up to the end of the reporting period.

<sup>4</sup> In the budgetary accounts, expenditures include costs of furniture, equipment, and other non-expendable property (NEP) acquired during the financial year. Benefits payable to employees on separation from the service of the OPCW, as well as obligations attributable to accumulated annual leave and other staff entitlements, are recorded as expenditure in the year in which the benefits are paid to, or on behalf of, a staff member.

3.2 Statement of appropriations - General Fund - For the period ended 31 December 2015 (expressed in euros)

Funding Programme	Appropriations			Expenditure			Balance
	Appropriations	Transfers	Revised	Disbursements	Unliquidated Obligations	Total Expenditure	
Programme 1. Verification	7,124,700	(380,000)	<b>6,744,700</b>	6,487,114	229,335	<b>6,716,449</b>	<b>28,251</b>
Programme 2. Inspections	25,706,600	1,085,000	<b>26,791,600</b>	25,576,425	1,189,741	<b>26,766,166</b>	<b>25,434</b>
<b>Total verification costs (Chapter 1)</b>	<b>32,831,300</b>	705,000	<b>33,536,300</b>	<b>32,063,539</b>	<b>1,419,077</b>	<b>33,482,615</b>	<b>53,685</b>
Programme 3. International Cooperation and Assistance	7,034,500	(355,000)	<b>6,679,500</b>	6,233,440	384,080	<b>6,617,520</b>	<b>61,980</b>
Programme 4. Support to the Policy-Making Organs	4,668,600	270,000	<b>4,938,600</b>	4,773,087	135,322	<b>4,908,409</b>	<b>30,191</b>
Programme 5. External Relations	2,105,100	(195,000)	<b>1,910,100</b>	1,877,680	17,442	<b>1,895,122</b>	<b>14,978</b>
Programme 6. Executive Management	9,002,600	17,000	<b>9,019,600</b>	8,632,359	306,108	<b>8,938,467</b>	<b>81,133</b>
Programme 7. Administration	13,676,900	(442,000)	<b>13,234,900</b>	12,714,012	425,603	<b>13,139,615</b>	<b>95,285</b>
<b>Total administrative and other costs (Chapter 2)</b>	<b>36,487,700</b>	(705,000)	<b>35,782,700</b>	<b>34,230,578</b>	<b>1,268,555</b>	<b>35,499,133</b>	<b>283,567</b>
<b>TOTAL (paragraph 5.8(b) and 5.9(b))</b>	<b>69,319,000</b>	-	<b>69,319,000</b>	<b>66,294,117</b>	<b>2,687,631</b>	<b>68,981,748</b>	<b>337,252</b>

**4. STATEMENT OF CASH AND INVESTMENTS (TERM DEPOSITS) - ALL FUNDS (FINANCIAL REGULATION 11.1(C))**

4.1 Statement of cash and investments (term deposits) - All funds as at 31 December 2016 (expressed in euros)

<b>Fund</b>	<b>Cash</b>	<b>Term Deposits</b>	<b>Total</b>
General Fund	9,129,707	-	<b>9,129,707</b>
Working Capital Fund	1,153,222	-	<b>1,153,222</b>
Voluntary Fund for Assistance	1,552,975	-	<b>1,552,975</b>
United States voluntary trust fund	1,380,526	-	<b>1,380,526</b>
Trust fund of Canada for Libya	62,163	-	<b>62,163</b>
Trust fund for European Union Council Decision 2015	1,219,332	-	<b>1,219,332</b>
Special account for the OPCW Equipment Store	6,987,068*	-	6,987,068
Special account for designated laboratories			
Special account for the implementation of a new ERP system			
Special fund for special missions			
Trust Fund for Syria	26,095	-	<b>26,095</b>
Syria Trust Fund for the Destruction of Chemical Weapons	1,448,592	-	<b>1,448,592</b>
Trust Fund for Syria Missions	2,223,437	-	<b>2,223,437</b>
OPCW Nobel Prize trust fund	755,658	-	<b>755,658</b>
Regional seminars	2,118,099*	-	2,118,099
Courses for personnel of National Authorities			
Implementation of Article X			
Associate Programme			
Procurement of GC/MS systems			
Implementation of Article VII obligations			
Scientific Advisory Board			
Internship-Support Programme			
NGO participation in OPCW events			
Conference on International Cooperation and Chemical Safety & Security			
Trust fund for training			
Trust fund for the International Support Network for Victims of Chemical Weapons			
Trust fund for programme support costs			
Trust fund for support to Iraq			
Trust fund for temporary support to Libya			
Trust fund for support to Libya			
<b>TOTAL CASH AND TERM DEPOSITS</b>	<b>28,056,873</b>	<b>-</b>	<b>28,056,873</b>

\* Some trust fund and special accounts cash balances held in current accounts have been pooled to a single current account.

4.2 Statement of cash and investments (term deposits) - All funds as at 31 December 2015  
(expressed in euros)

<b>Fund</b>	<b>Cash</b>	<b>Term Deposits</b>	<b>Total</b>
General Fund	2,420,960	-	2,420,960
Working Capital Fund	153,208	-	153,208
Voluntary Fund for Assistance	1,542,396	-	1,542,396
United States voluntary trust fund	1,396,442	-	1,396,442
Trust fund of Canada for Libya	148,312	-	148,312
Trust fund for European Union Council Decision 2015	710,712	-	710,712
European Union support for OPCW activities 2012	72,043	-	72,043
Special account for the OPCW Equipment Store	5,093,634*	-	5,093,634
Special account for designated laboratories			
Special account for the implementation of a new ERP system			
Special fund for special missions			
Trust Fund for Syria	51,924	-	51,924
Syria Trust Fund for the Destruction of Chemical Weapons	3,948,988	-	3,948,988
Trust Fund for Syria Missions	850,000	-	850,000
OPCW Nobel Prize trust fund	901,176	-	901,176
Regional seminars	1,269,458*	-	1,269,458
Courses for personnel of National Authorities			
Implementation of Article X			
Associate Programme			
Procurement of GC/MS systems			
Implementation of Article VII obligations			
Scientific Advisory Board			
Internship-Support Programme			
NGO participation in OPCW events			
Conference on International Cooperation and Chemical Safety & Security			
Trust fund for training			
Trust fund for the International Support Network for Victims of Chemical Weapons			
Trust fund for programme support costs			
<b>TOTAL CASH AND TERM DEPOSITS</b>	<b>18,559,253</b>	<b>-</b>	<b>18,559,253</b>

\* Some trust fund and special accounts cash balances held in current accounts have been pooled to a single current account, some of which has been placed in term deposits.

## 5. OTHER STATEMENTS (FINANCIAL REGULATION 11.1(D))

### 5.1 Budgetary accounts: Income, expenditure and changes in reserves and fund balances - All Funds - For the period ended 31 December 2016 (expressed in euros)

	Reference (Appendix)	General Fund		Working Capital Fund		Special Accounts and Voluntary Fund for Assistance (Appendix 5.3)		Trust Funds (Appendix 5.4)		TOTAL	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>INCOME</b>											
Assessed annual contributions <sup>5</sup>	5.6	65,529,600	65,529,600	-	-	-	-	-	-	65,529,600	65,529,600
Voluntary contributions	5.15	-	145,101	-	-	10,000	10,000	10,485,887	1,927,840	10,495,887	2,082,941
Miscellaneous income:											
Verification contributions under Articles IV & V	5.14	1,134,765	3,425,862	-	-	-	-	-	-	1,134,765	3,425,862
Assessed annual contributions - new Member States		-	4,400	-	-	-	-	-	-	-	4,400
Interest income		5,132	4,021	-	-	579	367	7,238	2,847	12,948	7,235
Currency-exchange gains		41,671	80,371	-	-	-	-	-	-	41,671	80,371
Other income		181,219	159,882	-	-	-	-	664,407	1,281,112	845,626	1,440,994
<b>TOTAL INCOME</b>		<b>66,892,387</b>	<b>69,349,237</b>	-	-	<b>10,579</b>	<b>10,367</b>	<b>11,157,532</b>	<b>3,211,799</b>	<b>78,060,498</b>	<b>72,571,403</b>
<b>EXPENDITURE</b>											
Staff costs		46,124,033	49,120,364	-	-	45,939	2,861	2,536,059	1,895,805	48,706,031	51,019,030
Travel costs		6,607,935	7,686,402	-	-	82,224	224,320	1,426,342	1,363,872	8,116,502	9,274,594
Contractual services		4,237,849	4,806,548	-	-	577,961	1,372,508	3,830,885	1,943,612	8,646,695	8,122,668
Internships, grants, contributions to seminars and workshops		452,754	648,598	-	-	-	-	28,098	958	480,852	649,556
General operating expenses		5,839,503	5,969,201	-	-	174,852	34,508	1,401,681	1,387,532	7,416,036	7,391,241
Furniture and equipment		1,442,191	750,635	-	-	705,000	-	240,951	8,428,854	2,388,142	9,179,489
<b>TOTAL EXPENDITURE</b>	5.8	<b>64,704,265</b>	<b>68,981,748</b>	-	-	<b>1,585,976</b>	<b>1,634,197</b>	<b>9,464,017</b>	<b>15,020,633</b>	<b>75,754,258</b>	<b>85,636,578</b>
<b>EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>		<b>2,188,122</b>	<b>367,489</b>	-	-	<b>(1,575,397)</b>	<b>(1,623,832)</b>	<b>1,693,515</b>	<b>(11,808,831)</b>	<b>2,306,240</b>	<b>(13,065,174)</b>
Prior period adjustments		6,774	252,850	-	-	(11,056)	-	(35,195)	(225,938)	(39,477)	26,882
<b>NET EXCESS/(SHORTFALL) OF INCOME OVER EXPENDITURE</b>		<b>2,194,896</b>	<b>620,339</b>	-	-	<b>(1,586,453)</b>	<b>(1,623,832)</b>	<b>1,658,320</b>	<b>(12,034,798)</b>	<b>2,266,763</b>	<b>(13,038,291)</b>
Savings on prior period's obligations	5.11	720,183	796,236	-	-	78,844	12	113,962	1,683,036	912,990	2,479,284
Transfers to/from other funds		-	-	-	(19,332)	-	19,332	-	-	-	-
Credits to Member States <sup>6</sup>	5.13	(3,495)	(3,321)	-	-	-	-	-	-	(3,495)	(3,321)
Retention of cash surplus for 2012 and 2013	5.13	-	(1,530,991)	-	-	-	1,530,991	-	-	-	-
Increase in Working Capital Fund		-	-	-	838	-	-	-	-	-	838
Reserves and fund balances, beginning of period		6,428,606	6,546,343	4,159,978	4,178,472	10,132,774	10,206,271	6,398,699	16,750,461	27,120,057	37,681,547
<b>RESERVES AND FUND BALANCES, END OF PERIOD</b>		<b>9,340,191</b>	<b>6,428,606</b>	<b>4,159,978</b>	<b>4,159,978</b>	<b>8,625,166</b>	<b>10,132,774</b>	<b>8,170,980</b>	<b>6,398,699</b>	<b>30,296,315</b>	<b>27,120,057</b>

<sup>5</sup> Assessed annual contributions received in advance, during the reporting period, are considered liabilities owed to States Parties, and are recorded as income in the periods to which the contributions relate.

<sup>6</sup> The amount of EUR 3,495 (2015: EUR 3,321) represents final cash surpluses from 2011 and prior years, applied during the reporting period to States Parties which owed amounts to the OPCW and have paid their assessed annual contributions in full for the financial period to which the surplus relates. The detailed application of surpluses during 2016 for each State Party is shown in paragraph 5.13.

5.2 Budgetary accounts: Assets, liabilities and reserves and fund balances - All Funds - As at 31 December 2016 (expressed in euros)

	Reference (Appendix)	General Fund		Working Capital Fund		Special Accounts and Voluntary Fund for Assistance		Trust Funds		TOTAL	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>ASSETS</b>											
Cash and term deposits	4	9,129,707	2,420,960	1,153,221	153,208	8,540,043	6,636,030	9,233,900	9,349,055	28,056,871	18,559,253
Accounts receivable:											
Assessed annual contributions from Member States	5.6	6,071,476	6,964,566	-	-	-	-	-	-	6,071,476	6,964,566
Voluntary contributions		-	-	-	-	-	-	-	-	-	-
Verification contributions under Articles IV & V <sup>7</sup>	5.14	5,053,499	5,631,626	-	-	-	-	713,394	465,525	5,766,893	6,097,151
Other contributions receivable:											
Advances		-	-	6,757	6,757	-	-	-	-	6,757	6,757
Inter-fund balances		207,564	1,045,495	3,000,000	4,000,013	357,810	3,658,036	281,759	742,019	3,847,132	9,445,563
Other receivables		1,750,097	1,601,030	-	-	-	91	4,871,956	25,301,298	6,622,053	26,902,419
Other assets		2,188,112	2,376,623	-	-	80,675	80,675	4,330	4,212	2,273,117	2,461,510
<b>TOTAL ASSETS</b>		<b>24,400,455</b>	<b>20,040,300</b>	<b>4,159,978</b>	<b>4,159,978</b>	<b>8,978,528</b>	<b>10,374,832</b>	<b>15,105,340</b>	<b>35,862,109</b>	<b>52,644,301</b>	<b>70,437,219</b>
<b>LIABILITIES</b>											
Contributions received in advance	5.6, 5.14	7,146,212	1,541,779	-	-	-	-	392,027	681,611	7,538,238	2,223,390
Unliquidated obligations	5.5, 5.9	3,256,746	2,687,631	-	-	224,319	113,016	5,607,846	27,036,509	9,088,911	29,837,156
Accounts payable:											
Inter-fund balances		3,657,137	8,400,071	-	-	129,041	129,041	60,952	916,453	3,847,130	9,445,565
Other payables		1,000,169	982,213	-	-	-	-	873,535	828,837	1,873,704	1,811,050
Other liabilities		-	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>		<b>15,060,264</b>	<b>13,611,694</b>	<b>-</b>	<b>-</b>	<b>353,360</b>	<b>242,057</b>	<b>6,934,359</b>	<b>29,463,409</b>	<b>22,347,983</b>	<b>43,317,161</b>
<b>RESERVES AND FUND BALANCES</b>											
Fund balances <sup>8</sup>		9,340,191	6,428,606	4,159,978	4,159,978	8,625,168	10,132,774	8,170,981	6,398,699	30,296,318	27,120,057
<b>TOTAL RESERVES AND FUND BALANCES</b>		<b>9,340,191</b>	<b>6,428,606</b>	<b>4,159,978</b>	<b>4,159,978</b>	<b>8,625,168</b>	<b>10,132,774</b>	<b>8,170,981</b>	<b>6,398,699</b>	<b>30,296,318</b>	<b>27,120,057</b>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCES</b>		<b>24,400,455</b>	<b>20,040,300</b>	<b>4,159,978</b>	<b>4,159,978</b>	<b>8,978,528</b>	<b>10,374,832</b>	<b>15,105,340</b>	<b>35,862,109</b>	<b>52,644,301</b>	<b>70,437,219</b>

<sup>7</sup> Receivables pertaining to reimbursement of verification costs under Articles IV and V of the Convention include accruals for inspection missions that were in progress as at 31 December 2016 or missions for which billing information had not yet been fully received as at the same date.

<sup>8</sup> Reconciliation of the total fund balances of the budgetary accounts to the net assets of the IPSAS financial statements has been provided in note 36 to the financial statements.

5.3 Budgetary accounts: Income, expenditure and changes in reserves and fund balances - Special Accounts and Voluntary Fund for Assistance  
- For the period ended 31 December 2016 (expressed in euros)

	OPCW Equipment Store		Designated Laboratories		Implementation of New ERP system		Special Fund for Special Missions		Voluntary Fund for Assistance		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>INCOME</b>												
Assessed annual contributions	-	-	-	-	-	-	-	-	-	-	-	-
Voluntary contributions	-	-	-	-	-	-	-	-	10,000	10,000	10,000	10,000
Miscellaneous income:												
Verification contributions under Articles IV & V	-	-	-	-	-	-	-	-	-	-	-	-
Assessed annual contributions - new Member States	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-	579	367	579	367
Currency-exchange gains	-	-	-	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL INCOME</b>	-	-	-	-	-	-	-	-	10,579	10,367	10,579	10,367
<b>EXPENDITURE</b>												
Staff costs	-	-	-	-	2,374	1,903	43,565	958	-	-	45,939	2,861
Travel costs	-	-	-	-	9,354	11,410	72,870	212,910	-	-	82,224	224,320
Contractual services	-	-	30,000	21,348	474,737	334,028	73,224	1,017,132	-	-	577,961	1,372,508
Internships, grants, contributions to seminars and workshops	-	-	-	-	-	-	-	-	-	-	-	-
General operating expenses	40	305	-	20	170,273	1,358	4,539	32,814	-	11	174,852	34,508
Furniture and equipment	-	-	230,000	-	475,000	-	-	-	-	-	705,000	-
<b>TOTAL EXPENDITURE</b>	40	305	260,000	21,368	1,131,738	348,699	194,197	1,263,814	-	11	1,585,976	1,634,197
<b>EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	(40)	(305)	(260,000)	(21,368)	(1,131,738)	(348,699)	(194,197)	(1,263,814)	10,579	10,355	(1,575,397)	(1,623,832)
Prior period adjustments	-	-	-	-	(6,879)	-	(4,177)	-	-	-	(11,056)	-
<b>NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	(40)	(305)	(260,000)	(21,368)	(1,138,617)	(348,700)	(198,375)	(1,263,814)	10,579	10,355	(1,586,453)	(1,623,832)
Savings on prior period's obligations	-	12	21,348	-	(38)	-	57,535	-	-	-	78,844	12
Transfers to/from other funds	-	-	-	-	-	19,332	-	-	-	-	-	19,332
Credits to Member States	-	-	-	-	-	-	-	-	-	-	-	-
Retention of cash surplus for 2012 and 2013	-	-	-	-	-	-	-	1,530,991	-	-	-	1,530,991
Increase in Working Capital Fund	-	-	-	-	-	-	-	-	-	-	-	-
Reserves and fund balances, beginning of period	22,616	22,909	740,203	761,571	7,560,383	7,889,751	267,177	-	1,542,395	1,532,040	10,132,775	10,206,271
<b>RESERVES AND FUND BALANCES, END OF PERIOD</b>	22,576	22,616	501,551	740,203	6,421,728	7,560,383	126,338	267,177	1,552,974	1,542,395	8,625,167	10,132,774

5.4 Budgetary accounts: Income, expenditure and changes in reserves and fund balances - Trust Funds  
- For the period ended 31 December 2016 (expressed in euros)

	Regional Seminars		Courses for Personnel of National Authorities		US Voluntary Fund		Implementation of Article X		Associate Programme		Scientific Advisory Board	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>INCOME</b>												
Assessed annual contributions	-	-	-	-	-	-	-	-	-	-	-	-
Voluntary contributions	227,337	386,905	-	-	-	-	147,362	212,575	-	-	22,264	2,000
Miscellaneous income:												
Verification contributions under Articles IV & V	-	-	-	-	-	-	-	-	-	-	-	-
Assessed contributions - new Member States	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	502	93	-	-	-	-	-	-
Currency-exchange gains	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL INCOME</b>	<b>227,337</b>	<b>386,905</b>	<b>-</b>	<b>-</b>	<b>502</b>	<b>93</b>	<b>147,362</b>	<b>212,575</b>	<b>-</b>	<b>-</b>	<b>22,264</b>	<b>2,000</b>
<b>EXPENDITURE</b>												
Staff costs	-	-	-	-	-	-	-	-	-	-	-	-
Travel costs	206,891	264,397	-	-	-	54,484	62,429	49,365	-	-	26,297	9,251
Contractual services	11,214	14,701	-	-	8,744	1,890	18,662	31,557	-	-	2,784	1,176
Internships, grants, contributions to seminars and workshops	-	-	-	-	-	-	27,677	-	-	-	-	-
General operating expenses	2,738	5,747	-	-	25	3,259	1,241	800	-	-	2,459	109
Furniture and equipment	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURE</b>	<b>220,843</b>	<b>284,845</b>	<b>-</b>	<b>-</b>	<b>8,769</b>	<b>59,633</b>	<b>110,008</b>	<b>81,722</b>	<b>-</b>	<b>-</b>	<b>31,539</b>	<b>10,536</b>
<b>EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>6,494</b>	<b>102,061</b>	<b>-</b>	<b>-</b>	<b>(8,268)</b>	<b>(59,540)</b>	<b>37,354</b>	<b>130,853</b>	<b>-</b>	<b>-</b>	<b>(9,276)</b>	<b>(8,536)</b>
Prior period adjustments	(1,113)	(25,380)	-	-	-	(12,050)	-	(23,539)	-	-	-	-
<b>NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>5,381</b>	<b>76,681</b>	<b>-</b>	<b>-</b>	<b>(8,268)</b>	<b>(71,590)</b>	<b>37,354</b>	<b>107,314</b>	<b>-</b>	<b>-</b>	<b>(9,276)</b>	<b>(8,536)</b>
Savings on prior period's obligations	6,091	30,002	-	-	45	12,968	-	-	-	-	(7)	-
Transfers to/from other funds	-	-	-	-	(10,000)	-	-	-	-	-	1,969	-
Credits to Member States	-	-	-	-	-	-	-	-	-	-	-	-
Other adjustments to reserves and fund balances	-	-	-	-	-	-	-	-	-	-	-	-
Reserves and fund balances, beginning of period	391,975	285,292	165,063	165,063	1,405,734	1,464,356	246,104	138,790	5,024	5,024	23,164	31,700
<b>RESERVES AND FUND BALANCES, END OF PERIOD</b>	<b>403,447</b>	<b>391,975</b>	<b>165,063</b>	<b>165,063</b>	<b>1,387,511</b>	<b>1,405,734</b>	<b>283,458</b>	<b>246,104</b>	<b>5,024</b>	<b>5,024</b>	<b>15,850</b>	<b>23,164</b>

5.4 Budgetary accounts: Income, expenditure and changes in reserves and fund balances - Trust Funds  
- For the period ended 31 December 2016 (expressed in euros) (continued)

	NGO Participation in OPCW Events		Procurement of GC/MS Systems		Implementation of Article VII Obligations		Programme Support Costs		Internship Support Project		Conference on International Cooperation and Chemical Safety & Security	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>INCOME</b>												
Assessed annual contributions	-	-	-	-	-	-	-	-	-	-	-	-
Voluntary contributions	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous income:												
Verification contributions under Articles IV & V	-	-	-	-	-	-	-	-	-	-	-	-
Assessed contributions - new Member States	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-	-	-	-	-
Currency-exchange gains	-	-	-	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	364,078	1,276,899	-	-	-	-
<b>TOTAL INCOME</b>	-	-	-	-	-	-	<b>364,078</b>	<b>1,276,899</b>	-	-	-	-
<b>EXPENDITURE</b>												
Staff costs	-	-	-	-	-	-	213,438	1,231,275	-	-	-	-
Travel costs	-	-	-	-	19,774	-	-	-	-	-	-	-
Contractual services	-	-	-	-	866	-	110,949	9,060	-	-	-	1,000
Internships, grants, contributions to seminars and workshops	-	-	-	-	-	-	-	-	-	-	-	-
General operating expenses	-	-	-	-	111	-	-	1,218	-	-	-	1,450
Furniture and equipment	-	-	-	-	-	-	-	16,009	-	-	-	-
<b>TOTAL EXPENDITURE</b>	-	-	-	-	<b>20,751</b>	-	<b>324,388</b>	<b>1,257,562</b>	-	-	-	<b>2,450</b>
<b>EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	-	-	-	-	<b>(20,751)</b>	-	<b>39,691</b>	<b>19,337</b>	-	-	-	<b>(2,450)</b>
Prior period adjustments	-	-	-	-	-	(11,100)	(13,315)	(248,506)	-	-	-	-
<b>NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	-	-	-	-	<b>(20,751)</b>	<b>(11,100)</b>	<b>26,375</b>	<b>(229,169)</b>	-	<b>594,930</b>	-	<b>(2,450)</b>
Savings on prior period's obligations	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to/from other funds	-	-	(31,969)	-	-	-	-	-	-	-	-	-
Credits to Member States	-	-	-	-	-	-	-	-	-	-	-	-
Other adjustments to reserves and fund balances	-	-	-	-	-	-	-	-	-	-	-	-
Reserves and fund balances, beginning of period	(252)	(252)	60,623	60,623	102,954	114,054	50,739	279,908	5,912	5,912	18,527	20,977
<b>RESERVES AND FUND BALANCES, END OF PERIOD</b>	<b>(252)</b>	<b>(252)</b>	<b>28,654</b>	<b>60,623</b>	<b>82,202</b>	<b>102,954</b>	<b>77,115</b>	<b>50,739</b>	<b>5,912</b>	<b>5,912</b>	<b>18,527</b>	<b>18,527</b>

5.4 Budgetary accounts: Income, expenditure and changes in reserves and fund balances - Trust Funds  
- For the period ended 31 December 2016 (expressed in euros) (continued)

	Trust Fund for Training		EU Council Decision 2015		International Support Network for Victims of Chemical Weapons		OPCW Nobel Prize Trust Fund		Trust Fund for Syria		Syria Trust Fund for the Destruction of Chemical Weapons	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>INCOME</b>												
Assessed annual contributions	-	-	-	-	-	-	-	-	-	-	-	-
Voluntary contributions	-	41,073	1,362,261	632,017	4,983	-	-	40,000	115,592	-	-	13,270
Miscellaneous income:												
Verification contributions under Articles IV & V	-	-	-	-	-	-	-	-	-	-	-	-
Assessed contributions - new Member States	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-	-	-	194	2,594
Currency-exchange gains	-	-	-	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-	-	-	4,213
<b>TOTAL INCOME</b>	<b>-</b>	<b>41,073</b>	<b>1,362,261</b>	<b>632,017</b>	<b>4,983</b>	<b>-</b>	<b>-</b>	<b>40,000</b>	<b>115,592</b>	<b>-</b>	<b>194</b>	<b>20,077</b>
<b>EXPENDITURE</b>												
Staff costs	-	-	25,663	33,279	-	-	-	-	-	318,435	313,330	297,293
Travel costs	140	514	205,535	227,220	-	16,694	-	3,949	-	75,628	86,261	660,051
Contractual services	9,371	19,430	158,207	148,560	4,874	11,254	-	2,404	-	44,260	296,484	1,593,999
Internships, grants, contributions to seminars and workshops	-	-	421	958	-	-	-	-	-	-	-	-
General operating expenses	-	10	24,308	7,314	-	157	45,000	45,450	-	160,004	359,173	1,035,833
Furniture and equipment	-	-	177,496	8,899	-	-	-	-	-	-	-	6,253,740
<b>TOTAL EXPENDITURE</b>	<b>9,511</b>	<b>19,954</b>	<b>591,630</b>	<b>426,230</b>	<b>4,874</b>	<b>28,105</b>	<b>45,000</b>	<b>51,802</b>	<b>-</b>	<b>598,327</b>	<b>1,055,249</b>	<b>9,840,916</b>
<b>EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>(9,511)</b>	<b>21,119</b>	<b>770,630</b>	<b>205,787</b>	<b>109</b>	<b>(28,105)</b>	<b>(45,000)</b>	<b>(11,803)</b>	<b>115,592</b>	<b>(598,326)</b>	<b>(1,055,054)</b>	<b>(9,820,839)</b>
Prior period adjustments	-	(3,451)	(326)	-	-	-	(607)	-	-	324,020	-	(154,947)
<b>NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>(9,511)</b>	<b>17,668</b>	<b>770,304</b>	<b>205,787</b>	<b>109</b>	<b>(28,105)</b>	<b>(45,607)</b>	<b>(11,803)</b>	<b>115,592</b>	<b>(274,305)</b>	<b>(1,055,054)</b>	<b>(9,975,785)</b>
Savings on prior period's obligations	-	-	6,869	-	1	-	149	-	-	-	70,902	1,618,781
Transfers to/from other funds	-	-	-	-	45,000	45,000	(45,000)	(45,000)	-	-	(13,734)	-
Credits to Member States	-	-	-	-	-	-	-	-	-	-	-	-
Other adjustments to reserves and fund balances	-	-	-	-	-	-	-	-	-	-	-	-
Reserves and fund balances, beginning of period	56,520	38,852	205,787	-	51,898	35,003	846,153	902,955	(88,740)	185,565	2,136,387	10,493,392
<b>RESERVES AND FUND BALANCES, END OF PERIOD</b>	<b>47,009</b>	<b>56,520</b>	<b>982,961</b>	<b>205,787</b>	<b>97,008</b>	<b>51,898</b>	<b>755,695</b>	<b>846,153</b>	<b>26,852</b>	<b>(88,740)</b>	<b>1,138,501</b>	<b>2,136,387</b>

5.4 Budgetary accounts: Income, expenditure and changes in reserves and fund balances - Trust Funds  
- For the period ended 31 December 2016 (expressed in euros) (continued)

	Trust Fund for Syria Missions		Trust Fund for Support to Iraq		Trust Fund for Temporary Support to Libya		Trust Fund for Support to Libya		Trust Fund of Canada for Libya		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>INCOME</b>												
Assessed annual contributions	-	-	-	-	-	-	-	-	-	-	-	-
Voluntary contributions	6,926,493	600,000	411,382	-	-	-	1,268,214	-	-	-	10,485,887	1,927,840
Miscellaneous income:												
Verification contributions under Articles IV & V	-	-	-	-	-	-	-	-	-	-	-	-
Assessed contributions - new Member States	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	161	-	-	-	-	-	-	-	6,381	160	7,238	2,847
Currency-exchange gains	-	-	-	-	-	-	-	-	-	-	-	-
Other income	300,329	-	-	-	-	-	-	-	-	-	664,407	1,281,112
<b>TOTAL INCOME</b>	<b>7,226,983</b>	<b>600,000</b>	<b>411,382</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,268,214</b>	<b>-</b>	<b>6,381</b>	<b>160</b>	<b>11,157,532</b>	<b>3,211,799</b>
<b>EXPENDITURE</b>												
Staff costs	1,920,491	-	-	-	-	-	63,136	-	-	-	2,536,059	1,895,805
Travel costs	741,119	-	19,242	-	31,004	-	22,726	-	4,925	2,271	1,426,342	1,363,872
Contractual services	2,620,769	5,070	448,556	-	-	-	84,355	-	55,050	59,251	3,830,885	1,943,612
Internships, grants, contributions to seminars and workshops	-	-	-	-	-	-	-	-	-	-	28,098	958
General operating expenses	669,768	-	34,791	-	2,628	-	259,440	-	-	11	1,401,681	1,387,532
Furniture and equipment	42,239	-	-	-	4,001	-	-	-	17,216	2,150,206	240,951	8,428,854
<b>TOTAL EXPENDITURE</b>	<b>5,994,386</b>	<b>5,070</b>	<b>502,588</b>	<b>-</b>	<b>37,633</b>	<b>-</b>	<b>429,656</b>	<b>-</b>	<b>77,191</b>	<b>2,211,739</b>	<b>9,464,017</b>	<b>15,020,633</b>
<b>EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>1,232,596</b>	<b>594,930</b>	<b>(91,207)</b>	<b>-</b>	<b>(37,633)</b>	<b>-</b>	<b>838,558</b>	<b>-</b>	<b>(70,809)</b>	<b>(2,211,578)</b>	<b>1,693,515</b>	<b>(11,808,831)</b>
Prior period adjustments	-	-	-	-	-	-	-	-	(19,835)	-	(35,195)	(225,968)
<b>NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>1,232,596</b>	<b>594,930</b>	<b>(91,207)</b>	<b>-</b>	<b>(37,633)</b>	<b>-</b>	<b>838,558</b>	<b>-</b>	<b>(90,644)</b>	<b>(2,211,578)</b>	<b>1,658,320</b>	<b>(12,034,798)</b>
Savings on prior period's obligations	-	-	-	-	-	-	-	-	29,912	-	113,962	1,683,036
Transfers to/from other funds	13,734	-	-	-	40,000	-	-	-	-	-	-	-
Credits to Member States	-	-	-	-	-	-	-	-	-	-	-	-
Other adjustments to reserves and fund balances	-	-	-	-	-	-	-	-	-	-	-	-
Reserves and fund balances, beginning of period	594,930	-	-	-	-	-	-	-	120,198	2,331,776	6,398,700	16,750,461
<b>RESERVES AND FUND BALANCES, END OF PERIOD</b>	<b>1,841,260</b>	<b>594,930</b>	<b>(91,207)</b>	<b>-</b>	<b>2,367</b>	<b>-</b>	<b>838,558</b>	<b>-</b>	<b>59,465</b>	<b>120,198</b>	<b>8,170,981</b>	<b>6,398,699</b>

5.5 Budgetary accounts: Statement of cash surpluses - General Fund  
- as at 31 December 2016 (expressed in euros)

<b>PROVISIONAL CASH SURPLUS - CURRENT YEAR</b>	<b>2016</b>	<b>2015</b>
Receipts	62,255,130	64,023,400
Disbursements	(61,447,519)	(66,294,117)
<b>EXCESS / (SHORTFALL) OF RECEIPTS OVER DISBURSEMENTS</b>	<b>807,611</b>	<b>(2,270,717)</b>
Unliquidated obligations	(3,256,746)	(2,687,631)
Transfers to/from other funds	-	-
<b>PROVISIONAL SURPLUS / (DEFICIT) AS AT END OF THE REPORTING PERIOD</b>	<b>(2,449,135)</b>	<b>(4,958,348)</b>
<b>BUDGETARY SURPLUS</b>		
Contributions receivable	3,875,053	3,425,318
Miscellaneous income receivable	762,204	1,900,519
Transfers to/from other funds	-	-
<b>EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE - (STATEMENT I) BUDGETARY SURPLUS</b>	<b>2,188,122</b>	<b>367,489</b>
<b>FINAL CASH SURPLUS - PRIOR YEAR</b>	<b>2015</b>	<b>2014</b>
<b>PROVISIONAL SURPLUS / (DEFICIT)</b>	(4,958,348)	(5,521,998)
Receipt of:		
Arrears from prior years' annual contributions	4,768,143	2,752,252
Miscellaneous income from prior years	1,207,073	1,387,534
Savings on prior period's obligations (paragraph 5.11)	720,183	796,236
<b>PRIOR YEAR CASH SURPLUS / (DEFICIT)</b>	<b>1,737,052</b>	<b>(585,976)</b>
Prior period adjustment		
Prior period transfers from the General Fund to special accounts	252,850	(94,257)
	-	-
<b>FINAL CASH SURPLUS<sup>9</sup> / (DEFICIT)</b>	<b>1,989,901</b>	<b>(680,233)</b>

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Final cash surpluses identified for any past period are allocated to States Parties in accordance with Financial Regulation 6.3 and the scale of assessment for the period to which the cash surplus relates. The allocation is applied only to amounts owed to the OPCW by a State Party, and for States Parties which have paid their respective contributions in full for the period to which a cash surplus relates. In the IPSAS-based financial statements, cash surpluses are recognised as liabilities.

5.6 Status of assessed annual contributions - General Fund - as at 31 December 2016 (expressed in euros)

Member State	Outstanding Contributions from the Prep. Comm. 1993 - 1997	Outstanding Annual Contributions 1997 - 2014	2015 Annual Contributions			2016 Annual Contributions			Total Balance Outstanding 1993 - 2016	Overpayments and Payments in Advance
			Assessment	Receipts	Balance Outstanding	Assessment	Receipts	Balance Outstanding		
Afghanistan	-	-	3,300	3,300	-	3,962	3,962	-	-	-
Albania	-	-	6,600	6,600	-	5,282	5,282	-	-	-
Algeria	-	-	90,422	90,422	-	106,303	106,303	-	-	-
Andorra	-	-	5,280	5,280	-	3,962	3,945	17	17	-
Angola	-	-	1,650	1,650	-	6,603	6,603	-	-	6,603
Antigua and Barbuda	-	13,776	1,320	-	1,320	1,321	-	1,321	16,417	-
Argentina	-	-	285,125	285,125	-	588,958	294,479	294,479	294,479	-
Armenia	-	-	4,620	4,620	-	3,962	3,962	-	-	-
Australia	-	-	1,368,865	1,368,865	-	1,543,044	1,543,044	-	-	-
Austria	-	-	526,689	526,689	-	475,392	475,392	-	-	-
Azerbaijan	-	-	26,400	26,400	-	39,616	39,616	-	-	-
Bahamas	-	-	11,220	11,220	-	9,244	9,244	-	-	-
Bahrain	-	-	25,740	25,740	-	29,052	28,994	58	58	-
Bangladesh	-	-	6,600	6,600	-	6,603	6,603	-	-	-
Barbados	-	-	5,280	5,280	-	4,622	4,622	-	-	-
Belarus	-	-	36,961	36,961	-	36,975	36,975	-	-	-
Belgium	-	-	658,692	658,692	-	584,336	584,336	-	-	-
Belize	-	-	655	16	639	655	-	655	1,294	-
Benin	-	3,864	1,980	-	1,980	1,981	-	1,981	7,825	-
Bhutan	-	-	655	655	-	655	655	-	-	-
Bolivia (Plurinational State of)	-	-	5,940	5,940	-	7,923	7,923	-	-	-
Bosnia and Herzegovina	-	-	11,220	11,220	-	8,583	8,583	-	-	-
Botswana	-	-	11,220	11,220	-	9,244	9,244	-	-	-
Brazil	-	-	1,936,475	1,936,475	-	2,524,201	25,488	2,498,713	2,498,713	-
Brunei Darussalam	-	-	17,160	17,160	-	19,148	19,148	-	-	-
Bulgaria	-	-	31,021	31,021	-	29,712	29,812	-	-	1,301
Burkina Faso	-	-	1,980	1,980	-	2,641	2,611	30	30	-
Burundi	-	-	655	655	-	655	655	-	-	-
Cambodia	-	-	2,640	2,640	-	2,641	2,641	-	-	-
Cameroon	-	2	7,920	-	7,920	6,603	-	6,603	14,525	-
Canada	-	-	1,969,475	1,969,475	-	1,928,640	1,928,640	-	-	1,928,640
Cabo Verde	-	237	655	-	655	655	-	655	1,547	-
Central African Republic	6,701	5,607	655	-	655	655	-	655	13,618	-
Chad	-	-	1,320	1,320	-	3,301	2,856	445	445	-
Chile	-	-	220,444	220,444	-	263,447	263,447	-	-	3,822
China	-	-	3,397,740	3,397,740	-	5,229,976	5,229,976	-	-	-
Colombia	-	-	170,943	-	170,943	212,606	-	212,606	383,549	-
Comoros	6,701	5,666	655	-	655	655	-	655	13,677	-
Congo	-	3,344	3,300	-	3,300	3,962	-	3,962	10,606	-
Cook Islands	-	-	655	655	-	655	627	28	28	-
Costa Rica	-	-	25,080	25,080	-	31,033	31,033	-	-	451
Côte d'Ivoire	-	-	7,260	7,260	-	5,942	5,942	-	-	-
Croatia	-	-	83,161	83,161	-	65,366	65,366	-	-	-

Member State	Outstanding Contributions from the Prep. Comm. 1993 - 1997	Outstanding Annual Contributions 1997 - 2014	2015 Annual Contributions			2016 Annual Contributions			Total Balance Outstanding 1993 - 2016	Overpayments and Payments in Advance
			Assessment	Receipts	Balance Outstanding	Assessment	Receipts	Balance Outstanding		
Cuba	-	-	45,541	45,541	-	42,917	154	42,763	42,763	-
Cyprus	-	-	31,021	31,021	-	28,391	28,391	-	-	-
Czech Republic	-	-	254,764	254,764	-	227,132	227,132	-	-	-
Democratic Republic of the Congo	6,651	18,891	1,980	-	1,980	5,282	-	5,282	32,804	-
Denmark	-	-	445,508	445,508	-	385,596	385,596	-	-	385,596
Djibouti	5,994	6,073	655	-	655	655	-	655	13,377	-
Dominica	4,302	9,204	655	-	655	655	-	655	14,816	-
Dominican Republic	9,113	159,438	29,701	-	29,701	30,372	-	30,372	228,624	-
Ecuador	-	-	29,041	29,041	-	44,238	43,825	413	413	-
El Salvador	6,701	198,331	10,560	-	10,560	9,244	-	9,244	224,836	-
Equatorial Guinea	-	-	6,600	6,599	1	6,603	-	6,603	6,604	-
Eritrea	-	-	655	655	-	655	655	-	-	655
Estonia	-	-	26,400	26,400	-	25,090	25,090	-	-	1,304
Ethiopia	-	-	6,600	6,600	-	6,603	6,603	-	-	13,280
Fiji	-	-	1,980	1,980	-	1,981	1,981	-	-	22
Finland	-	-	342,546	342,546	-	301,082	301,082	-	-	-
France	-	-	3,691,445	3,691,445	-	3,208,238	3,208,238	-	-	-
Gabon	-	-	13,200	62	13,138	11,225	-	11,225	24,363	-
Gambia	-	663	655	-	655	655	-	655	1,973	-
Georgia	-	-	4,620	4,620	-	5,282	5,282	-	-	-
Germany	-	-	4,713,143	4,713,143	-	4,218,448	4,218,448	-	-	-
Ghana	-	-	9,240	97	9,143	10,564	-	10,564	19,707	-
Greece	-	-	421,087	421,087	-	310,986	310,986	-	-	-
Grenada	-	2,972	655	-	655	655	-	655	4,282	-
Guatemala	-	-	17,820	17,820	-	18,487	18,487	-	-	501
Guinea	6,701	30,647	655	-	655	1,321	-	1,321	39,324	-
Guinea-Bissau	6,701	4,463	655	-	655	655	-	655	12,474	-
Guyana	-	-	655	655	-	1,321	1,321	-	-	17,698
Haiti	-	-	1,980	1,980	-	1,981	1,981	-	-	68
Holy See	-	-	655	655	-	655	655	-	-	-
Honduras	-	-	5,280	5,259	21	5,282	-	5,282	5,303	-
Hungary	-	-	175,563	175,563	-	106,303	106,303	-	-	-
Iceland	-	-	17,820	17,820	-	15,186	15,186	-	-	-
India	-	-	439,568	439,568	-	486,617	486,617	-	-	-
Indonesia	-	-	228,364	228,364	-	332,775	332,775	-	-	-
Iran (Islamic Republic of)	-	-	234,964	234,964	-	310,986	310,986	-	-	-
Iraq	-	-	44,881	44,881	-	85,174	85,174	-	-	-
Ireland	-	-	275,885	275,885	-	221,190	221,190	-	-	221,190
Italy	-	-	2,935,732	2,935,732	-	2,474,682	2,474,682	-	-	-
Jamaica	-	-	7,260	7,260	-	5,942	5,942	-	-	935
Japan	-	-	7,149,905	7,149,905	-	6,391,387	6,391,387	-	-	-
Jordan	-	-	14,520	14,520	-	13,205	13,205	-	-	-
Kazakhstan	-	-	79,861	79,861	-	126,111	126,111	-	-	-
Kenya	-	-	8,580	8,580	-	11,885	11,885	-	-	-
Kiribati	-	2,430	655	-	655	655	-	655	3,740	-

Member State	Outstanding Contributions from the Prep. Comm. 1993 - 1997	Outstanding Annual Contributions 1997 - 2014	2015 Annual Contributions			2016 Annual Contributions			Total Balance Outstanding 1993 - 2016	Overpayments and Payments in Advance
			Assessment	Receipts	Balance Outstanding	Assessment	Receipts	Balance Outstanding		
Kuwait	-	-	180,183	180,183	-	188,176	188,176	-	-	-
Kyrgyzstan	29,199	9,049	1,320	-	1,320	1,321	-	1,321	40,889	-
Lao People's Democratic Republic	-	-	1,320	1,320	-	1,981	1,981	-	-	-
Latvia	-	-	31,021	31,021	-	33,013	33,013	-	-	-
Lebanon	-	-	27,720	27,720	-	30,372	30,372	-	-	-
Lesotho	-	-	655	655	-	655	655	-	-	-
Liberia	-	-	655	655	-	655	655	-	-	14
Libya	-	94,965	93,722	-	93,722	82,533	-	82,533	271,220	-
Liechtenstein	-	-	5,940	5,940	-	4,622	4,622	-	-	-
Lithuania	-	-	48,181	48,181	-	47,539	47,539	-	-	47,539
Luxembourg	-	-	53,461	53,461	-	42,257	42,257	-	-	-
Madagascar	-	-	1,980	1,558	422	1,981	-	1,981	2,403	-
Malawi	-	-	1,320	1,320	-	1,321	16	1,305	1,305	-
Malaysia	-	-	185,463	185,463	-	212,606	212,606	-	-	-
Maldives	-	3,049	655	-	655	1,321	-	1,321	5,025	-
Mali	-	-	2,640	2,640	-	1,981	1,981	-	-	20,806
Malta	-	-	10,560	10,560	-	10,564	10,564	-	-	-
Marshall Islands	-	5,566	655	-	655	655	-	655	6,876	-
Mauritania	-	594	1,320	-	1,320	1,321	-	1,321	3,235	-
Mauritius	-	-	8,580	8,580	-	7,923	7,923	-	-	-
Mexico	-	-	1,215,742	1,215,742	-	947,483	947,483	-	-	-
Micronesia (Federated States of)	-	6,652	655	-	655	655	-	655	7,962	-
Monaco	-	-	7,920	7,920	-	6,603	6,603	-	-	-
Mongolia	-	-	1,980	1,980	-	3,301	539	2,762	2,762	-
Montenegro	-	-	3,300	3,300	-	2,641	2,641	-	-	-
Morocco	-	-	40,921	40,921	-	35,654	35,654	-	-	-
Mozambique	-	-	1,980	1,980	-	2,641	48	2,593	2,593	-
Myanmar	-	-	2,750	2,750	-	6,603	-	6,603	6,603	-
Namibia	-	-	6,600	-	6,600	6,603	-	6,603	13,203	-
Nauru	4,064	8,165	655	-	655	655	-	655	13,539	-
Nepal	-	-	3,960	3,960	-	3,962	3,962	-	-	57
Netherlands	-	-	1,091,660	1,091,660	-	978,516	978,516	-	-	978,516
New Zealand	-	-	166,983	166,983	-	176,952	176,952	-	-	176,952
Nicaragua	-	7,755	1,980	-	1,980	2,641	-	2,641	12,376	-
Niger	6,701	24,805	1,320	-	1,320	1,321	-	1,321	34,147	-
Nigeria	-	61,429	59,401	-	59,401	137,996	-	137,996	258,826	-
Niue	-	-	655	640	15	655	-	655	670	-
Norway	-	-	561,670	561,670	-	560,567	560,567	-	-	-
Oman	-	-	67,321	67,321	-	74,610	74,610	-	-	-
Pakistan	-	-	56,101	56,101	-	61,405	61,405	-	-	27,088
Palau	-	-	655	439	216	655	-	655	871	-
Panama	-	-	17,160	17,160	-	22,449	15,750	6,699	6,699	-
Papua New Guinea	-	-	2,640	2,640	-	2,641	2,641	-	-	-
Paraguay	-	31,957	6,600	-	6,600	9,244	-	9,244	47,801	-
Peru	-	-	77,221	77,221	-	89,796	60,547	29,249	29,249	-

Member State	Outstanding Contributions from the Prep. Comm. 1993 - 1997	Outstanding Annual Contributions 1997 - 2014	2015 Annual Contributions			2016 Annual Contributions			Total Balance Outstanding 1993 - 2016	Overpayments and Payments in Advance
			Assessment	Receipts	Balance Outstanding	Assessment	Receipts	Balance Outstanding		
Philippines	-	-	101,642	101,642	-	108,944	108,944	-	-	-
Poland	-	-	607,871	607,871	-	555,285	555,285	-	-	-
Portugal	-	-	312,845	312,845	-	258,825	258,825	-	-	-
Qatar	-	-	137,942	137,942	-	177,612	177,612	-	-	102,202
Republic of Korea	-	-	1,316,064	1,316,064	-	1,346,285	1,346,285	-	-	-
Republic of Moldova	-	-	1,980	1,980	-	2,641	2,641	-	-	-
Romania	-	-	149,163	149,163	-	121,489	121,489	-	-	-
Russian Federation	-	-	1,609,109	1,609,109	-	2,038,906	2,038,906	-	-	-
Rwanda	-	-	1,320	1,320	-	1,321	1,321	-	-	-
Saint Kitts and Nevis	-	-	655	655	-	655	655	-	-	-
Saint Lucia	-	-	655	655	-	655	640	15	15	-
Saint Vincent and the Grenadines	5,994	8,309	655	-	655	655	-	655	15,613	-
Samoa	-	-	655	655	-	655	655	-	-	-
San Marino	-	-	1,980	1,980	-	1,981	1,981	-	-	-
Sao Tome and Principe	-	7,685	655	-	655	655	-	655	8,995	-
Saudi Arabia	-	-	570,250	570,250	-	756,666	756,666	-	-	-
Senegal	-	-	3,960	97	3,863	3,301	-	3,301	7,164	-
Serbia	-	-	26,400	26,400	-	21,129	21,129	-	-	-
Seychelles	-	-	655	655	-	655	655	-	-	-
Sierra Leone	6,701	7,010	655	-	655	655	-	655	15,021	-
Singapore	-	-	253,444	253,444	-	295,139	295,139	-	-	-
Slovakia	-	-	112,862	112,862	-	105,643	105,643	-	-	-
Slovenia	-	-	66,001	66,001	-	55,462	55,462	-	-	-
Solomon Islands	-	3,739	655	-	655	655	-	655	5,049	-
Somalia	-	1,067	655	-	655	655	-	655	2,377	-
South Africa	-	-	245,524	245,524	-	240,337	240,337	-	-	240,337
Spain	-	-	1,962,215	1,962,215	-	1,613,034	1,613,034	-	-	-
Sri Lanka	-	-	16,500	16,500	-	20,468	20,468	-	-	20,468
Sudan	-	23	6,600	-	6,600	6,603	-	6,603	13,226	-
Suriname	-	-	2,640	2,640	-	3,962	-	3,962	3,962	-
Swaziland	-	-	1,980	1,980	-	1,321	1,321	-	-	-
Sweden	-	-	633,612	633,612	-	631,215	631,215	-	-	-
Switzerland	-	-	691,033	691,033	-	752,705	752,705	-	-	-
Syrian Arab Republic	-	-	23,760	23,760	-	15,846	15,846	-	-	-
Tajikistan	-	-	1,980	1,980	-	2,641	1,648	993	993	-
Thailand	-	-	157,743	157,743	-	192,138	192,138	-	-	-
The former Yugoslav Republic of Macedonia	-	-	5,280	5,280	-	4,622	4,622	-	-	-
Timor-Leste	-	-	1,320	46	1,274	1,981	-	1,981	3,255	-
Togo	-	-	655	655	-	655	640	15	15	-
Tonga	-	-	655	655	-	655	655	-	-	671
Trinidad and Tobago	-	-	29,041	29,041	-	22,449	22,449	-	-	-
Tunisia	-	-	23,760	23,760	-	18,487	18,487	-	-	-
Turkey	-	-	876,496	876,496	-	672,152	672,152	-	-	-
Turkmenistan	-	-	12,540	12,540	-	17,167	17,167	-	-	-

Member State	Outstanding Contributions from the Prep. Comm. 1993 - 1997	Outstanding Annual Contributions 1997 - 2014	2015 Annual Contributions			2016 Annual Contributions			Total Balance Outstanding 1993 - 2016	Overpayments and Payments in Advance
			Assessment	Receipts	Balance Outstanding	Assessment	Receipts	Balance Outstanding		
Tuvalu	-	1,578	655	-	655	655	-	655	2,888	-
Uganda	-	-	3,960	3,960	-	5,942	24	5,918	5,918	-
Ukraine	-	-	65,341	65,341	-	68,008	68,008	-	-	-
United Arab Emirates	-	-	392,707	392,707	-	398,801	398,801	-	-	-
United Kingdom of Great Britain and Northern Ireland	-	-	3,418,200	3,418,200	-	2,946,773	2,946,773	-	-	2,946,773
United Republic of Tanzania	-	6,034	5,940	-	5,940	6,603	-	6,603	18,577	-
United States of America	-	-	14,416,513	14,416,513	-	14,416,513	14,416,513	-	-	-
Uruguay	-	-	34,321	34,321	-	52,161	52,161	-	-	-
Uzbekistan	-	-	9,900	9,900	-	15,186	10,977	4,209	4,209	-
Vanuatu	-	6,308	655	-	655	655	-	655	7,618	-
Venezuela (Bolivarian Republic of)	-	423,456	413,827	-	413,827	377,013	-	377,013	1,214,296	-
Viet Nam	-	-	27,720	27,720	-	38,295	38,295	-	-	-
Yemen	-	20,015	6,600	-	6,600	6,603	-	6,603	33,218	-
Zambia	-	-	3,960	-	3,960	4,622	-	4,622	8,582	-
Zimbabwe	-	-	1,320	1,320	-	2,641	2,641	-	-	49
<b>Subtotal</b>	<b>112,224</b>	<b>1,204,818</b>	<b>65,534,000</b>	<b>64,654,619</b>	<b>879,381</b>	<b>65,529,600</b>	<b>61,654,647</b>	<b>3,875,053</b>	<b>6,071,476</b>	<b>7,143,538</b>
<b>New Members in 2016:</b>										
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total as at 31 December 2016</b>	<b>112,224</b>	<b>1,204,820</b>	<b>65,534,000</b>	<b>64,654,619</b>	<b>879,381</b>	<b>65,529,600</b>	<b>61,654,647</b>	<b>3,875,053</b>	<b>6,071,476</b>	<b>7,143,538</b>

5.7 Status of advances to the Working Capital Fund - As at 31 December 2016  
(expressed in euros)

Member State	Working Capital Fund Assessment			Receipts	Balance Outstanding	Transfers to Special Account for a New ERP <sup>10</sup>	WCF After Transfers to Special Account for a New ERP
	Original	Increment	Total				
Afghanistan	408	102	510	510	-	161	349
Albania	454	255	709	709	-	320	389
Algeria	7,958	3,877	11,835	11,835	-	5,020	6,815
Andorra	181	255	436	436	-	281	155
Angola	419	-	419	419	-	-	419
Antigua and Barbuda	142	158	300	-	300	178	122
Argentina	23,875	48,764	72,639	72,639	-	52,194	20,445
Armenia	2,487	102	2,589	2,589	-	459	2,130
Australia	73,615	81,205	154,820	154,820	-	91,780	63,040
Austria	43,274	43,816	87,090	87,090	-	50,033	37,057
Azerbaijan	501	255	756	756	-	327	429
Bahamas	732	865	1,597	1,597	-	970	627
Bahrain	995	1,530	2,525	2,525	-	1,673	852
Bangladesh	454	510	964	964	-	575	389
Barbados	412	487	899	899	-	546	353
Belarus	13,927	918	14,845	14,845	-	2,919	11,926
Belgium	50,237	54,528	104,765	104,765	-	61,745	43,020
Belize	45	51	96	96	-	57	39
Benin	454	102	556	556	-	167	389
Bhutan	46	53	99	99	-	60	39
Bolivia (Plurinational State of)	454	459	913	913	-	524	389
Bosnia and Herzegovina	454	153	607	607	-	218	389
Botswana	454	612	1,066	1,066	-	677	389
Brazil	80,579	77,685	158,264	158,264	-	89,261	69,003
Brunei Darussalam	995	1,734	2,729	2,729	-	1,877	852
Bulgaria	3,979	867	4,846	4,846	-	1,439	3,407
Burkina Faso	454	102	556	556	-	167	389
Burundi	454	51	505	505	-	116	389
Cambodia	95	105	200	200	-	119	81
Cameroon	454	408	862	862	-	473	389
Canada	154,692	143,486	298,178	298,178	-	165,708	132,470
Cabo Verde	45	51	96	96	-	57	39
Central African Republic	46	53	99	-	99	60	39
Chad	45	51	96	96	-	57	39
Chile	3,979	11,375	15,354	15,354	-	11,947	3,407
China	36,808	104,719	141,527	141,527	-	110,007	31,520
Colombia	4,970	7,906	12,876	12,876	-	8,620	4,256
Comoros	46	53	99	-	99	60	39
Congo	45	54	99	99	-	60	39
Cook Islands	454	51	505	505	-	116	389
Costa Rica	454	1,530	1,984	1,984	-	1,595	389
Côte d'Ivoire	454	510	964	964	-	575	389
Croatia	4,476	1,887	6,363	6,363	-	2,530	3,833
Cuba	2,487	2,193	4,680	4,680	-	2,550	2,130

<sup>10</sup>

In 2014, EUR 5,737,688 was transferred from the Working Capital Fund (WCF) to the special ERP fund based on the provisional Programme and Budget for 2015 (C-19/DEC.8). Following finalisation of the Programme and Budget for 2015, an additional amount of EUR 19,322 was transferred from WCF to the special ERP fund in 2015.

Member State	Working Capital Fund Assessment			Receipts	Balance Outstanding	Transfers to Special Account for a New ERP <sup>10</sup>	WCF After Transfers to Special Account for a New ERP
	Original	Increment	Total				
Cyprus	1,398	1,989	3,387	3,387	-	2,190	1,197
Czech Republic	12,435	9,335	21,770	21,770	-	11,121	10,649
Democratic Republic of the Congo	142	158	300	-	300	178	122
Denmark	35,813	36,624	72,437	72,437	-	41,769	30,668
Djibouti	46	53	99	-	99	60	39
Dominica	45	51	96	-	96	58	38
Dominican Republic	1,098	1,297	2,395	-	2,395	1,455	940
Ecuador	995	969	1,964	1,964	-	1,112	852
El Salvador	454	1,122	1,576	-	1,576	1,187	389
Equatorial Guinea	454	102	556	556	-	167	389
Eritrea	44	51	95	95	-	58	37
Estonia	685	612	1,297	1,297	-	710	587
Ethiopia	454	204	658	658	-	269	389
Fiji	454	204	658	658	-	269	389
Finland	30,839	27,187	58,026	58,026	-	31,617	26,409
France	319,332	307,579	626,911	626,911	-	353,453	273,458
Gabon	684	459	1,143	1,143	-	557	586
Gambia	454	51	505	505	-	116	389
Georgia	5,471	153	5,624	5,624	-	939	4,685
Germany	450,646	441,833	892,479	892,479	-	506,571	385,908
Ghana	454	204	658	658	-	269	389
Greece	18,900	27,034	45,934	45,934	-	29,749	16,185
Grenada	46	53	99	99	-	60	39
Guatemala	1,224	1,530	2,754	2,754	-	1,706	1,048
Guinea	454	153	607	-	607	218	389
Guinea-Bissau	45	54	99	-	99	60	39
Guyana	454	51	505	505	-	116	389
Haiti	142	158	300	300	-	178	122
Holy See	46	51	97	97	-	58	39
Honduras	237	263	500	500	-	297	203
Hungary	6,964	6,427	13,391	13,391	-	7,427	5,964
Iceland	1,492	1,734	3,226	3,226	-	1,948	1,278
India	15,419	21,474	36,893	36,893	-	23,689	13,204
Indonesia	6,527	7,243	13,770	13,770	-	8,181	5,589
Iran (Islamic Republic of)	22,383	8,008	30,391	30,391	-	11,223	19,168
Iraq	686	811	1,497	1,497	-	910	587
Ireland	10,445	17,853	28,298	28,298	-	19,354	8,944
Italy	261,135	249,175	510,310	510,310	-	286,689	223,621
Jamaica	274	408	682	682	-	447	235
Japan	778,435	993,029	1,771,464	1,771,464	-	1,104,856	666,608
Jordan	454	561	1,015	1,015	-	626	389
Kazakhstan	2,189	1,275	3,464	3,464	-	1,589	1,875
Kenya	454	459	913	913	-	524	389
Kiribati	45	51	96	96	-	58	38
Kuwait	9,451	8,263	17,714	17,714	-	9,621	8,093
Kyrgyzstan	45	51	96	-	96	57	39
Lao People's Democratic Republic	454	51	505	505	-	116	389
Latvia	3,979	765	4,744	4,744	-	1,337	3,407
Lebanon	1,555	1,838	3,393	3,393	-	2,061	1,332
Lesotho	454	51	505	505	-	116	389
Liberia	46	53	99	99	-	60	39
Libya	6,061	6,733	12,794	12,794	-	7,604	5,190

Member State	Working Capital Fund Assessment			Receipts	Balance Outstanding	Transfers to Special Account for a New ERP <sup>10</sup>	WCF After Transfers to Special Account for a New ERP
	Original	Increment	Total				
Liechtenstein	274	255	529	529	-	294	235
Lithuania	3,730	1,224	4,954	4,954	-	1,760	3,194
Luxembourg	3,482	3,928	7,410	7,410	-	4,428	2,982
Madagascar	138	153	291	291	-	173	118
Malawi	454	51	505	505	-	116	389
Malaysia	8,344	10,355	18,699	18,699	-	11,554	7,145
Maldives	454	51	505	505	-	116	389
Mali	454	102	556	556	-	167	389
Malta	454	714	1,168	1,168	-	779	389
Marshall Islands	45	51	96	96	-	57	39
Mauritania	454	51	505	505	-	116	389
Mauritius	454	561	1,015	1,015	-	626	389
Mexico	39,295	96,048	135,343	135,343	-	101,693	33,650
Micronesia (Federated States of)	46	51	97	97	-	58	39
Monaco	454	153	607	607	-	218	389
Mongolia	454	51	505	505	-	116	389
Montenegro	46	53	99	99	-	60	39
Morocco	1,492	2,397	3,889	3,889	-	2,611	1,278
Mozambique	45	51	96	96	-	58	38
Myanmar	419	-	419	419	-	-	419
Namibia	454	306	760	760	-	371	389
Nauru	45	51	96	96	-	58	38
Nepal	454	204	658	658	-	269	389
Netherlands	79,087	86,204	165,291	165,291	-	97,565	67,726
New Zealand	11,938	11,273	23,211	23,211	-	12,988	10,223
Nicaragua	46	51	97	97	-	58	39
Niger	454	51	505	-	505	116	389
Nigeria	1,826	2,142	3,968	3,968	-	2,404	1,564
Niue	46	53	99	99	-	60	39
Norway	27,854	34,635	62,489	62,489	-	38,636	23,853
Oman	1,990	3,571	5,561	5,561	-	3,857	1,704
Pakistan	2,984	2,805	5,789	5,789	-	3,234	2,555
Palau	45	51	96	96	-	57	39
Panama	454	969	1,423	1,423	-	1,034	389
Papua New Guinea	454	153	607	607	-	218	389
Paraguay	454	612	1,066	1,066	-	677	389
Peru	2,984	4,693	7,677	7,677	-	5,122	2,555
Philippines	2,985	4,846	7,831	7,831	-	5,275	2,556
Poland	16,414	23,515	39,929	39,929	-	25,873	14,056
Portugal	13,927	23,974	37,901	37,901	-	25,975	11,926
Qatar	1,990	3,265	5,255	5,255	-	3,551	1,704
Republic of Korea	40,787	91,610	132,397	132,397	-	97,469	34,928
Republic of Moldova	3,979	51	4,030	4,030	-	623	3,407
Romania	7,461	3,060	10,521	10,521	-	4,132	6,389
Russian Federation	212,391	56,108	268,499	268,499	-	86,619	181,880
Rwanda	45	51	96	96	-	57	39
Saint Kitts and Nevis	45	51	96	96	-	57	39
Saint Lucia	454	102	556	556	-	167	389
Saint Vincent and the Grenadines	45	51	96	-	96	57	39
Samoa	45	51	96	96	-	57	39
San Marino	91	153	244	244	-	166	78
Sao Tome and Principe	45	51	96	-	96	57	39

Member State	Working Capital Fund Assessment			Receipts	Balance Outstanding	Transfers to Special Account for a New ERP <sup>10</sup>	WCF After Transfers to Special Account for a New ERP
	Original	Increment	Total				
Saudi Arabia	35,315	36,369	71,684	71,684	-	41,442	30,242
Senegal	454	255	709	709	-	320	389
Serbia	1,185	969	2,154	2,154	-	1,139	1,015
Seychelles	454	102	556	556	-	167	389
Sierra Leone	45	51	96	-	96	57	39
Singapore	6,964	19,791	26,755	26,755	-	20,791	5,964
Slovakia	3,979	2,601	6,580	6,580	-	3,173	3,407
Slovenia	3,482	4,183	7,665	7,665	-	4,683	2,982
Solomon Islands	45	51	96	96	-	57	39
Somalia	45	54	99	-	99	60	39
South Africa	15,917	14,894	30,811	30,811	-	17,181	13,630
Spain	118,382	128,540	246,922	246,922	-	145,546	101,376
Sri Lanka	454	867	1,321	1,321	-	932	389
Sudan	318	408	726	726	-	454	272
Suriname	454	51	505	505	-	116	389
Swaziland	454	102	556	556	-	167	389
Sweden	61,179	50,906	112,085	112,085	-	59,695	52,390
Switzerland	60,186	61,057	121,243	121,243	-	69,703	51,540
Syrian Arab Republic	1,646	1,945	3,591	3,591	-	2,181	1,410
Tajikistan	995	51	1,046	1,046	-	194	852
Thailand	13,333	10,661	23,994	23,994	-	12,576	11,418
The former Yugoslav Republic of Macedonia	454	306	760	760	-	371	389
Timor-Leste	45	51	96	96	-	57	39
Togo	454	51	505	505	-	116	389
Tonga	45	51	96	96	-	57	39
Trinidad and Tobago	1,492	1,122	2,614	2,614	-	1,336	1,278
Tunisia	1,492	1,632	3,124	3,124	-	1,846	1,278
Turkey	18,902	18,975	37,877	37,877	-	21,690	16,187
Turkmenistan	1,492	255	1,747	1,747	-	469	1,278
Tuvalu	45	51	96	96	-	57	39
Uganda	45	306	351	351	-	312	39
Ukraine	50,819	1,989	52,808	52,808	-	9,289	43,519
United Arab Emirates	8,115	11,987	20,102	20,102	-	13,153	6,949
United Kingdom of Great Britain and Northern Ireland	264,618	312,527	577,145	577,145	-	350,541	226,604
United Republic of Tanzania	454	306	760	760	-	371	389
United States of America	1,134,451	1,111,127	2,245,578	2,245,578	-	1,274,097	971,481
Uruguay	1,990	2,448	4,438	4,438	-	2,734	1,704
Uzbekistan	6,466	714	7,180	7,180	-	1,643	5,537
Vanuatu	46	53	99	-	99	60	39
Venezuela (Bolivarian Republic of)	15,385	8,722	24,107	24,107	-	10,932	13,175
Viet Nam	454	1,071	1,525	1,525	-	1,136	389
Yemen	456	306	762	762	-	372	390
Zambia	91	102	193	193	-	115	78
Zimbabwe	454	357	811	811	-	422	389
<b>Subtotal</b>	<b>4,857,693</b>	<b>5,059,305</b>	<b>9,916,998</b>	<b>9,910,241</b>	<b>6,757</b>	<b>5,757,020</b>	<b>4,159,978</b>
<b>New Members in 2016:</b>							
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total as at 31 December 2016</b>	<b>4,857,693</b>	<b>5,059,305</b>	<b>9,916,998</b>	<b>9,910,241</b>	<b>6,757</b>	<b>5,757,020</b>	<b>4,159,978</b>
<b>Total as at 31 December 2015</b>	<b>4,857,693</b>	<b>5,059,305</b>	<b>9,916,998</b>	<b>9,910,241</b>	<b>6,757</b>	<b>5,757,020</b>	<b>4,159,978</b>

5.8 Budgetary accounts: Statement of expenditure by funding programme and major expenditure category - General Fund  
 - (expressed in euros)

(a) For the period ended 31 December 2016:

Funding Programme	Staff Costs	Travel Costs	Contractual Services	Workshops, Seminars and Meetings	General Operating Expenses	Furniture and Equipment	Total Expenditure
Programme 1. Verification	6,068,813	115,982	401,088	-	178,556	576,492	<b>7,340,932</b>
Programme 2. Inspections	16,394,695	2,985,261	1,128,298	-	633,008	180,787	<b>21,322,049</b>
<b>Total verification costs (Chapter 1)</b>	<b>22,463,508</b>	<b>3,101,243</b>	<b>1,529,386</b>	-	<b>811,565</b>	<b>757,279</b>	<b>28,662,981</b>
Programme 3. International Cooperation and Assistance	2,908,780	2,792,324	389,322	452,754	118,700	(1,900)	<b>6,659,980</b>
Programme 4. Support to the Policy-Making Organs	3,920,844	256,227	337,489	-	291,900	-	<b>4,806,460</b>
Programme 5. External Relations	1,657,530	14,796	96,156	-	103,943	13,035	<b>1,885,459</b>
Programme 6. Executive Management	7,811,891	393,387	562,722	-	95,847	334,192	<b>9,198,039</b>
Programme 7. Administration	7,361,480	49,958	1,322,774	-	4,417,548	339,585	<b>13,491,345</b>
<b>Total administrative and other costs (Chapter 2)</b>	<b>23,660,525</b>	<b>3,506,692</b>	<b>2,708,463</b>	<b>452,754</b>	<b>5,027,938</b>	<b>684,912</b>	<b>36,041,284</b>
<b>TOTAL EXPENDITURE</b>	<b>46,124,033</b>	<b>6,607,935</b>	<b>4,237,849</b>	<b>452,754</b>	<b>5,839,503</b>	<b>1,442,191</b>	<b>64,704,265</b>

(b) For the period ended 31 December 2015:

Funding Programme	Staff Costs	Travel Costs	Contractual Services	Workshops, Seminars and Meetings	General Operating Expenses	Furniture and Equipment	Total Expenditure
Programme 1. Verification	5,680,300	174,839	402,315	-	131,917	327,078	<b>6,716,449</b>
Programme 2. Inspections	20,212,186	3,830,990	1,881,934	-	673,736	167,320	<b>26,766,166</b>
<b>Total verification costs (Chapter 1)</b>	<b>25,892,486</b>	<b>4,005,829</b>	<b>2,284,249</b>	-	<b>805,653</b>	<b>494,398</b>	<b>33,482,615</b>
Programme 3. International Cooperation and Assistance	2,642,508	2,891,114	307,589	648,598	127,711	-	<b>6,617,520</b>
Programme 4. Support to the Policy-Making Organs	3,857,611	254,590	366,629	-	429,579	-	<b>4,908,409</b>
Programme 5. External Relations	1,537,870	57,109	166,419	-	125,994	7,730	<b>1,895,122</b>
Programme 6. Executive Management	7,971,527	425,304	435,903	-	85,650	20,082	<b>8,938,466</b>
Programme 7. Administration	7,218,362	52,456	1,245,759	-	4,394,614	228,425	<b>13,139,616</b>
<b>Total administrative and other costs (Chapter 2)</b>	<b>23,227,878</b>	<b>3,680,573</b>	<b>2,522,299</b>	<b>648,598</b>	<b>5,163,548</b>	<b>256,237</b>	<b>35,499,133</b>
<b>TOTAL EXPENDITURE</b>	<b>49,120,364</b>	<b>7,686,402</b>	<b>4,806,548</b>	<b>648,598</b>	<b>5,969,201</b>	<b>750,635</b>	<b>68,981,748</b>

5.9 Budgetary accounts: Statement of budgetary obligations by funding programme and major expenditure category - General Fund  
- (expressed in euros)

(a) For the period ended 31 December 2016:

Funding Programme	Staff Costs	Travel Costs	Contractual Services	Workshops, Seminars and Meetings	General Operating Expenses	Furniture and Equipment	Total Budgetary Obligations
Programme 1. Verification	157,638	1,778	32,396	-	5,182	32,341	229,335
Programme 2. Inspections	468,627	291,559	306,469	-	73,719	49,367	1,189,741
<b>Total verification costs (Chapter 1)</b>	<b>626,265</b>	<b>293,337</b>	<b>338,865</b>	<b>-</b>	<b>78,901</b>	<b>81,708</b>	<b>1,419,076</b>
Programme 3. International Cooperation and Assistance	46,191	136,600	51,622	143,524	6,143	-	384,080
Programme 4. Support to the Policy-Making Organs	54,661	18,907	36,771	-	24,983	-	135,322
Programme 5. External Relations	9,810	-	4,234	-	3,156	242	17,442
Programme 6. Executive Management	136,533	15,231	127,386	-	14,086	12,873	306,109
Programme 7. Administration	145,608	71	97,287	-	96,446	86,190	425,602
<b>Total administrative and other costs (Chapter 2)</b>	<b>392,803</b>	<b>170,809</b>	<b>317,300</b>	<b>143,524</b>	<b>144,814</b>	<b>99,305</b>	<b>1,268,555</b>
<b>TOTAL EXPENDITURE</b>	<b>1,019,068</b>	<b>464,146</b>	<b>656,165</b>	<b>143,524</b>	<b>223,715</b>	<b>181,013</b>	<b>2,687,631</b>

(b) For the period ended 31 December 2015:

Funding Programme	Staff Costs	Travel Costs	Contractual Services	Workshops, Seminars and Meetings	General Operating Expenses	Furniture and Equipment	Total Budgetary Obligations
Programme 1. Verification	129,930	6,946	86,078	-	8,910	315,052	<b>546,916</b>
Programme 2. Inspections	476,008	186,108	195,482	-	86,945	7,009	<b>951,551</b>
<b>Total verification costs (Chapter 1)</b>	<b>605,938</b>	<b>193,054</b>	<b>281,560</b>	-	<b>95,855</b>	<b>322,060</b>	<b>1,498,467</b>
Programme 3. International Cooperation and Assistance	77,289	100,947	47,170	41,068	8,264	-	<b>274,738</b>
Programme 4. Support to the Policy-Making Organs	40,590	2,339	7,046	-	36,082	-	<b>86,058</b>
Programme 5. External Relations	44,204	361	10,041	-	1,080	1,936	<b>57,621</b>
Programme 6. Executive Management	105,263	23,879	99,891	-	16,147	300,107	<b>545,286</b>
Programme 7. Administration	102,664	2,587	286,786	-	176,295	226,245	<b>794,576</b>
<b>Total administrative and other costs (Chapter 2)</b>	<b>370,009</b>	<b>130,113</b>	<b>450,933</b>	<b>41,068</b>	<b>237,868</b>	<b>528,288</b>	<b>1,758,279</b>
<b>TOTAL EXPENDITURE</b>	<b>975,947</b>	<b>323,167</b>	<b>732,493</b>	<b>41,068</b>	<b>333,722</b>	<b>850,348</b>	<b>3,256,746</b>

5.10 Budgetary accounts: Statement of budgetary obligations by funding programme and major expenditure category - Special Accounts, Voluntary Fund for Assistance and Trust Funds - (expressed in euros)

(a) For the period ended 31 December 2016:

Fund	Staff Costs	Travel Costs	Contractual Services	Workshops, Seminars and Meetings	General Operating Expenses	Furniture and Equipment	Total Budgetary Obligations
<b>Special Accounts</b>							
Designated laboratories	-	-	-	-	-	-	-
Implementation of a new ERP system	-	962	69,292	-	141,615	-	211,869
Special fund for special missions	-	-	12,451	-	-	-	12,451
<b>Subtotal</b>	-	<b>962</b>	<b>81,743</b>	-	<b>141,615</b>	-	<b>224,320</b>
<b>Trust Funds</b>							
Trust fund for programme support costs	-	-	6,554	-	-	-	6,554
Trust fund for EU Council Decision 2015	-	10,081	51,908	-	100	154,396	216,485
Regional seminars	-	80,051	9,764	-	2,460	-	92,275
Trust fund for Implementation of Article X	-	21,706	3,460	-	1,038	-	26,204
United States voluntary fund	-	-	2,874	-	-	-	2,874
Trust fund for Implementation of Article VII	-	-	-	-	111	-	111
Scientific Advisory Board	-	8	-	-	-	-	8
Trust fund of Canada for Libya	-	-	-	-	74,173	-	74,173
Trust Fund for Syria Missions	900,037	198,168	1,741,238	-	439,825	-	3,279,268
Syria Trust Fund for the Destruction of Chemical Weapons	313,330	30,079	443,348	-	680,228	384,443	1,851,428
Trust fund for support to Libya	100	2,017	53,869	-	2,481	-	58,466
<b>Subtotal</b>	<b>1,213,467</b>	<b>342,110</b>	<b>2,313,014</b>	-	<b>1,200,416</b>	<b>538,839</b>	<b>5,607,846</b>
<b>Grand total</b>	<b>1,213,467</b>	<b>343,072</b>	<b>2,394,757</b>	-	<b>1,342,031</b>	<b>538,839</b>	<b>5,832,166</b>

(b) For the period ended 31 December 2015:

Fund	Staff Costs	Travel Costs	Contractual Services	Workshops, Seminars and Meetings	General Operating Expenses	Furniture and Equipment	Total Budgetary Obligations
<b>Special Accounts</b>							
Designated laboratories	-	-	21,348	-	-	-	21,348
Implementation of a new ERP system	-	-	24,387	-	381	-	24,768
Special fund for special missions	-	3,203	57,648	-	6,050	-	66,901
<b>Subtotal</b>	-	<b>3,203</b>	<b>103,383</b>	-	<b>6,431</b>	-	<b>113,017</b>
<b>Trust Funds</b>							
Trust fund for programme support costs	-	-	5,963	-	-	-	5,963
Trust fund for EU Council Decision 2015	-	45,246	4,856	435	829	-	51,366
Regional seminars	-	17,653	2,000	-	358	-	20,011
United States voluntary fund	-	-	-	-	45	-	45
Scientific Advisory Board	-	1,928	-	-	-	-	1,928
Trust fund of Canada for Libya	-	-	61,047	-	-	1,878,604	1,939,651
Trust fund for the International Support Network for Victims of Chemical Weapons	-	-	-	-	20	-	20
OPCW Nobel Prize trust fund	-	7	2,404	-	-	-	2,411
Trust Fund for Syria Missions	-	-	5,070	-	-	-	5,070
Syria Trust Fund for the Destruction of Chemical Weapons	3,112,234	607,911	16,020,602	-	4,366,733	902,564	25,010,044
<b>Subtotal</b>	<b>3,112,234</b>	<b>672,745</b>	<b>16,101,942</b>	<b>435</b>	<b>4,367,985</b>	<b>2,781,168</b>	<b>27,036,509</b>
<b>Grand total</b>	<b>3,112,234</b>	<b>675,945</b>	<b>16,205,324</b>	<b>435</b>	<b>4,374,416</b>	<b>2,781,168</b>	<b>27,149,522</b>

5.11 Budgetary accounts: Statement of savings on prior year's obligations - General Fund  
(expressed in euros)

(a) For the period ended 31 December 2016

Funding Programme	Unliquidated Obligations as at End of 2015	Disbursements During 2016	Savings on Prior Year's Obligations
Programme 1. Verification	229,335	182,397	46,939
Programme 2. Inspections	1,189,741	821,564	368,177
<b>Total verification costs (Chapter 1)</b>	<b>1,419,076</b>	<b>1,003,961</b>	<b>415,115</b>
Programme 3. International Cooperation and Assistance	384,080	285,042	99,038
Programme 4. Support to the Policy-Making Organs	135,322	86,079	49,242
Programme 5. External Relations	17,442	10,688	6,755
Programme 6. Executive Management	306,108	233,728	72,380
Programme 7. Administration	425,603	347,949	77,654
<b>Total administrative and other costs (Chapter 2)</b>	<b>1,268,555</b>	<b>963,487</b>	<b>305,068</b>
<b>TOTAL</b>	<b>2,687,631</b>	<b>1,967,448</b>	<b>720,183</b>

(b) For the period ended 31 December 2015

Funding Programme	Unliquidated Obligations as at End of 2014	Disbursements During 2015	Savings on Prior Year's Obligations
Programme 1. Verification	409,049	398,115	7,497
Programme 2. Inspections	1,715,313	1,259,192	455,009
<b>Total verification costs (Chapter 1)</b>	<b>2,124,362</b>	<b>1,657,307</b>	<b>462,506</b>
Programme 3. International Cooperation and Assistance	268,229	234,734	33,543
Programme 4. Support to the Policy-Making Organs	192,543	120,669	71,874
Programme 5. External Relations	73,114	73,156	14,102
Programme 6. Executive Management	272,785	197,127	80,158
Programme 7. Administration	854,439	706,241	134,052
<b>Total administrative and other costs (Chapter 2)</b>	<b>1,661,110</b>	<b>1,331,927</b>	<b>333,730</b>
<b>TOTAL</b>	<b>3,785,472</b>	<b>2,989,234</b>	<b>796,236</b>

5.12 Budgetary accounts: Statement of savings on prior year's obligations - Trust Funds, Special Accounts and Voluntary Fund for Assistance (expressed in euros)

(a) For the period ended 31 December 2016

Funding Programme	Unliquidated Obligations as at End of 2015	Disbursements During 2016	Savings on Prior Year's Obligations
OPCW Equipment Store	21,348	-	21,348
Special account for the implementation of a new ERP system	24,767	17,927	(38)
Special fund for OPCW special missions	66,901	9,363	57,534.98
<b>Total special accounts and Voluntary Fund for Assistance</b>	<b>113,016</b>	<b>27,290</b>	<b>78,844</b>
Trust fund for regional seminars	20,011	13,920	6,091
European Union support for OPCW activities 2012	51,366	44,497	6,869
United States voluntary trust fund	45	-	45
Trust Fund of Canada for Libya	1,939,651	1,835,567	29,912
Trust fund for the Scientific Advisory Board	1,928	1,935	(7)
Trust Fund for the International Support Network for Victims of Chemical Weapons	20	19	1
Syria trust fund for the destruction of chemical weapons	24,997,627	23,817,794	70,902
Trust fund for programme support costs	5,963	5,963	-
OPCW Nobel Peace Prize trust fund	2,410	2,262	149
<b>Total trust funds</b>	<b>27,019,021</b>	<b>25,721,957</b>	<b>113,962</b>

(b) For the period ended 31 December 2015

Funding Programme	Unliquidated Obligations as at End of 2014	Disbursements During 2015	Savings on Prior Year's Obligations
OPCW Equipment Store	3,143	3,131	12
Designated laboratories	131,473	131,473	-
<b>Total special accounts and Voluntary Fund for Assistance</b>	<b>134,616</b>	<b>134,604</b>	<b>12</b>
Regional seminars	69,029	39,027	30,002
United States voluntary fund	14,974	2,007	12,968
Trust fund of Canada for Libya	51,122	-	-
European Union support for OPCW activities 2012	247,611	226,326	21,285
Trust Fund for Syria	186,265	186,265	-
Syria Trust Fund for the Destruction of Chemical Weapons	35,263,499	9,459,151	1,618,781
Trust fund for programme support costs	2,856	2,856	-
<b>Total trust funds</b>	<b>35,835,356</b>	<b>9,915,631</b>	<b>1,683,036</b>

5.13 Budgetary accounts: Statement of cash surpluses credited to Member States - General Fund  
- During the period ended 31 December 2016 (expressed in euros)

Member State	Cash Surpluses Applied During 2016		Total
	2011	1993-2010	
Grenada	-	16	16
Jamaica	227	708	935
Madagascar	49	-	49
Nicaragua	-	42	42
Paraguay	-	2,207	2,207
Uzbekistan	162	35	197
Zimbabwe	49	-	49
<b>TOTAL</b>	<b>487</b>	<b>3,008</b>	<b>3,495</b>

- (a) At its Nineteenth Session the Conference (C-19/DEC.9, dated 3 December 2014) approved the suspension by States Parties, on an exceptional basis, of the application of Financial Regulation 6.3 of the OPCW with regard to the allocation of the EUR 2,152,063 cash surplus for 2012 among States Parties, and approved the transfer of the cash surplus for 2012 to a special ERP fund to be established for the purpose of implementation of a new ERP system.
- (b) At its Twentieth Session the Conference (C-20/DEC.11, dated 3 December 2015) approved the suspension by States Parties, on an exceptional basis, of the application of Financial Regulation 6.3 of the OPCW with regard to the allocation of the EUR 1,530,991 cash surplus for 2013 among States Parties, and approved the transfer of the cash surplus for 2013 to a special fund for OPCW special missions.
- (c) In the 2015 Financial Statements (EC-83/DG.1 C-21/DG.5, dated 8 August 2016), the OPCW reported a final cash deficit for 2014 of EUR 680,232.
- (d) No cash surpluses relating to 2012, 2013 or 2014 were therefore applied in 2016.

5.14 Budgetary accounts: Reimbursements for inspections invoiced under Articles IV and V of the Chemical Weapons Convention  
- As at 31 December 2016 (expressed in euros)

(a) General Fund:

Member State	Total Outstanding 1997-2015	2016 Article IV and V Contributions			Total Balance Outstanding 1997-2016	Income Accrued	Total	Overpayment
		Invoiced	Receipts	Balance Outstanding				
France	-	-	-	-	-	-	1,691	
Libya	466,997	-	-	-	466,997	-	-	
Russian Federation	-	593,727	362,302	231,425	231,425	-	-	
Syrian Arab Republic	3,956,574	56,291	-	56,291	4,012,865	-	-	
United States of America	-	435,971	143,518	292,453	292,453	48,777	-	
<b>Total as at 31 December 2016</b>	<b>4,423,571</b>	<b>1,085,989</b>	<b>505,820</b>	<b>580,169</b>	<b>5,003,740</b>	<b>48,777</b>	<b>1,691</b>	
<b>Total as at 31 December 2015</b>	<b>3,731,106</b>	<b>3,425,861</b>	<b>1,525,341</b>	<b>1,900,520</b>	<b>5,631,626</b>	<b>-</b>	<b>2,673</b>	

2016 Income		
Invoiced in 2016	Income Accrued	Total Income
-	-	-
-	-	-
593,727	-	593,727
56,291	-	56,291
435,971	48,777	484,748
<b>1,085,989</b>	<b>48,777</b>	<b>1,134,766</b>
<b>3,425,861</b>	<b>-</b>	<b>3,425,861</b>

(b) Trust Funds:

Member State	Total Outstanding 1997-2015	2016 Articles IV and V Contributions			Total Balance Outstanding 1997-2016	Income Accrued	Total	Overpayment
		Invoiced*	Receipts	Balance Outstanding				
Libya	465,525	-	-	-	465,525	-	-	
Syrian Arab Republic	-	232,658	-	232,658	232,658	15,211	-	
<b>Total as at 31 December 2016</b>	<b>465,525</b>	<b>232,658</b>	<b>-</b>	<b>232,658</b>	<b>698,183</b>	<b>15,211</b>	<b>-</b>	
<b>Total as at 31 December 2015</b>	<b>465,525</b>	<b>-</b>	<b>-</b>	<b>465,525</b>	<b>465,525</b>	<b>-</b>	<b>-</b>	

2016 Income		
Invoiced in 2016	Income Accrued	Total Income
-	-	-
232,658	15,211	247,869
<b>232,658</b>	<b>15,211</b>	<b>247,869</b>
<b>-</b>	<b>-</b>	<b>-</b>

\* The amount shown as invoiced under the trust funds table is held as a liability refundable to donors.

5.15 Voluntary contributions by donors (expressed in euros)

<b>Donor</b>	<b>2016<sup>11</sup></b>
<b><u>Regional Seminars</u></b>	
Republic of Korea	73,381
Qatar	153,956
<b>Subtotal</b>	<b>227,337</b>
<b><u>Implementation of Article X</u></b>	
Czech Republic	7,362
Canada	140,000
<b>Subtotal</b>	<b>147,362</b>
<b><u>Scientific Advisory Board</u></b>	
New Zealand	22,264
<b>Subtotal</b>	<b>22,264</b>
<b><u>Trust Fund for EU Council Decision 2015</u></b>	
European Union (EU)	1,362,260
<b>Subtotal</b>	<b>1,362,260</b>
<b><u>Trust Fund for the International Support Network for Victims of Chemical Weapons</u></b>	
Andorra	4,983
<b>Subtotal</b>	<b>4,983</b>
<b><u>Trust Fund for Syria</u></b>	
European Union (EU)	115,592
<b>Subtotal</b>	<b>115,592</b>
<b><u>Trust Fund for Syria Missions</u></b>	
Canada	2,500,000
Chile	13,036
European Union (EU)	1,832,370
Finland	52,500
France	250,000
Monaco	10,000
New Zealand	57,752
Republic of Korea	139,238
Sweden	103,762
Switzerland	181,324
United States	1,786,512
<b>Subtotal</b>	<b>6,926,494</b>

<sup>11</sup>

The following contributions were received in 2016 and deferred to 2017:

**Regional seminars:**

Republic of Korea EUR 77,153

**Implementation of Article X:**

Czech Republic EUR 7,365

**International Support Network for Victims of Chemical Weapons:**

Republic of Korea EUR 67,509

**Trust Fund for Syria Missions:**

France EUR 240,000

**Total EUR 392,027**

<b>Donor</b>	<b>2016</b>
<b><u>Trust Fund for Support to Iraq</u></b>	
Canada	411,382
<b>Subtotal</b>	<b>411,382</b>
<b><u>Trust Fund for Support to Libya</u></b>	
Canada	500,000
Cyprus	3,000
Finland	500,000
New Zealand	25,000
United States	240,214
<b>Subtotal</b>	<b>1,268,214</b>
<b>Total Trust Funds</b>	<b>10,485,888</b>

#### 6. EX-GRATIA PAYMENTS

An ex-gratia payment of EUR 5,000 (2015: EUR nil) was made by the OPCW during the reporting period.

#### 7. STATEMENT OF LOSSES (FINANCIAL REGULATION 11.1(E))

During the 2016 financial year irrecoverable accounts receivables of EUR 1,694.46 have been written off based on proposals by the Secretariat approved by the Conference (C-21/DEC.8, dated 1 December 2016).

In addition, the OPCW Property Survey Board recommended during 2016 the write-off of further assets as losses.

**Annex 2**

**FINANCIAL STATEMENTS  
OF THE PROVIDENT FUND  
OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS  
(OPCW)  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**Statement by the Management Board of the Provident Fund of the OPCW**

The Management Board of the Provident Fund believes that the attached financial statements of the Provident Fund of the OPCW for the year ended 31 December 2016 are presented according to the requirements of:

- the *Charter and Administrative Rules of the Provident Fund of the OPCW*, including Article 11;
- the *OPCW Financial Regulations and Rules*, as applicable; and
- the *International Public Sector Accounting Standards (IPSAS)*.

It is the Board's opinion that the financial statements present a view that is consistent with its understanding of the Provident Fund's financial position as at 31 December 2016, financial performance, and cash flows for the year then ended.

The Hague, 22 May 2017

[Signed]

Hamid Ali Rao  
Chairperson, Management  
Board of the Provident Fund

**FINANCIAL STATEMENTS  
OF THE PROVIDENT FUND  
OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**THE PROVIDENT FUND OF THE OPCW**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**  
 (expressed in euro '000s)

	Notes	2016	2015
<b>Assets</b>			
<b>Current assets</b>			
Investments	6	455	536
Accounts receivable	7	-	-
Cash and cash equivalents	8	55,730	58,294
<b>Total current assets</b>		<b>56,185</b>	<b>58,830</b>
<b>Total assets</b>		<b>56,185</b>	<b>58,830</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	9	4,940	6,530
<b>Total current liabilities</b>		<b>4,940</b>	<b>6,530</b>
<b>Total liabilities</b>		<b>4,940</b>	<b>6,530</b>
<b>Net assets</b>		<b>51,245</b>	<b>52,300</b>
<b>Net assets/equity</b>			
Participants' capital accounts	11.1	51,154	52,226
Special reserves	11.2	80	63
Accumulated surplus/(deficit)	11.3	11	11
<b>Total net assets/equity</b>		<b>51,245</b>	<b>52,300</b>

**THE PROVIDENT FUND OF THE OPCW**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**  
(expressed in euro '000s)

	Notes	2016	2015
<b>Revenue</b>			
Interest income on Participants' capital accounts	12	621	926
Gain on changes in fair value of investments	6, 13	22	6
<b>Total revenue</b>		<b>643</b>	<b>932</b>
<b>Expenses</b>			
Bank charges	14.1	-	-
Loss on changes in fair value of investments	14.2	3	1
<b>Total expenses</b>		<b>3</b>	<b>1</b>
<b>Net finance income/(cost)</b>	15	<b>9</b>	<b>22</b>
<b>Net surplus/(deficit) for the period</b>		<b>649</b>	<b>953</b>
<b>Net surplus/(deficit) for the period</b>			
Attributable to Participants of the Provident Fund		649	953
Attributable to special reserve		-	-
Accumulated surplus/(deficit)		-	-
		<b>649</b>	<b>953</b>

**THE PROVIDENT FUND OF THE OPCW**  
**STATEMENT OF CHANGES IN NET ASSETS/EQUITY**  
(expressed in euro '000s)

	For the Year Ended 31 December 2016				For the Year Ended 31 December 2015			
	Participants' Capital Accounts	Special Reserve	Accumulated Surplus/ (Deficit)	Total Net Assets/ Equity	Participants' Capital Accounts	Special Reserve	Accumulated Surplus/ (Deficit)	Total Net Assets/ Equity
<b>Balance at 1 January</b>	<b>52,226</b>	<b>63</b>	<b>11</b>	<b>52,300</b>	<b>61,724</b>	<b>63</b>	<b>11</b>	<b>61,798</b>
Changes recognised in net assets/equity:								
Add: Current year contributions	10,349	-	-	<b>10,349</b>	11,574	-	-	<b>11,574</b>
Deduct: Payouts <sup>12</sup>	(12,070)	-	-	<b>(12,070)</b>	(22,025)	-	-	<b>(22,025)</b>
Other adjustments to net assets/equity:								
Transfer balances underpaid leavers to Special Reserve	-	<b>17</b>	-	<b>17</b>	-	-	-	-
<b>Subtotal</b>	<b>(1,721)</b>	<b>17</b>	-	<b>(1,704)</b>	<b>(10,451)</b>	-	-	<b>(10,451)</b>
Surplus/(deficit) for the period	649	-	-	<b>649</b>	953	-	-	<b>953</b>
<b>Total recognised revenue and expense for the period</b>	<b>649</b>	-	-	<b>649</b>	<b>953</b>	-	-	<b>953</b>
<b>Balance at 31 December</b>	<b>51,154</b>	<b>80</b>	<b>11</b>	<b>51,245</b>	<b>52,226</b>	<b>63</b>	<b>11</b>	<b>52,300</b>

<sup>12</sup> Payouts include transfers to the United Nations Joint Staff Pension Fund (UNJSPF) and payout requests outstanding at 31 December.

**THE PROVIDENT FUND OF THE OPCW**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**  
(expresses in euro '000s)

	Notes	2016	2015
<b>Cash from operating activities</b>			
Net surplus/(deficit) for the period		649	953
<b>Non-cash movements</b>			
Increase / (decrease) in accounts payable	9	(1,590)	4,889
Reclassification of net assets/equity to liability	9	1,590	(4,895)
Unrealised currency exchange loss/gain on cash and cash equivalents		(4)	(10)
Currency exchange gain/loss on investments		(5)	(13)
(Gain)/loss on changes in fair value of investments	6, 13	(22)	(6)
Loss/(gain) on changes in fair value of investments	6, 14.2	3	1
<b>Net cash flows from operating activities</b>		<b>621</b>	<b>919</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments	6	105	3
<b>Net cash flows from investing activities</b>		<b>105</b>	<b>3</b>
<b>Cash flows from financing activities</b>			
Participants' contributions		10,349	11,575
Payouts to separated Participants		(13,643)	(17,131)
<b>Net cash flows from financing activities</b>		<b>(3,294)</b>	<b>(5,556)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(2,568)</b>	<b>(4,634)</b>
Unrealised currency exchange loss/gain on cash and cash equivalents		4	10
Cash and cash equivalents at beginning of the period		58,294	62,918
<b>Cash and cash equivalents at end of the period</b>		<b>55,730</b>	<b>58,294</b>

**ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS  
OF THE PROVIDENT FUND OF  
THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS (OPCW)  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**1. REPORTING ENTITY**

- 1.1 The Provident Fund of the Organisation for the Prohibition of Chemical Weapons (hereinafter “the Provident Fund”) was established in June 1997 under the authority of the Director-General of the OPCW for the staff members of the Secretariat of the OPCW, and as provided for in Article VI of the Staff Regulations. The Provident Fund Management Board comprises six members and is chaired by the Deputy Director-General of the OPCW. The Board meets at least quarterly.
- 1.2 The object and purpose of the Provident Fund is to be an instrument of social security for staff members of the OPCW holding a fixed-term appointment. The Board administers resources, which are entrusted to the Provident Fund by eligible staff members and by the OPCW for the benefit of the participating eligible staff members (hereinafter “Participants”). This involves investing the resources as shall be determined from time to time in accordance with established investment policies and guidelines, and returning resources and income earned thereon to such Participants upon the termination of their employment with the OPCW.
- 1.3 The continued existence of the Provident Fund in its present form is dependent on the existence of the OPCW.
- 1.4 There are no controlling or controlled entities to the Provident Fund.
- 1.5 The accounts of the Provident Fund are maintained in accordance with the Charter and Administrative Rules of the Provident Fund, and the relevant OPCW Financial Regulations and Rules. In this regard, the financial statements of the Provident Fund are presented in euros, rounded to the nearest thousand euros, and prepared in accordance with IPSAS. The following items are not relevant to the Provident Fund financial statements:
- (a) Inventories;
  - (b) property, plant and equipment;
  - (c) leases;
  - (d) intangible assets;
  - (e) impairment of non-cash-generating assets;
  - (f) employee benefits;
  - (g) segment information; and
  - (h) budgetary information.
- 1.6 On January 2013, the OPCW entered into an agreement with the United Nations Joint Staff Pension Fund (UNJSPF) on transfer of pension rights of Participants. The agreement is

voluntary for the OPCW staff members and relevant only for those former staff members who (1) join a UNJSPF member organisation and become a UNJSPF Participant within one year after separation from the OPCW, and who (2) have not withdrawn their account balances from the Provident Fund. In 2016, one former Participant made such transfer to the UNJSPF under the agreement (2015: 3 Participants). The agreement also allows a former UNJSPF Participant who has not received a benefit from the UNJSPF and becomes a Participant of the Provident Fund within one year after separation from the UNJSPF member organisation to transfer the accrued entitlements from the UNJSPF to the Provident Fund. In 2016, one Participant made such transfer from the UNJSPF (2015: no Participant).

- 1.7 Upon separation from the OPCW, Participants' accumulated Provident Fund balances become due for payment. Upon Participants' requests and approval of the Board the Provident Fund balances of the separating Participants can be retained with the Provident Fund up to a period of one year unless they join a UNJSPF member organisation and opt to transfer their contribution to the UNJSPF, in which case their Provident Fund can be retained for up to two years. Once the Provident Fund balances become due for payment, (following receipt of a valid payout request from Participants), they are recognised as a liability (note 9).

## **2. BASIS OF PREPARATION**

- 2.1 The financial statements of the Provident Fund have been prepared on an accrual and going-concern basis and comply with the requirements of IPSAS. Where IPSAS is silent concerning any specific standard, the appropriate International Financial Reporting Standards (IFRS) have been applied.
- 2.2 The accounting policies set out below have been applied consistently in the preparation and presentation of these financial statements.
- 2.3 The financial statements are presented in euros, rounded to the nearest thousand euros, and cover the calendar year ended 31 December 2016.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

- 3.1 The objective of these financial statements is to provide information about the financial position, performance and cash flows of the Provident Fund to demonstrate the accountability of the Provident Fund for the resources entrusted to it by Participants and the OPCW and to facilitate decision making by Participants and the Board.

### Foreign currency translation

- 3.2 The following exchange rates have the most significant impact on the preparation of these financial statements:

Period	USD/EUR	Period	USD/EUR
31 December 2016	0.956	31 December 2015	0.914
Average 12 months	0.903	Average 12 months	0.902

- (a) Functional and presentation currency:

Items included in the financial statements are measured using the currency of the primary economic environment in which the Provident Fund operates, the functional currency, which is euros. Assets held in US dollars are converted to euros at the exchange rate of 31 December 2016. Currency gains/losses are recognised in the statement of financial performance throughout the year at the exchange rate applicable at the time of the transactions.

- (b) Transactions and balances:

Foreign currency transactions are translated into the functional currency using the United Nations Operational Rate of Exchange (UNORE) prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance. Year-end balances of monetary assets and liabilities denominated in foreign currencies are converted into euros on the basis of the exchange rates applicable on 31 December 2016.

### Cash and cash equivalents

- 3.3 Cash and cash equivalents include current and savings deposits held at call with the ABN AMRO Bank. The Provident Fund is prohibited from having any bank overdrafts and accordingly does not have any bank overdrafts.

### Financial assets

#### Classification

- 3.4 The Provident Fund classifies its financial assets into the following categories: financial assets at fair value through surplus or deficit, and receivables. The classification depends on the purpose for which the financial assets were acquired. The classification of the financial assets is determined at initial recognition and re-evaluated at each reporting date.

- (a) Financial assets at fair value through surplus or deficit:

Financial assets are those designated at fair value through surplus or deficit at inception. A financial asset is classified as held for trading if acquired principally

for the purpose of selling in the short term or if so designated by the Provident Fund, such as the investments in UBS units.

(b) Receivables:

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months of the reporting date in which case they are classified as non-current. The Provident Fund's receivables comprise mainly 'accounts receivable and recoverable from the OPCW and Participants'.

Recognition and measurement

- 3.5 Purchases and sales of financial assets at fair value through surplus or deficit are recognised on the trade date - the date on which the Provident Fund commits to purchase or sell the asset - and are initially recognised at fair value and transaction costs are expensed in the statement of financial performance. Receivables are initially recognised at fair value plus transaction costs.
- 3.6 The fair value of a financial asset on initial recognition is normally the transaction price (i.e. the fair value of the consideration received). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Provident Fund has transferred substantially all risks and rewards of ownership.

Subsequent measurement

- 3.7 Financial assets at fair value through surplus or deficit are subsequently carried at fair value. Receivables are carried at amortised cost using the effective interest method.
- 3.8 Gains and losses arising from changes in the fair value of the financial assets at fair value through surplus or deficit are included in the statement of financial performance in the period in which they arise.
- 3.9 Translation differences arising on monetary items are recognised in the statement of financial performance. Translation differences arising on non-monetary items are recognised in net assets/equity when the gain/(loss) on the non-monetary items is recognised in net assets/equity, and are recognised in the statement of financial performance when the gain/(loss) on the non-monetary item is recognised in the statement of financial performance.
- 3.10 When financial assets classified as available-for-sale are sold or impaired, the cumulative fair value adjustments previously recognised in the fair value reserve are recognised in the statement of financial performance. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the statement of financial performance. Dividends on available-for-sale financial assets are recognised when the Provident Fund's right to receive payment is established.

Impairment

- 3.11 All financial assets except those measured at fair value through surplus or deficit are subject to review for impairment. The Provident Fund assesses at each reporting date whether there

is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

- 3.12 If there is objective evidence that an impairment loss on receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of financial performance. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

### **Financial liabilities**

- 3.13 Financial liabilities are recognised initially at fair value. Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### **Tax**

- 3.14 The Provident Fund as an affiliate of the OPCW enjoys the same privileged tax-exemption as the OPCW. As such, all contributions to the Participants' Provident Fund and interest income and gains on investments are exempt from all direct taxation. Any tax obligations of the Participants upon final settlement of their accumulated Provident Fund balances are borne by Participants themselves.

### **Revenue recognition**

#### Revenue from exchange transactions

- 3.15 The Provident Fund's major categories of exchange revenue are interest income and gains on changes in fair value of the UBS investments.
- 3.16 Revenue for interest income is recognised on a time-proportion basis using the effective interest method.

#### Revenue from non-exchange transactions

- 3.17 The Provident Fund's sole source of non-exchange revenue is the OPCW's contribution to the Provident Fund of employees who separate from the OPCW, for reasons other than health, before completing the minimum three months of service. The Provident Fund recognises full amounts of such inflows as revenue since no corresponding liabilities exist and the Provident Fund gains control of the received cash resources for its own use (see also note 11.2).
- 3.18 Non-exchange revenue represents transactions in which the Provident Fund receives value from another entity without providing approximately equal value to another entity in

exchange, and is measured at the amount of the increase in net assets recognised by the Provident Fund. Services in kind are not recognised (see note 16).

- 3.19 Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets/equity, other than those relating to distributions to owners. Expenses are aggregated on the face of the statement of financial performance according to their nature.

#### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

- 4.1 In accordance with IPSAS and generally accepted accounting principles, the financial statements include amounts based on estimates and assumptions. The Provident Fund Management Board is responsible for estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

##### **Receivables: Determination of impairment**

- 4.2 The Provident Fund's receivables are required to be reviewed at the end of each reporting period for impairment and indications of uncollectibility. The Provident Fund makes an estimate of the amount of receivables that it is not able to recover based on prior payment history and expectations of future amounts it expects to recover from these receivables. No impairment has been recognised in the financial statements of the Provident Fund as at 31 December 2016.

#### **5. FINANCIAL RISK MANAGEMENT**

##### **Financial risk factors**

- 5.1 The Provident Fund's activities expose it to a variety of financial risks such as market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Provident Fund's overall risk management programme is carried out pursuant to its investment policy proposed by the Board and approved by the Participants. The major objectives that the investment policy of the Provident Fund targets are capital preservation, minimum risk, sufficient liquidity, and simplicity. The investment policy also identifies the Pension Services Division of the ABN AMRO Bank (hereinafter "ABN AMRO") as the party designated to provide investment and administration services to the Provident Fund. The Provident Fund Management Board monitors the performance of ABN AMRO in respect of the stated investment and administrative services based on a Service Level Agreement setting out specific parameters to gauge the performance. The Annual General Meetings of Participants also receive reports on the overall performance of the Provident Fund's financial resources under ABN AMRO's administration. The Annual General Meeting takes important decisions on any changes to the investment policies of the Provident Fund. Special General Meetings may also take place to deal with specific issues. The Provident Fund does not enter into hedging activities and does not use derivative financial instruments.

**Market risk: Foreign exchange risk**

- 5.2 Foreign exchange risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Provident Fund operates mainly in euros. Portions of the Provident Fund of some Participants are held in US dollars. Therefore, exposure to foreign exchange risk also exists to the extent of these US dollars holdings. Foreign exchange risk of the Provident Fund is attributed to the specific Participants that are party to the transaction embodying the risk and any ensuing loss is borne by these Participants.
- 5.3 ABN AMRO has been administering the Provident Fund's resources since 17 December 2007. As at this date, there were Participants whose Provident Fund balances were held in US dollars denominated accounts and/or in the form of investments managed by UBS denominated in US dollars and/or in euros. The Participants with US dollars holdings have since been afforded the choice to convert their US dollar balances to euros. While some Participants have exercised the choice to convert their US dollars holdings, others have opted to retain them to date. The Participants with UBS managed investments also have the choice to redeem their investment units that are held in US dollars and/or euros and transfer the amounts to the mainstream euro savings accounts maintained with the ABN AMRO. However, there are some Participants who currently hold UBS investments in US dollars as well as euros. The Provident Fund does not currently accept new US dollar deposits or UBS investments. Any gains/(losses) on foreign exchange arising when Provident Fund balances in existing US dollar savings accounts or US dollar denominated UBS investments are converted for deposit into euro savings accounts are recognised as surplus or deficit in the period in which they arise. Such gain/(loss) is allocated to the Provident Fund of the individual Participant to whom the underlying foreign currency transaction corresponds (refer to note 6.2).
- 5.4 Gain/(loss) on foreign exchange attributable to US dollar deposits or UBS investments results from variations in the euro equivalents of the balances upon their revaluations based on different UNORE (see note 3.2(b)) prevailing at different reporting dates. The spot exchange rates reported by ABN AMRO do not have impact in this respect.
- 5.5 The main sources of the Provident Fund's cash inflows are the monthly contributions from Participants at the rate of 7.9% of their pensionable remunerations, and from the OPCW at the rate of 15.8% of the pensionable remunerations of the Participants. Participants may also make additional voluntary contributions to the Provident Fund. In the latter case, the OPCW does not make a matching contribution. Cash inflows attributable to these contributions are denominated in euros. The Provident Fund's cash outflows relate primarily to payments made to separating employees in respect of accumulated Provident Fund balances, which are composed of their contribution and the matching contribution of the OPCW. The Provident Fund makes payments predominantly in euros. Since these outflow and inflow are both in euros, there is no foreign exchange risk.
- 5.6 In addition to Provident Fund balances in US dollars held by the Participants, the Provident Fund has cash in US dollars that is not attributable to individual Participants. Currently, the total of US dollar cash holdings of this nature amounts to USD 0.7 thousand (EUR 0.7 thousand). This represents an insignificant portion of the total cash resources of the Provident Fund. The US dollar cash balance is revalued at the end of each month to the

euro equivalent at the prevailing UNORE rate and the resulting foreign exchange gain/(loss) is recognised in surplus/(deficit) of the current period.

- 5.7 At 31 December 2016, if the euro had weakened/strengthened by 10% against the US dollar, net deficit for the year would have been EUR 20 thousand higher/lower mainly as a result of foreign exchange gains/losses on revaluation of Participants' US dollar denominated Provident Fund balances (including UBS units) and other US dollars cash accounts of the Provident Fund.

**Market risk: Interest-rate risk**

- 5.8 Interest-rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Provident Fund places its cash and cash equivalents primarily in ABN AMRO savings accounts, which receive interest set for accounts categorised by the bank as 'VermogensSparrekening' plus at least 0.1%. Interest rate on 'VermogensSparrekening' accounts is the highest rate that the bank offers to individual savings accounts. The future cash flows representing interest income from these deposits will fluctuate since they are not fixed and ABN AMRO may change the base rate at any time based on money and capital market situations.
- 5.9 The Provident Fund does not guarantee an interest rate to Participants and hence does not bear the interest rate risk. Interest rates applicable in the reporting period are as follows:

	2016		2015	
	for EUR accounts	for USD accounts	for EUR accounts	for USD accounts
Average interest rate	1.18%	0.00%	1.52%	0.00%
Interest rate at 31 December	0.85%	0.00%	1.40%	0.00%

**Market risk: Other price risk**

- 5.10 Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Some Participants of the Provident Fund currently have portions of their Provident Fund balances in UBS investments. The values of these investments fluctuate depending on the movement in the market price of the relevant UBS investment units. Gains/(losses) arising from such fluctuations in the market prices of the UBS investments, which represent financial assets at fair value through surplus or deficit, are recognised in the surplus/(deficit) for the year.

**Credit risk**

- 5.11 Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents with banks and financial institutions. The Provident Fund Management Board, with the agreement of the Participants, determines the financial institutions with which the responsibilities for maintaining and administering the Provident Fund's resources are to be entrusted based on the investment policy of capital preservation. The majority of the

Participants' Provident Fund balances (99%) as at the reporting date are maintained in ABN AMRO savings accounts. As at 31 December 2016, ABN AMRO was 70% owned by the Dutch Government (2015: 77%). The Provident Fund and other account balances are covered by Deposit Guarantee Scheme, which provides for reimbursement of EUR 100 thousand against the cumulative balance of an individual Participant in all ABN AMRO accounts held by her/him. The Deposit Guarantee Scheme enters into force once a bank facing problems is no longer able to pay customer's credit balances. Information regarding the credit quality of the banks and financial institutions in which the Provident Fund's cash and cash equivalents and investments are held as of the reporting date is as follows (Moody's Global Short-Term Treasury ratings referenced):

#### ABN AMRO

Moody's Investors Service Ratings	Rating*
Short-term credit rating	P-1

#### UBS AG

Moody's Investors Service Ratings	Rating*
Short-term issuer level rating	P-1

\* Issuers (or supporting institutions) rated Prime-1 (P-1) have a superior ability to repay short-term debt obligations.

#### Liquidity risk

- 5.12 Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Provident Fund's obligations to make payments predominantly relates to settlement of accumulated Provident Fund balances of outgoing Participants. Liquidity risk arises in that the Provident Fund may encounter difficulties in meeting these obligations. Since the Provident Fund's cash resources are held in savings accounts and UBS investments that are readily convertible into cash, the liquidity risk faced by the Provident Fund is almost nil.

The table below analyses the Provident Fund's financial liabilities into relevant maturity groupings based on their contractual undiscounted cash flows:

(expressed in euro '000s)	Less than 1 Year	1 to 5 Years	5 to 10 Years	Beyond 10 Years	Undefined Maturity	Total
Accounts payable	4,940	-	-	-	-	4,940
<b>Total financial liabilities</b>	<b>4,940</b>	-	-	-	-	<b>4,940</b>

#### Capital risk management

- 5.13 The majority of the Provident Fund's resources flow to the entity in the form of Provident Fund contributions by Participants and the OPCW and these resources are held in separate accounts for each Participant. The OPCW provides the necessary facilities and human resources for the internal management and administration of the Provident Fund. Therefore, it does not incur costs requiring continuous flow of resources for the day-to-day administrative operations. Although any unforeseen resource requirements of amounts are to be met from the existing 'Special Reserve' balance, which is sourced from inflows relating to matching contributions of the OPCW against Participants who are separated from the Organisation before completing the minimum service period of three months, the timing

and amount of such inflows are not under the control of the Provident Fund. The Provident Fund is prohibited from obtaining debt financing.

#### **Fair value estimation**

- 5.14 The determination of the fair value of the Provident Fund's financial instruments matches the carrying value except for the UBS investments that are valued based on market prices. The Provident Fund's receivables are recognised at net recoverable amount and the cash and cash equivalents are recognised at fair value. Financial liabilities of the Provident Fund generally do not extend for a significant period beyond one year and are not discounted.

### **6. INVESTMENTS**

- 6.1 The Provident Fund has investments with UBS and these are designated as financial assets at fair value through surplus or deficit since such designation is deemed to result in more relevant information. The UBS investments are managed and their performances are evaluated on a fair value basis, in accordance with the risk management on investment strategy as stipulated in the Provident Fund's investment policies. Information about the performance of the investments is provided internally to the Board and to Participants.
- 6.2 Participants' Provident Fund balances held in UBS units are recognised as investments at fair value based on the market price. The movements in these investments during the financial year are shown in the table below.

Investments (expressed in euro '000s)	Yield (USD)		Balanced (USD)		Growth (USD)		Yield (EUR)		Balanced (EUR)		Growth (EUR)		Total
	Units Held	In EUR	Units Held	In EUR	Units Held	In EUR	Units Held	In EUR	Units Held	In EUR	Units Held	In EUR	In EUR
<b>Balance as at 31 December 2015</b>	<b>316</b>	<b>30</b>	<b>778</b>	<b>76</b>	<b>167</b>	<b>16</b>	<b>344</b>	<b>37</b>	<b>2,782</b>	<b>305</b>	<b>644</b>	<b>72</b>	<b>536</b>
Total gains/loss in surplus/(deficit)													
- realised capital gain	-	1	-	-	-	-	-	-	-	-	-	-	1
- realised capital loss	-	-	-	-	-	-	-	-	-	(2)	-	(1)	(3)
- unrealised capital gain	-	1	-	4	-	1	-	1	-	11	-	3	21
- unrealised capital loss	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>2</b>	<b>19</b>
- realised currency exchange gain	-	-	-	-	-	-	-	-	-	-	-	-	-
- unrealised currency exchange gain	-	1	-	3	-	1	-	-	-	-	-	-	5
<b>Total</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>2</b>	<b>24</b>
Add: Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-
Deduct: Redemptions	137	13	89	9	22	2	110	12	492	53	149	16	105
<b>Balance as at 31 December 2016</b>	<b>179</b>	<b>20</b>	<b>689</b>	<b>74</b>	<b>145</b>	<b>16</b>	<b>234</b>	<b>26</b>	<b>2,290</b>	<b>261</b>	<b>495</b>	<b>58</b>	<b>455</b>

## 7. ACCOUNTS RECEIVABLE

The receivable amount of EUR 0.1 thousand as at 31 December 2016 (2015: EUR 0.1 thousand) represents an amount due to the Provident Fund from the OPCW.

## 8. CASH AND CASH EQUIVALENTS

8.1 The breakdown of cash and cash equivalents into unrestricted and restricted categories is presented as follows:

	<b>(expressed in euro '000s)</b>	
	<b>2016</b>	<b>2015</b>
<b>Unrestricted</b>		
Interest-bearing current accounts in EUR	1,385	91
Interest-bearing current accounts in USD	1	1
<b>Total unrestricted</b>	<b>1,386</b>	<b>92</b>
<b>Restricted</b>		
Interest-bearing current and savings accounts in EUR	54,255	58,112
Interest-bearing current and savings accounts in USD	89	90
<b>Total restricted</b>	<b>54,344</b>	<b>58,202</b>
<b>Total cash and cash equivalents</b>	<b>55,730</b>	<b>58,294</b>

8.2 Participants' capital represent accumulated Provident Fund balances of Participants maintained in Provident Fund accounts designated as A, B and C for Participants' own contributions, OPCW matching contributions and Participants' voluntary contributions. These contributions are payable only to Participants and are not available for use by the Provident Fund for any other purpose. In case of Participants' capital held in A and B accounts, payments are made to Participants only upon their separation from the OPCW. In case of Participants' capital held in C accounts, payments can be made only to Participants in June and December upon their requests. The breakdown of cash and cash equivalents into these categories is presented as follows:

	<b>(expressed in euro '000s)</b>	
<b>Interest-bearing current and savings accounts in EUR</b>	<b>2016</b>	<b>2015</b>
Participants' contributions (A accounts)	14,260	15,388
OPCW's contributions (B accounts)	28,521	30,777
Participants' contributions (A+B) before 17 December 2007	9,940	10,562
Participants' voluntary contributions (C accounts)	1,534	1,385
<b>Total</b>	<b>54,255</b>	<b>58,112</b>

## 9. ACCOUNTS PAYABLE

9.1 The breakdown of accounts payable between amounts payable to separating and former Participants is as follows:

	<b>(expressed in euro '000s)</b>	
	<b>2016</b>	<b>2015</b>
Amounts payable to separating Participants	4,940	6,512
Amounts payable to former Participants	-	18
<b>Total</b>	<b>4,940</b>	<b>6,530</b>

### Amounts payable to separating Participants

9.2 Participants may request payout from the Provident Fund up to three months prior to separation. Amounts payable to separating Participants represent payouts requested by Participants that remain unpaid as at the reporting date.

### Amounts payable to former Participants

9.3 Amounts payable to former Participants represent amounts, including compound interest, payable to underpaid former Participants who left the Organisation in the years 2001 to 2009. As at 1 January 2016, 41 former Participants remained unpaid. In 2016, a further two former Participants were paid, and the Board approved the transfer of the balances payable to the remaining 39 underpaid former Participants to the Special Reserve, as attempts to contact these former Participants had been unsuccessful.

	<b>(expressed in euro '000s)</b>	
	<b>2016</b>	<b>2015</b>
<b>Accounts payable to former Participants</b>		
<b>Opening balance</b>	<b>18</b>	<b>24</b>
Amounts paid to former Participants in 2016	(1)	(6)
Balance transferred to Special Reserve in 2016	(17)	-
<b>Closing balance</b>	<b>-</b>	<b>18</b>

## 10. OTHER FINANCIAL LIABILITIES/PROVISIONS

### Legal claims

There are no legal cases involving the Provident Fund as at 31 December 2016 (2015: nil).

## 11. NET ASSETS/EQUITY

11.1 Participants' capital (EUR 51,154 thousand) represents the accumulated Provident Fund balances of Participants including their contributions (A accounts), the OPCW's matching contribution (B accounts), voluntary contributions by Participants (C accounts), and accumulated income earned (or losses incurred) on these resources as at 31 December 2016.

11.2 Special reserves (EUR 80 thousand) include the OPCW's matching contributions to Provident Fund accounts of Participants (B accounts) who cease to serve the OPCW for other than health reasons before serving the Organisation for a total period of more than three calendar months as noted in 3.17. There were no such new cases during 2016. In

2016, the balance remaining at 31 December 2016 representing amounts payable to underpaid former Participants was transferred to the Special Reserve.

- 11.3 Accumulated surplus/(deficit) (EUR 11 thousand) represents the cumulative gain/(loss) that is not attributable to specific Participants' accounts. The Board will decide how to use the surplus. The movement in 2016 is reflected in the statement of changes in net assets/equity.

## 12. INTEREST INCOME ON PARTICIPANTS' CAPITAL ACCOUNTS

Interest on Participants' accounts with ABN AMRO for the year ended 31 December 2016 was as follows:

	<b>(expressed in euro '000s)</b>	
	<b>2016</b>	<b>2015</b>
Interest on Participants' contributions (A accounts)	161	247
Interest on OPCW's contributions (B accounts)	323	492
Interest on contributions (A+B) before 17 December 2007	17	166
Interest on voluntary contributions (C accounts)	120	21
<b>Total</b>	<b>621</b>	<b>926</b>

## 13. GAIN ON FINANCIAL ASSETS

The Provident Fund classifies investments in UBS units as financial assets at fair value through surplus or deficit. It recognises realised and unrealised gains arising from changes in the fair value of these financial assets as revenue. In 2016 there is a gain of EUR 22 thousand (see note 6) due to changes in fair value of the UBS units (2015: EUR 6 thousand/gain).

## 14. EXPENSES

### General operating expenses

- 14.1 The Provident Fund incurred minor operating expenses in the year 2016 of EUR 0.3 thousand (2015: EUR 0.04 thousand) relating to bank charges. The OPCW provides the necessary facilities and human resources for the internal management and administration of the Provident Fund. Therefore, it does not incur operating expenses for day-to-day administration.

### Loss on financial assets

- 14.2 The Provident Fund classifies investments in UBS units as financial assets at fair value through surplus or deficit. As at 31 December 2016 there is a loss of EUR 3 thousand related to changes in fair value of UBS investments (2015: EUR 1 thousand).

## 15. FINANCE INCOME AND FINANCE COST

The Provident Fund recognises interest earned on capital accounts of the Provident Fund's Participants as part of its finance income. Exchange gain and loss are recognised as finance income and finance cost respectively.

	<b>(expressed in euro '000s)</b>	
	<b>2016</b>	<b>2015</b>
<b>Finance income</b>		
Foreign currency revaluation gains	10	22
<b>Total finance income</b>	<b>10</b>	<b>22</b>
<b>Finance costs</b>		
Foreign currency revaluation losses	(1)	-
<b>Total finance costs</b>	<b>(1)</b>	<b>-</b>
<b>Net finance income/(cost)</b>	<b>9</b>	<b>22</b>

## 16. SERVICES IN KIND

16.1 Services in kind are services provided by individuals to the Provident Fund in a non-exchange transaction. The major classes of services in kind received by the Provident Fund include the following:

### **Management Board**

16.2 The Provident Fund Management Board's membership is composed of six staff members of the OPCW. The Provident Fund does not pay any remuneration to the members of the Board for their services. The Provident Fund also does not reimburse the OPCW for the time spent by its staff members in managing the Provident Fund.

### **Administrative support by the OPCW**

16.3 The staff of the OPCW Finance and Accounts Branch handles the Provident Fund's disbursements, accounting, reporting, and other administrative services. The OPCW provides necessary materials and facilities needed for the running of the Provident Fund's operations. The Provident Fund does not compensate the staff or the OPCW for such administrative support.

## 17. CONTINGENCIES

The Provident Fund does not have any contingent liabilities as at 31 December 2016.

## 18. RELATED PARTY TRANSACTIONS

18.1 The Provident Fund is not controlled by another entity; however the OPCW is considered a related party of the Provident Fund as it shares key management personnel and provides the principal source of Participants' contributions.

18.2 The OPCW provides administrative support to the Provident Fund free of charge (note 16.3). All other transactions between the Provident Fund and the OPCW are conducted at arm's length.

18.3 The Provident Fund is not party to any further arrangements that could be considered as related parties.

**19. KEY MANAGEMENT REMUNERATION**

- 19.1 Members of the Provident Fund Management Board play the key management role as regards to the Provident Fund. The six members of the Board include the Deputy Director-General and Principle Financial Officer of the OPCW, and four members elected by Provident Fund Participants.
- 19.2 The members of the Board are not compensated for their services to the Provident Fund. The Provident Fund does not have employees of its own.

**20. EVENTS AFTER THE REPORTING PERIOD**

No significant event is reported after the reporting date. The date of authorisation for issue is the date at which the financial statements are certified by the external auditor.

### Annex 3



## National Audit Office

Comptroller and Auditor General  
Sir Amyas Morse KCB

Executive Council of the  
Organisation for the Prohibition of Chemical Weapons  
Johan de Wittlaan 32  
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### Helping the nation spend wisely

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Reference AM 1156 17  
Date 30 May 2017

I have the honour to transmit the Financial Statements of the Organisation for the Prohibition of Chemical Weapons for the year ended 31 December 2016, which were submitted to me by the Director-General in accordance with Financial Rule 11.1.02. I have audited these statements and have expressed my opinion thereon.

Further, in accordance with Financial Regulation 13.9 and the Annex thereto, I have the honour to present my report on the accounts of the Organisation for the Prohibition of Chemical Weapons for the year ended 31 December 2016.

[signed]

**AMYAS C E MORSE**



## **INDEPENDENT AUDITOR'S REPORT TO THE CONFERENCE OF THE STATES PARTIES OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS**

I have audited the accompanying financial statements of the Organisation for the Prohibition of Chemical Weapons, which comprise the Statement of Financial Position as at 31 December 2016, the Statement of Financial Performance, Statement of Changes in Net Assets, Cash Flow Statement and Statement of Comparison of Budget and Actual Amounts for the year ending 31 December 2016, and the related notes.

### **The Director-General's Responsibility for the Financial Statements**

The Director-General is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards and the Organisation for the Prohibition of Chemical Weapons' Financial Regulation 11, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I and my staff comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Director-General, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Organisation for the Prohibition of Chemical Weapons as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

### **Opinion on Regularity**

In my opinion, in all material respects, the revenue and expenses have been applied to the purposes intended by the Conference of the States Parties and the financial transactions conform to the Financial Regulations and Rules and the Staff Regulations and Interim Staff Rules.

### **External Auditor's Report**

In accordance with the Financial Regulations, I have also issued an External Auditor's Report on my audit of the Organisation for the Prohibition of Chemical Weapons 2016 financial statements.

[Signed]

**Sir Amyas C E Morse**

**Date 30 May 2017**

**Comptroller and Auditor General**

United Kingdom National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP



## National Audit Office

Comptroller and Auditor General  
Sir Amyas Morse KCB

Organisation for the Prohibition of Chemical Weapons  
Johan de Wittlaan 32  
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and

Annual General Meeting of the Provident Fund of the  
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Reference AM 1157 17  
Date 30 May 2017

I have the honour to report, in accordance with Article 11 of the Charter of the Provident Fund of the Organisation for the Prohibition of Chemical Weapons, on my audit of the Financial Statements of the Provident Fund of the Organisation for the Prohibition of Chemical Weapons for the year ended 31 December 2016 which were submitted to me by the Chairperson of the Management Board of the Provident Fund. The Financial Statements are attached to my report.

[signed]

**AMYAS C E MORSE**

## **INDEPENDENT AUDITOR'S REPORT TO THE PROVIDENT FUND OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS**

I have audited the accompanying financial statements of the Provident Fund of the Organisation for the Prohibition of Chemical Weapons, which comprise the Statement of Financial Position as at 31 December 2016, and the Statement of Financial Performance, Statement of Changes in Net Assets and Cash Flow Statement for the year ending 31 December 2016, and a summary of significant accounting policies and the related notes.

### **The Management Board of the Provident Fund's Responsibility for the Financial Statements**

The Management Board of the Provident Fund is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards and the Charter and Administrative Rules of the Provident Fund of the Organisation for the Prohibition of Chemical Weapons, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I and my staff comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Provident Fund of the Organisation for the Prohibition of Chemical Weapons as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

## **Opinion on Regularity**

In my opinion, in all material respects, the revenue and expenses have been applied to the purposes intended by the Provident Fund of the Organisation for the Prohibition of Chemical Weapons and the financial transactions conform to Charter and Administrative Rules of the Provident Fund of the Organisation for the Prohibition of Chemical Weapons.

## **Report**

I have no observations to make on these financial statements.

[Signed]

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

**Date 30 May 2017**

United Kingdom National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

May 2017

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**Organisation for the Prohibition of Chemical Weapons**

**External Auditor's Report on the 2016 OPCW  
and OPCW Provident Fund Financial  
Statements**

The aim of the audit is to provide independent assurance to States Parties; to add value to the OPCW's financial management and governance; and to support your objectives through the external audit process.

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The Comptroller and Auditor General is the head of the National Audit Office (NAO), the United Kingdom's Supreme Audit Institution. The Comptroller and Auditor General and the NAO are independent of the United Kingdom Government and ensure the proper and efficient spending of public funds and accountability to the United Kingdom's Parliament. We audit the accounts of all central public sector bodies as well as a number of international organizations. The NAO provides external audit services to a number of international organizations, working independently of its role as the Supreme Audit Institution of the United Kingdom.

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For further information about the National Audit Office  
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## INTRODUCTION

1. The Organisation for the Prohibition of Chemical Weapons is the implementing body of the Chemical Weapons Convention, which entered into force in 1997. The Organisation has some 192 Member States who share the collective goal of preventing chemistry being utilised for warfare, thereby strengthening international security. Its profile has increased in recent years with weapons inspection activities and it has received additional funding to undertake these missions. As it seeks to discharge its mandate it is moving towards a phase where destruction activity will be completed in the 2020s and it will be considering how it can best evolve as an organisation to ensure peaceful use of chemistry.
2. In addition to our opinion on the financial statements of the OPCW and OPCW Provident Fund, this report presents the key findings and recommendations arising from our work including our observations on financial management; governance and the Enterprise Resource Planning project, building on our observations from 2015. In addition we have undertaken a review of Human Resources (HR) matters, recognising the importance of staffing to the work and success of OPCW.
3. Our report focuses on the activities of the OPCW and there were no specific observations to report in respect of the Provident Fund. We have also followed up the progress made implementing previous recommendations. Our audit findings have been communicated to the Technical Secretariat (Secretariat) and to the Advisory Body on Administrative and Financial Matters (ABAF).

### **Key observations**

#### Audit opinion on Financial Statements

4. Our audit comprised the examination of the financial statements and underlying transactions for both the OPCW and OPCW Provident Fund financial statements for 2016, and was conducted in accordance with International Standards on Auditing and the financial regulations. We provided an unqualified audit opinion on both sets of financial statements and found the quality of financial reporting to be good.
5. The production of the accounts remains a highly complicated and manual process due to the complex audit trails associated with the Smartstream IT system that is in use at OPCW. The new Enterprise Resource Planning (ERP) system that is due to be implemented in January 2018 should enable greater efficiency in this process. The Secretariat has further streamlined elements of the statements and we would encourage continuation of this refinement.

### Financial management

6. Overall net assets of the Organisation in 2016 were €9.9 million, representing an increase of €1.5 million from 2015. The net asset position of the Organisation remains positive, but this is due to the positive trust fund balances. It remains a concern that the General Fund continues to show a deficit in 2016 of €5.1 million (2015: €5.3 million).
7. As reported in our 2015 External Auditor's Report, the OPCW faced significant General Fund cash pressures arising mainly from delayed payment of assessed contributions and Article IV & V inspection reimbursements in 2015 and 2016. Whilst the Organisation again depended on the use of the Working Capital Fund (WCF) to meet cash pressures in 2016, this was at a lower value than the previous year and in year cash pressures were less acute. This was due to a combination of tight budgetary control and more timely and in some cases advance payment of assessed contributions.
8. However, despite the improved cash position there is still a dependency on the Working Capital Fund though pressures were eased due to the early receipt of cash, this cannot be relied upon every year. There remains a need to consider longer term financial planning to better manage cash flow risks and the impact this has on the ability to deliver full utilisation of the budget, which slipped from 99.5 per cent to 96 per cent in 2016. While budget control has successfully enabled the management of the cash position there are risks to the ability to implement the financial plan set by States Parties through the budget process.
9. We note the Secretariat is proposing a paper to the Advisory Body on Administration and Finance (ABAF) on strategic financing, and this will be important to inform plans for efficiency, longer-term financial planning and to consider the need to fund long term employee liabilities in order to improve the net asset position of OPCW. We also understand that discussions are taking place to raise the level of the WCF to ensure it can provide the level of resources which may be needed to meet temporary cash flow pressures. This should position OPCW well for the Fourth Review Conference consideration of the financial strategy of OPCW in 2018. As we reported in 2015, we continue to stress the importance of longer term financial planning as a more efficient way to manage and plan the use of resources. This will provide a better environment for planning the achievement of longer term changes to the organisation, it will also serve to reduce the costs and time taken each year to agree on the annual budget.

### Governance and internal control

10. In the second year of our external audit mandate we have continued our focus on key areas of corporate governance within OPCW, given their importance to oversight and organisational effectiveness. Our overall observations are that management is considering how to take forward many of our previous recommendations, but that the pace of this consideration should be increased, and that clear and specific plans should be set out to address the recommendations we have made. There is scope to bring forward the benefits of enhanced risk management, supporting the role and independence of the Office of Internal Oversight (OIO) and improving assurance by implementing recommendations earlier. In our view there is a need for OIO to be strengthened in order to provide more substantive assurance on key processes, this is important both to ensure the Director-General has sufficient assurance to support assertions in the Statement on Internal Control, but especially at a time of significant system and process change.
11. We recognise that options are being proposed to ABAF, and subsequently to States Parties, in respect of an audit committee. We continue to advocate the benefits of these arrangements for

States Parties, with the focus on independent expertise. We will monitor developments, share best practice and be available to the Secretariat or States Parties to share our experience and knowledge of how these arrangements are established in other international organisations.

#### Enterprise Resource Planning implementation

12. During 2016 the Organisation has continued its implementation of a new ERP system to replace Smartstream and other corporate systems to provide an integrated solution. This is scheduled for 'go-live' in January 2018. Since our last report the Organisation have selected the ERP solution that will be implemented and have appointed the implementation partner for the ERP system as the Organisation moves towards go-live. The Organisation have enlisted the support of Gartner to provide external quality assurance of the ERP project which is a positive step to ensure that the key risks to the project are considered and mitigated before go-live. There remain risks associated with project delays arising from procurement processes and to align the various delegations and processes to embed more efficient ways of working.
13. We previously reported the need for a clear plan quantifying business benefits; assumptions on savings arising from the investment, and a clear articulation of the business outcomes from the ERP implementation. We note the Organisation is in the process of drafting a detailed Benefits Realisation Plan for the project which will be subject to Project Steering Group and Project Board approval. We continue to believe that these benefits should have been more clearly set out at the inception of the project. The value of agreeing a plan closer to implementation reduces the ability to measure project success and value. It is important that the Secretariat agree on this plan and report it to States Parties to enable them to assess the value derived from their investment as early as possible.

#### Human Resources Matters

14. Human resources are the main asset of the Organisation, and performance is determined largely by how well it recruits, uses and develops its people. For our 2016 audit we considered human resources (HR) governance and aspects of skills and workforce planning. We noted that at the time of our review seven of 22 posts within the HR Branch were not filled because of vacancies or long-term absence. Given the importance of staff to the success of the organisation it is important that the success of HR related activity is measured and assessed. The clarity of performance information to states parties through the annual Programme and Budget Plan can be improved and board-level reporting of HR management information can be strengthened through more systematic and extensive reporting, using consistent performance targets.
15. Our assessment is that the HR function provides a largely transactional and advocacy role but at present unclear of how it supports broader change management and organizational design. We also observed a more general lack of clarity around how HR will support the ambitious change management programme. There is scope for HR to be used on a much more strategic basis, underpinned by better quality data which should be available through the new ERP system.
16. On skills and workforce planning it is essential to ensure the right people with the right skills are in place on a timely basis to meet staffing needs. A changing operating model and pressure to reduce costs requires a strategic approach to skills and workforce planning, to address the risk that savings will be sought incrementally and indiscriminately in ways that reduce operational effectiveness. Despite the outline of a staffing plan to States Parties in 2015, we were unclear on whether these proposals were substantiated with a documented and detailed action plan. Without clear plans and objectives it is difficult to assess the progress being made and whether key elements which underpin the change programme are being delivered; for example, by monitoring and addressing skills and resourcing needs on a systematic basis.

17. Recruitment processing performance for professional staff has improved recently but remains slightly above the UN benchmark (132 days compared with 120 days). On retention, and the Organisation's seven year tenure policy for certain professional staff, we believe there is scope for the Secretariat to support States Parties in their future consideration of this policy by conducting a full assessment of its costs and benefits alongside alternatives, at least in those areas where there is consistent and sustained recruitment pressure.
18. Finally, we conclude that the current performance management mechanisms to assess staff, whilst exhibiting strong compliance, do not yet provide a consistent basis for differentiating performance. This will be key to identifying the right staff to be retrained or redeployed in line with the plans to change the workforce profile.

## **PART ONE**

### **Financial management**

#### Overall audit results

- 1.1 Our audits of both the OPCW and the OPCW Provident Fund financial statements revealed no weaknesses or errors which we considered material to their accuracy, completeness or validity. The audit opinions confirm that these financial statements present fairly, in all material respects, the financial position of the OPCW and OPCW Provident Fund as at 31 December 2016 and of their financial performance and cash flows for the year then ended. It also confirms their preparation in accordance with International Public Sector Accounting Standards. The audits also confirmed that, in all material respects, the transactions underlying the financial statements have been made in accordance with the Financial Regulations and applied to the purposes intended by the Conference of States Parties and the Provident Fund Management Board.
- 1.2 The audit included a general review of the OPCW and OPCW Provident Fund's accounting procedures, an assessment of internal controls that impact on our audit opinions; and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. Our audit procedures were designed primarily for the purpose of forming an audit opinion. The audit did not involve a detailed review of all aspects of the budgetary and financial information systems, and the results should not be regarded as a comprehensive statement on them. Finally, an examination was carried out to ensure that the financial statements accurately reflected the accounting records and were fairly presented.

#### Financial commentary

- 1.3 The Organisation recognised revenues of some €76 million in 2016 (2015: €122.8 million), which primarily consisted of assessed and voluntary contributions from States Parties. The significant reduction in 2016 compared to the prior year is as a result of the OPCW's success in securing high levels of voluntary contributions from State Parties during 2015 in respect of operations in Syria. Similar funds were not sought in 2016 as they were not required, hence reported revenues have returned to the trend seen in 2014 when revenue was €83 million.
- 1.4 Expenses in 2016 were €74 million (2015: €114 million), recognising that expenditure on Syria operations was significantly reduced as well as taking account of the reduction in staff posts and consequent pay and allowance costs in 2016. In addition there was a reduction in the write-down of receivables due from States Parties.
- 1.5 Cash balances increased by €9.5 million over the period, mainly as a result of the receipt of 2017 contributions from States Parties during 2016 - a balance of c. €7.1 million of 2017 assessed contributions was received in advance in 2016, compared to €1.5 million in 2015. This has been appropriately recognised as deferred revenue by the Organisation in 2016 (as it has not yet been earned) improving the year-end cash position of OPCW, minimising the call on the WCF. There has also been payment of some arrears in assessed contributions of €4.8 million during 2016 (2015: €2.8 million) that has helped the cash position at the end of 2016. Without receipt of cash in advance there may have been a further call on the WCF during 2016. While the cash position of OPCW has improved this has been driven by early

payment of contributions rather than an underlying improvement in the general fund position.

- 1.6 As shown in Figure 1, there has been an overall improvement in key indicators of financial health. Overall net assets of the Organisation were €9.9 million, representing an increase of €1.5 million from 2015. The net asset position of the Organisation remains positive, but this is due to the surplus trust fund balances. OPCW continues to manage its cash in a well controlled manner, however, it remains a concern that the General Fund continues to show a negative net asset balance, in 2016 of €5.1 million (2015: €5.3 million). This is due largely to the long term employee liabilities which, in common with many other international organisations, remain unfunded and paid only when due. The Organisation should continue to monitor this position and seek to plan to reduce this deficit.

**FIGURE 1:**

Financial ratios for overall OPCW funds

Ratio	2016	2015	2014	2013
<b>Current ratio<sup>1</sup></b>				
Current assets:	1.80	1.50	1.30	1.48
Current liabilities				
<b>Total assets:</b>				
<b>Total liabilities<sup>2</sup></b>				
Assets: Liabilities	1.25	1.24	0.99	0.98
<b>Cash ratio<sup>3</sup></b>				
Cash and deposits:				
Current liabilities	1.16	0.76	0.67	1.20

<sup>1</sup> A high current ratio indicates an entity's ability to pay off its short-term liabilities.

<sup>2</sup> A high Assets to liability ratio is a good indicator of solvency.

<sup>3</sup> The cash ratio is an indicator of an entity's liquidity by measuring the amount of cash, cash equivalents or deposited funds there are in current assets to cover current liabilities.

Source: Audited Financial Statements of OPCW

- 1.7 We note that during 2017 the Organisation began to examine its use of trust funds with a view to moving, where possible, aged trust fund balances into the General Fund in consultation with the donors. This should help ease pressure on the General Fund and support more efficient cashflow and resource management. These processes are also an important part of cleansing data prior to migration to the new system, and to ensure donor funds are applied as intended.
- 1.8 In analysing the Budget Statement we have noted a lower programme implementation in 2016 than was originally planned - the underspend against the budget in 2016 was four per cent compared to 0.5 per cent in 2015. OPCW should review the budgetary controls used during 2016 to ensure that these provide a sufficient balance between implementation and the need to preserve adequate level of cash resource. However, implementation rates during 2016 have seen more of a return to the norm experienced in the years before 2015. Going forward, building on our 2015 recommendation, the Organisation should continue to evaluate the potential options for cost reductions and efficiencies to alleviate financial pressures. We understand this is an area of focus for the Organisation and note that the Secretariat is planning a paper on Strategic Financial Planning at the request of ABAF, we

will consider how this paper addresses longer term financial planning and the issues we have raised in our reports during our audit of 2017.

- 1.9 Non-payment of assessed contributions and verification reimbursements by Syria and Libya have continued to create significant resource pressures on the General Fund. We noted that while these liabilities continue to remain outstanding obligations of the relevant States Parties, the Secretariat has continued to recognise that these assets are not imminently receivable. Further write downs have taken place in 2016 in respect of Syria totalling €304 thousand. These adjustments, under accounting standards, more fairly represent the value of the assets at the reporting date. Overall the level of outstanding State Party assessed contributions on a gross basis was €6.1 million (2015: €7.0 million) and on Article IV and V €5.8 million (2015: €6.1 million).
- 1.10 **While there has been some improvement in the collection of arrears, it remains important for State Parties to ensure timely remittance of their Convention obligations. The levels of outstanding receivables constitutes a significant financial burden on the available cash resources of the Organisation.** These write downs remain the key reason for the cash shortfall in the Organisation.

#### Working Capital Fund

- 1.11 The Working Capital Fund (WCF) was originally established in 1997 to meet short-term liquidity problems of the General Fund. The WCF at 31 December 2016 was set at the level of €4.2 million. At the end of 2015, the Organisation transferred €4 million from the WCF, and €3.1 million from the Special Fund for the Implementation of the ERP to the General Fund to provide short-term liquidity. The amounts borrowed were refunded to the WCF in February 2016 in line with Financial Regulation 6.6:
- "All transfers of funds made from the Working Capital Fund to finance budgetary appropriations shall be reimbursed as soon as feasible, but in any case within the financial period which follows the period in which they are made".
- 1.12 In 2016, the Organisation required the use of the WCF again, transferring €3.0 million to the General Fund. The fact that a smaller value was transferred in 2016, and that the Special Fund for the Implementation of the ERP was not needed to be used in 2016, reflects a reduction in the rate of budget implementation and prepayment of 2017 Assessed Contributions by some States Parties, as well as the payment of arrears from previous years that have been repaid in 2016. Underlying risks around the OPCW's cash position remain, but we note the improvement in the repayment of arrears during 2016.
- 1.13 We understand the Organisation is considering the level set for the Working Capital Fund (WCF) with a view to seeking approval from the Conference of States Parties to raise the value of the fund during 2017. In 2017 it has already been agreed to earmark revenue from an incentive payment of €1.4 million in exchange for a lease extension on the OPCW building towards the WCF.

**Recommendation 1: OPCW should consider its approach to funding the general fund deficit, including considering the need to fund long term liabilities and to ensure an adequate level for the WCF to meet the Organisation's needs. Furthermore, analysis should be undertaken to ensure that the budgetary controls form a suitable balance to enable cash flow management and a suitable rate of budget implementation.**

Budgetary practices

- 1.14 Cash flow pressures have created an incentive for stronger internal budgetary reporting at OPCW, as our 2015 report noted. The 2016 in year budgetary control has remained strong, with management focusing on careful management of cash resources. These controls included initial allocations of only 90 per cent of the Organisation's budget at the beginning of the year for the majority non-staff related costs. This meant that the Organisation maintained 'contingency' funding which was utilised at later points during the year as the overall cash position became clearer. We see this is a positive budgetary management practice which has enabled the Organisation to prudently manage its financial resources, although it has impacted on the budget implementation rate. No transfers have been made in 2016 between chapters in the budget.
- 1.15 The Budget branch has also proactively offered training to the Organisation (in February 2017) in respect of the budget process. Educating the wider secretariat on the budget and financial management is an essential part of embedding understanding and positive budgetary practice across the Organisation.

The Organisation currently follows an annual budgetary cycle. As we reported in 2015 OPCW should consider a longer term approach to its financial planning, assessing resource needs over a longer planning horizon to match the medium-long term plan. Our understanding is that, with the exception of planned staff reductions, very little changes within the budget year-on-year (especially as contributions are set in advance, hence are clearly known). There is therefore scope to streamline the budget process if longer term planning assumptions are established with Divisions staying within these assumptions when submitting their initial budget assumptions. We believe this would create efficiency in financial planning and budgeting and provide greater financial stability to enable the organisation to plan more consistently.

- 1.16 As a cost efficiency measure the posts of Head of Budget and Head, Finance and Accounts have been merged into a single post. The intention of merging the management of the two pillars of Budget and Finance is to provide greater synergies as well as to improve the visibility and oversight of financial resources at senior levels. OPCW will retain separate finance and budget posts, and this is important to ensure separation of duties to ensure that appropriate controls remain in place to distinguish between budget, which supports strategic financial planning and controls the use of resources, and financial reporting which records and reports on the use of these resources.
- 1.17 As the Fourth Review Conference approaches in 2018 we believe it provides a good opportunity to build upon the observations we made last year to review financial assumptions and to take a longer term strategic view of the OPCW's financial plans.

**We continue to recommend that OPCW should take a longer term approach to financial planning and look to gain efficiencies in the budgeting process.**

OPCW Provident Fund

- 1.18 During 2016 the OPCW Provident Fund has again returned a surplus, totalling some €649 thousand (2015: €53 thousand). Overall assets of the Provident Fund reduced slightly to €1.2 million (2015: €2.3 million), reflecting larger cash outflows made to separated participants in 2016 which exceeded contributions received from Members. The financial obligations to Participants notifying their intention to separate before 31 December are included as liabilities of the Provident Fund, in line with IPSAS.
- 1.19 The nature of fund liabilities is such that risk is limited to the payment of funds accumulated from the investments made. Overall, the Provident Fund had sufficient assets to cover its liabilities and a free reserve of €1 thousand. The reserve is available to the Provident Fund Board to meet the costs of operations and any unforeseen liabilities in accordance with the Regulations.

## PART TWO

### Governance and internal control

2.1 In 2015 we highlighted the importance of effective governance and internal control to States Parties in ensuring appropriate oversight of an organisation. In our second year we have followed up the progress made on those key elements of the Organisation's governance processes which we commented on in last year's report:

- independent oversight to support States Parties;
- assessing and managing business risks;
- fraud and whistleblowing arrangements;
- the Office of Internal Oversight; and
- supporting the Statement on Internal Control.

#### Oversight arrangements to support States Parties

2.2 In 2015 we recommended the Organisation considered establishing a small, independent, objective and expert Audit Committee to enhance the assurances to States Parties, focusing on internal control, risk management and audit provision. We believe it is appropriate for OPCW to review its existing governance mechanisms and to consider the implementation of an audit committee to provide independent and expert advice. This differs from the input and advice currently provided to States by the Advisory Body on Administrative and Financial Matters (ABAF), whose focus is on the budget and use of resources. An Audit Committee will also serve to support the ABAF by providing additional assurance in respect of Governance within the Organisation.

2.3 We note that the Director of OIO will submit a further presentation to the June 2017 ABAF meeting, with proposals for the status and composition of an Audit Committee. We consider this a positive step but would encourage the Organisation to ensure that an Audit Committee remains independent from ABAF and has specific financial and assurance expertise amongst its membership. The role of an Audit Committee would be to support the States Parties and Director-General by reviewing the comprehensiveness and reliability of assurances on risk management, the control environment, provision of internal and external audit and the integrity of financial statements. If arrangements operate effectively they can provide strong assurance in addition to the oversight which ABAF currently provides.

2.4 **We continue to recommend the development of an audit committee and encourage moves to secure the benefits of this oversight as early as practicable, we are happy to provide our observations to the Secretariat as they develop practical proposals for the States Parties.**

#### Risk management

2.5 A systematic risk management process encourages sound management, provides additional assurance to the senior management and enhances accountability. Given the challenging environment and the pending changes to the Organisation, this can add value to the Secretariat's work and enhance assurance to States Parties. In 2015 we recommended that:

- the Secretariat should maintain and regularly update the risk register and ensure that it is used in the business decision making processes; and

- that risk management processes should be subject to a clear challenge process to support the embedding of risk management and to improve the quality of identified mitigations, ideally this could be conducted by an Audit Committee.

2.6 Since our last report we welcome the further development of the register which was updated to identify the ten top risks facing the organisation in November 2016. We understand that the register will be updated twice a year, and they will be used by Divisions and at Management Board Meetings. We will review the use of the registers, and the quality of mitigating actions, in our 2017 audit once the new arrangements have had time to embed.

#### Office of Internal Oversight (OIO)

2.7 The work of the Office of Internal Oversight is a key component in the system of internal control and the assurance that the Director-General provides to States Parties on the effectiveness of these controls. In 2015 we recommended that:

- OIO play a greater role in providing management with assurance over its significant risks by focusing on these in its annual audit programme;
- Greater attention should be given to succession planning and to ensuring that OIO had sufficient skills and capacity to deliver effective assurance across key risks to a professional standard;
- The Director of OIO should make a clear statement each year on the sufficiency of the assurance coverage and resourcing in his annual report; and
- OIO should have a direct reporting line to an audit committee to review the adequacy of audit plans and the assurances which feed into the Statement on Internal Control.

#### **Independence and objectivity**

2.8 Currently, OIO operates under the authority of the Director-General as set out in the financial regulations. OIO has begun an important exercise to identify where the focus of its resources are being directed. This is an important exercise to ensure assurance activity is directed at the areas of highest risk. In our review of this analysis we identified a substantial element of time where OIO participate in a number of internal forums. The OIO also sits on a number of Boards and Groups in relation to the running of the Organisation which could be interpreted as undertaking the role of management. In our view, the role of internal oversight is to provide objective assurance, independent of management. We believe the participation of OIO in some of these forums could lead to both an actual or perceived threat to their independence, as they could be regarded as part of the decision making process and contrary to internal auditing standards. In addition, participation in these meetings utilises scarce assurance resources which should be focused on the delivery of assurance. We support OIO in looking at the allocation of its current resources and activity.

#### **Staffing and capacity**

2.9 OIO provided us with data which indicated significant staff vacancies, of some 31 per cent of planned resources. The level of assurance has consequently been affected, especially due to the absence of the internal auditor post. Furthermore, OIO analysis noted that only 32 per cent of available resources identified by OIO were dedicated to audit, evaluation or certification activity. In our view OPCW is not obtaining the necessary level of internal assurance to support the proper assessment of internal control, within the current structure of OIO.

- 2.10 OIO is developing an improvement programme and we believe it is essential for the Office to strengthen its skills and capacity to deliver risk focused assurance. It is important that this programme encompasses the recommendations of the External Auditor to focus on key risks and to define more tightly the balance between advisory and assurance functions. This should include looking at the quantum of available resource and determining whether the structure of the function enables it to have the appropriate skills and experience to deliver a suitable level of risk based assurance. This might include drawing upon specialist external expertise from within the total budgetary allocation of OIO.
- 2.11 We welcome the developments in OIO, building upon the external Institute of Internal Auditors review findings and previous external audit recommendations. It is important that, having identified the areas for improvement, sufficient time and resource is given to strengthening the focus of the function within the overall resource envelope. This would be through a greater focus on assurance activity and consideration whether the current structure, skills and experience of OIO meets these needs. We encourage OIO to secure these improvements as early as practicable.

**Recommendation 2: OIO should consider its current staffing and resourcing model within its overall level of resources, ensuring it has the structure, skills, experience and capacity to deliver a core level of assurance over the key risks to OPCW. Furthermore, OIO should review current activities to ensure they focus on assurance provision rather than attendance in OPCW working groups and ensure appropriate independence from management functions and activities.**

#### **Work programme**

- 2.12 In 2016 OIO's work programme included 14 planned assignments. This was comparable with the 15 assignments planned for 2015. In 2016 finalised output was less than originally anticipated as two Confidentiality Audits (Audit of the IT Change Management Process and Audit of the Implementation of the Secure Information Exchange (SIX) for Electronic Transmission of Declarations) and one Evaluation Audit (Evaluation of OPCW Document and Record Management System related to QDOCs) were postponed to 2017. Additionally, several audits deferred from 2015 audits were carried over to 2017 including 2 internal audits - Payroll Audit and Asset Management Audit, due to the vacant position of the internal auditor.
- 2.13 In our view the OIO programme of work covered useful areas during 2016, but it did not clearly map to the OPCW's key risks. For example, a key risk for the Organisation is around the ERP and we would have expected to see more activity in this area during 2016. Due to staffing problems the plan was not delivered as proposed and consequently there was insufficient internal audit assurance activity covering 2016. From our review of the 2017 programme, we cannot see an area of work focussing on the progress towards implementation of the ERP, and feel that this is a potential gap in the OIO's work for 2017.
- 2.14 We understand that the OIO faced resource constraints because of vacant professional positions, including the post of the internal auditor, which was vacant for some of 2016. We have previously emphasised the importance of the internal audit plan in covering key financial controls and other critical organisational risks and systems, and for management to ensure that OIO is suitably resourced. This post was critical to these areas of assurance.
- 2.15 We remain concerned that, despite the best efforts of OIO, the current level of activity remains below the level we would expect to support the assertions made in the Statement on Internal Control. Of the 14 outputs planned for 2016, only seven were completed during

2016, with the remainder deferred for 2017. This indicates that even if the programme was sufficient to support the assertions made in the Statement on Internal Control, the deferral of audits creates a gap in the level of planned assurance.

- 2.16 Furthermore, as per the OIO's Annual Report, in 2016 the number of open recommendations at the start and at the end of the year stood at 46<sup>13</sup>. While there was some movement in terms of these - the same number of new recommendations were raised as were closed - we would expect that the number of recommendations open would reduce over time as the Organisation took on board the suggestions of OIO. It appears the progress in terms of the implementation of OIO recommendations is slow and the number of recommendations open at the end of 2016 remains high. The follow up of recommendations would be an important area where an audit committee could add value to States Parties.

**Recommendation 3: The OIO should ensure that its internal audit work programme is risk based and focused on the key areas of the business where internal control may fail. This means that the programme should continue to be varied year on year in accordance with the risks the Organisation faces. The programme should be sufficient to provide reasonable assurance to management, and the assertions made in the Statement on Internal Control.**

**Recommendation 4: The Secretariat should consider reviewing the governance around the implementation of recommendations and develop a greater impetus on either implementing recommendations or agreeing where recommendations are no longer relevant.**

#### **The Statement on Internal Control**

- 2.17 In 2015 we recommended that Governance arrangements overseeing the production of the SIC should be strengthened. Senior management need to be more involved in challenging the SIC to ensure the statements made are supported by assurance work and highlight areas where control improvements are planned. Furthermore, the SIC should be subject to review by the Director of OIO and provide some summary which captures the outcomes from their work, and their overall conclusion in respect of internal controls.

#### **Governance arrangements and processes supporting the SIC**

- 2.18 The SIC is produced by the Office of the Director of Administration and we would expect it to be subject to challenge at different stages of the production process, and for discussions to take place with senior management. This process enables common internal control issues to be highlighted and helps to build a more complete evidence base. The involvement of OIO is essential, they should be the primary information source advising the Director-General on the effectiveness of internal control processes, informed by the results of risk focused audit activity. We again saw no evidence that the SIC was challenged at any stage of the production process. We would expect the SIC to reflect the findings of any internal and external reports which highlight weaknesses in internal control. In this way the SIC can act as a transparent statement of the current framework. It can also be used to reflect future planned improvements and to demonstrate the commitment to enhancing the control environment.

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- 2.19 All Directors are asked to assess and provide assurance to the Director-General on the control framework within their own divisions via signed attestations. The attestations seek confirmation from Directors that "*...necessary measures have been taken to implement internal controls...and, any identified areas where controls are missing or are insufficient, including those that may have been identified during the course of audits and evaluations, have been considered for further reinforcement.*"<sup>14</sup> Similarly to 2015, all of the attestations we examined were signed, but did not include comments or descriptions of any control weaknesses within divisions. It is disappointing that little progress has been made to develop and improve the processes to underpin a more meaningful Statement.
- 2.20 We are unclear to what extent individual managers are encouraged to provide a detailed assessment or whether they have sufficient training and guidance to properly assess their compliance. Managers should be encouraged to provide narrative on how they have made their assessments and what they have done within their own divisions to satisfy themselves about the operation of internal control and risk management. To further improve this process we would encourage OIO to have a cyclical approach to auditing these divisional assessments, to bring more rigour to the process.
- 2.21 Furthermore we would comment that the SIC lacks specific detail of programmes and projects that are taking place in respect of Internal Control. It comments "*Furthermore, my senior team and I are committed to a continuous improvement programme to strengthen the system of internal control across the Organisation.*"<sup>15</sup> It would be more powerful for the SIC to detail what specifically is taking place across the Organisation and the improvements that are expected.
- 2.22 We would expect that the SIC should flow from the risks that the Organisation has to face in terms of internal control and the results of structured assurance work that has taken place to mitigate these risks. Accordingly, the programme of work that OIO undertake should be much more closely aligned to the risks in internal control faced by the Organisation going forward.

**We continue to emphasise the importance of our 2015 recommendations in respect of the SIC and encourage the Secretariat to make more urgent efforts to implement improvements to the process and transparency of the SIC.**

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<sup>14</sup> Director Attestations, obtained during 2016 Annual Accounts process

<sup>15</sup> OPCW, Statement of Internal Control, 2016 Annual Accounts

## **PART THREE**

### **Enterprise Resource Planning (ERP) system**

#### Background

- 3.1 The Organisation recognised the need to replace its current Smartstream IT system with a modern information system to enhance business reporting and improve business processes; one of the key IT initiatives proposed in the Medium-Term Plan for 2015 to 2019. The primary motive for ERP implementation, as set out in the business case<sup>16</sup>, is to "*enhance the effectiveness and efficiency of the Organisation's operations*". It is anticipated that the preferred solution will transform internal business systems into a smarter, more agile, and better integrated set of processes. It also addresses the Secretariat's concern about the complexity of the current system, the need for manual interventions and the risks of operating a system which is no longer supported.
- 3.2 In December 2014, the Conference of the States Parties gave authorisation for the establishment of a special fund for the purposes of implementing an ERP solution. An approved transfer of €5.7 million from the Working Capital Fund plus the €2.2 million cash surplus provided a total ERP Fund of €7.9 million, intended to cover the development and implementation costs of the project. The project expenses to 31 December 2016 were around €1.5 million and related predominantly to project administration and the purchase of software licences. During 2016 €0.5 million has been capitalised in the financial statements in respect of the ERP system. The new ERP solution provider appointed for the implementation is Unit 4 Business World and the system is expected to go-live in 2018.
- 3.3 Progression of the project is dependent upon sign off of project milestones which have been well defined. The project follows recognised project management techniques by utilising the PRINCE2 project management methodology and documentation, and is divided into two phases:
- Phase one (Analysis) includes identifying business requirements, solution evaluation and selection, and tender preparation and evaluation (completed May 2016);
  - Phase two (Implementation) includes tender award and solution implementation.
- 3.4 In our 2015 report we reported the absence of clear project objectives and cost benefit analysis. The absence of this type of analysis reduces both the ability to assess value for money and the ability to assess the delivery of business objectives. Such plans are central to holding the Secretariat to account for the use of resources. While the Secretariat developed a document setting out what it considers key performance measures for the system in August 2016, the pace of progress in issuing a Benefits Realisation Plan for the project has been slow, with a first draft issued in April 2017. A draft submission has been made to the Project Steering Committee and the Project Board, the delay resulting from the project team de-prioritising the plan. As the project nears implementation the accountability benefits of a clear plan reduce. This reduces the ability to assess value for money on project completion.

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*Enterprise Resource Planning Strategy of the OPCW* presented to the Executive Council, Seventy-Seventh Session, 7-10 October 2014

**We reiterate our recommendations to urgently progress the agreement of a clear benefits realisation plan for the ERP project and that these processes should be established for all future major projects in advance of their approval.**

#### Current position

- 3.5 The ERP is sponsored and managed by the Directorate of Administration and the project is scheduled for full go-live implementation in January 2018, with some residual archiving of legacy data to continue until July 2018. The implementation continues to be overseen by regular Project Board and Steering Group Meetings. We have reviewed the minutes of these meetings and note that there is a key focus on the status and delivery of project milestones, a key part of effective project management.
- 3.6 The implementation team are currently preparing the necessary modules that will go into the system, in conjunction with the key user and stakeholder groups. Prior to go-live the implementation partner will validate the solution design to ensure that it will work in practice. The ERP Project Board is meeting regularly to oversee the implementation of the ERP solution. The most recent meetings of this Board have also included business users<sup>17</sup> which is important in ensuring that the new solution is embedded across the Organisation.
- 3.7 Some risks remain to the project as procurement needs to be completed in sufficient time to support implementation and agreement needs to be reached on the necessary amendments to Financial Regulations and delegations. The other identified key risk relates to the readiness of the payroll module given the complexity of international pay and benefit systems. OPCW is mitigating this risk by drawing upon the solution implemented by the United Nations Office for Project Services (UNOPS) as well as the International Civil Aviation Organization (ICAO). As the project nears implementation the effectiveness of risk reporting and escalation will become increasingly important.
- 3.8 The project remains on target in terms of spend against the budget and we understand that after each key milestone is reached the project is re-forecast to ensure that the project remains on track financially. The Organisation should share any changes to the forecasts of the project's outturn and timetable with the ABAF, Conference of States Parties and Executive Council as key project stakeholders.

#### Training

- 3.9 The ERP team are currently considering the training offer to staff for the new system. We understand the strategy documents in relation to training are currently in draft form and are being subject to peer review and input from relevant business users, after which plans will be reviewed and signed off by the Project Steering Committee and the Project Board. The key principle which the project team have emphasised is one of long term project sustainability. In our experience, effective training for ERP systems is vital to ensure the full utilisation of the system functionality and to ensure the system is embedded in business decision making and reporting. It is important to consider whether training plans have been effective and to make changes where necessary to meet any unmet user needs.

**Recommendation 5: The Organisation should ensure that the training strategy for the ERP is finalised before the end of quarter three to ensure sufficient time to implement and embed. Following implementation there should be an early evaluation of the roll-**

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**out of training to ensure any newly identified needs can be addressed through revised training plans.**

- 3.10 The Organisation has been using its old system for a number of years; these systems and their associated manual processes are firmly embedded in the OPCW. A key aim of any new ERP system is to drive cultural change and deliver more efficient processes. This demands a commitment from staff alongside the provision of adequate training and support. The Secretariat has been seeking to educate staff with regular communications to staff and to engage users in the planning for implementation. In our experience cultural change can be the most difficult issue to address when implementing a new system, sufficient resource needs to be dedicated to supporting staff during the transition, and to enforcing compliance with new processes.

Data Migration

- 3.11 A further area of focus for the ERP team at present is data migration from the old to the new system. This is a key risk which requires engagement with all user communities that may have data to migrate into the new system. Data migration includes all necessary data cleansing from the information within the legacy systems which will not be required in the new system. While the Organisation is required to retain data, for example, due to its tenure policy for longer than would normally be anticipated, this does not preclude data cleansing the old system prior to migration.
- 3.12 In order to support data migration, a data migration tool has been procured which will transfer the necessary data automatically to the new system. This tool allows matching with the old system and will make the process of data migration more efficient. A full-time staff member, who has been in post since December 2016, is also overseeing the data migration process.
- 3.13 We understand that OIO will consider reviewing management's processes for data migration process once complete, this is a key part of the internal control process which supports a critical change of business systems. It will provide critical assurance to the Director-General that the integrity of the accounting record has been maintained. Many failed implementations result from inadequate data transfers, which can have consequence to the delivery of accurate and timely financial information.

**Recommendation 6: The Organisation should ensure that it retains the audit trail to support timely data migration and that this is subject to review by OIO. Migrated data should be subject to a review process to cleanse information to ensure that only accurate and necessary data is migrated to the new ERP system.**

System Control

- 3.14 An important part of any new system implementation is ensuring that the control environment and the system controls are robust and fit for purpose. The Secretariat will need to obtain sufficient assurance over the operation of the system controls, in particular within the finance modules within the new system. As the Organisation moves towards implementation, it should ensure there is sufficient time available to both understand the control environment of the new system as well as undertake testing of the operation of the new system.

- 3.15 This is especially important as the go-live for the new system is planned for January 2018 and the Organisation has its year end as at 31 December 2017. Therefore, the early months of operation of the new system will be when the finance team are preparing the accounts and therefore it is of key importance that sufficient time is provided to understand and test the operation of the new system. It is important that clear plans are in place to ensure that the new system does not impact on the normal timeline for the closure of the 2017 accounts.

**Recommendation 7: The Organisation should ensure that it has an appropriate assurance plan for validating the operation of system controls and delegations within the new system and a clear plan to manage the impact of implementation on the preparation of the 2017 accounts.**

Quality Assurance

- 3.16 While the Secretariat have assembled a highly experienced and skilled team to support implementation it remains important for this work to be assured, given the scale of investment and the importance on the delivery of an effective system. The Secretariat engaged external quality assurance from Gartner on its ERP project at an early stage of the project. Gartner confirmed that key processes were operating effectively, for example:
- (a) *Project Board – Meets as appropriate every 2 to 3 months. The board has an oversight role and decision making rights over the whole project.*
  - (b) *Project Steering Committee – Meets monthly with a set agenda covering both the overall project including progress to date, risks and issues etc. but also progress updates on the associated work streams.*
  - (c) *Work Streams – Each work stream has a nominated leader who is also the representative for the work stream at the monthly steering committee.*
  - (d) *Project Initiation Document – All necessary topics are treated in the PID and the PID was appropriately reviewed and signed-off.*
  - (e) *Roles and Responsibilities – These have been defined and documented.*
  - (f) *Risk Log – This is in place, regularly reviewed and updated.*
  - (g) *Issues Log - This is in place, regularly reviewed and updated.*
  - (h) *Change Log – This is in place, regularly reviewed and updated.*
  - (i) *Progress Reporting – This is in place with progress against a set of clearly defined milestones reported on weekly.<sup>18</sup>*
- 3.17 The Secretariat have continued to work with Gartner in respect of the quality assurance of the ERP project and the project team are having regular engagements with Gartner to quality assure parts of the project. There is an agreed format for Gartner assurance that is provided to the Organisation and we have been provided with a series of assurance documents during our work from the period of July 2015 to March 2017. These confirm that Gartner are undertaking regular assurance type activities. To date these have included:
- Review of the Project Governance implemented for the project;

- Milestone Quality Review of both the As-Is Business Process and To-Be Business Requirements; and
- Milestone Quality Review of the ERP Solution Recommendation.

3.18 Gartner has not raised any formal recommendations for improvement to the Project Steering Committee or Project Board. However, it is important that, as the project nears implementation and as control processes are being approved, similar external validation of the system is sought, ideally in consultation with OIO.

**Recommendation 8: The Secretariat should develop, in conjunction with OIO and Gartner, an appropriate plan of assurance to validate the system security and design prior to implementation. This should be developed on a timely basis to support successful implementation of the ERP solution.**

## PART FOUR

### Human resource management

#### Workforce characteristics

- 4.1 Human resources are the main asset of OPCW, and its performance as an organization is determined largely by how well it recruits, utilises and develops its people. For this reason we have identified this area as an important topic for consideration in the second year of our mandate.
- 4.2 In 2016, personnel costs were €47 million, 63 per cent of total expenses.<sup>19</sup> At the end of December 2016, the workforce comprised 425 staff subject to UN staff rules and regulations<sup>20</sup>, and 37 individual contractors<sup>21</sup>. For every 13 personnel, there was one senior manager of P5 grade or above. Women occupied 18 per cent of senior management positions compared with 32 per cent in the UN Secretariat.<sup>22</sup>

#### HR governance in OPCW

- 4.3 HR services are delivered by the HR Branch which reports to the Director of Administration. It provides mainly recruitment, entitlement and benefits, and training support services and comprises 22 posts.<sup>23</sup> For 2017, the HR Branch has a budget of nearly €2 million<sup>24</sup> (3 per cent of the overall budget for the Technical Secretariat). However, of the 22 posts, seven were vacant in February 2017 due to posts remaining unfilled and long-term absences.
- 4.4 The HR function provides compliance and support services to aid senior and line managers in the management of staff resources and will have specific objectives which it delivers for the organisation, for example relating to recruitment processing, agreeing on entitlements and applying rules, developing guidance, advising, gathering and reporting intelligence on HR matters and trends. In OPCW, the performance of the HR Branch is reported to States Parties through the annual Programme and Budget Plan.
- 4.5 The administration programme of the 2017 Programme and Budget Plan describes an aim to provide 95% of human resources and training services ‘within benchmarked timelines’ – a target level that has stayed constant for a number of years. Benchmarking services include those relating to agreement of allowances and subsidies, payroll processing, recruitment processing days and training quality. In 2016, the HR Branch performed 86 per cent of these services within benchmarked timelines, below target. However, presenting performance data in this way gives States Parties only limited information on Secretariat progress. The benchmarked timelines are not published and can be changed between years. For example, we note that 13 of the 28 targets for benefits and entitlements are not as demanding in 2017

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<sup>19</sup> Personnel costs include those relating to staff and individual contractors (the latter as part of Special Service Agreements).

<sup>20</sup> Personnel numbers stated as headcount rather than full-time equivalent (FTE).

<sup>21</sup> Individual contractors are appointed on a temporary basis using special service agreements (Administrative Direction AD/PER/26.Rev.2 refers).

<sup>22</sup> Report of the Secretary General, Composition of Secretariat: Staff Demographics, December 2015, at: [http://www.un.org/ga/search/view\\_doc.asp?symbol=A/70/605](http://www.un.org/ga/search/view_doc.asp?symbol=A/70/605). Senior management positions are defined as staff grade P5 and above.

<sup>23</sup> Appendix 4 of the OPCW Programme and Budget 2017.

<sup>24</sup> 2016 Human Resources Branch Budget reported in OPCW Programme and Budget 2017 (p101).

as they were in 2016. Opportunities should be taken to establish a suite of reports and data which would be used by senior management to review the performance of HR and the wider workforce. This should build upon the planned functionality of the new ERP system which should offer improved and enhanced reporting tools.

- 4.6 Board-level reporting of HR management information is largely ad hoc. The HR Branch reports absence data regularly and staff appraisal performance, recruitment and training information once a year to the Secretariat Management Board. In 2016, the HR Branch and Staff Council<sup>25</sup> also conducted a staff survey building on an earlier survey from 2014. However, indicators covering issues such as wider business feedback on HR Branch performance, the turnover of staff and the tenure policy, gender equality and HR-related cost efficiency are not regularly reported. Moreover, it is not clear to us that the Management Board has received regular written progress reports on its 'Mid to Long-term Staffing Plan' since a summary of this was first submitted to States Parties in June 2015.<sup>26</sup> It is important that where plans and objectives are set there is regular reporting on performance in order to assess effectiveness.
- 4.7 Whilst an important source of information, the 2016 staff survey suffered from a relatively low response rate (46% of staff responded). Furthermore, we note that some issues raised from the survey appear not to have improved significantly over time. For example, whilst around 80% of staff responding to the 2016 survey were positive about OPCW saying that they were proud to work for the organisation and would recommend it as a good employer. Around a quarter of respondents reported experiencing harassment in the workplace in the last 12 months, a level which has fallen only slightly since the 2014 people survey.<sup>27</sup>
- 4.8 Since the harassment issue was identified in 2014 OPCW has begun to address this issue with the appointment of a staff welfare officer and mediation service. It is also progressing a new Administrative Directive to emphasise processes and transparency on how issues are resolved. Highlighting that staff should feel able to raise valid concerns without fear of retaliation. In addition the OPCW has developed conflict resolution training and performance training and 211 staff have attended harassment training, of which approximately 50 staff had supervisory responsibility.
- 4.9 A strategic human resources function will typically involve business partnering, change management and organizational design roles, as well as more traditional human resources transactional and advocacy functions. Some UN organisations are aiming to increase the involvement of HR in organizational design and change and to improve business partnering.<sup>28</sup> When looking at the HR function within OPCW we saw its delivery being focused on the transactional elements of the function rather than providing strategic input to supporting the governance of change management. For example, we understand that a forum for managing organisational change, the Transition Working Group, chaired by the Deputy Director General and with HR Branch representation met twice since its formation in August 2015, with future meetings only considered necessary if individual transition concerns are raised. Individual transition issues are dealt with at the Human resource Working Group, which meets weekly, but this focuses on specific cases, rather than the more strategic issues

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<sup>25</sup> The Staff Council is intended to ensure the effective participation of staff in identifying, examining and resolving issues relating to conditions of work. Staff Rule 8.1.01 refers.

<sup>26</sup> S/1292/2015

<sup>27</sup> The 2014 staff survey asked whether respondents 'had been harassed or bullied while working at the Technical Secretariat' with around 30% of respondents saying they had.

<sup>28</sup> For example, see: [http://www.un.org/en/ga/search/view\\_doc.asp?symbol=A/70/5/Add.11](http://www.un.org/en/ga/search/view_doc.asp?symbol=A/70/5/Add.11)

of change management. As the organisation moves towards significant changes in its focus and mandate it is important to evaluate the skills needed from the HR function to support senior management in the change process; and to ensure it is equipped with the skills and capacity to secure and enable successful change.

**Recommendation 9: The Secretariat should strengthen the governance around HR by:**

- (a) improving reporting to States Parties on HR and other programme areas that use the phrase ‘within benchmarked timelines’ to show benchmarked timelines over time;**
- (b) developing a systematic suite of HR management information and cost data for reporting to all Management Board meetings;**
- (c) prioritising the people survey so that response rates are improved and issues highlighted are owned and systematically addressed;**
- (d) formally considering - and reporting to States Parties on - whether the use of dedicated HR resources best meets future business need, taking account of the current high level of unfilled HR posts, OPCW’s changing business operating model and different models of HR support; and**
- (e) review the need for a more strategic role for HR in the delivery of change.**

**Skills and workforce planning**

- 4.10 In its ‘Mid- to Long-Term Staffing Plan’ dated June 2015<sup>29</sup>, the Secretariat proposes to increase the skills of staff to support verification and capacity development in countries and broaden their skills so that they can move more freely across the organisation. The Staffing Plan also describes an ambition to reduce the number of posts and indeed, in the two years to December 2016, the number of staff in post has reduced by 11 per cent. This was achieved solely through staff rotation and workforce attrition, and a similar model will be used for future staff reductions.
- 4.11 A changing operating model<sup>30</sup> and pressure to reduce costs requires a strategic approach to skills and workforce planning if the right number of people with the right skills are to be in the right place at the right time. As well as supporting analysis of the current workforce skills the HR Branch has to identify skills gaps and support recruitment, retention or re-training to address this. Changing the staffing model can be challenging and demanding of managers and staff, and it is important that HR has a clear strategy for achieving this. Without a strategic approach there is a risk that cost savings will be sought incrementally and indiscriminately in ways that reduce operational effectiveness or lead to longer-term increased costs.<sup>31</sup>

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<sup>29</sup> S/1292/2015

<sup>30</sup> S/1252/2015 Annex titled "The OPCW in 2025: Ensuring a World Free of Chemical Weapons" states: "The operating environment of the Organisation for the Prohibition of Chemical Weapons (OPCW) will change significantly over the coming decade, during which declared chemical weapons stockpiles will be destroyed. To stay relevant, the focus of the Organisation's activities will progressively have to be shifted from disarmament of chemical weapons to preventing their re-emergence. This will require new investments in a widening range of activities related to verification, capacity development, stakeholder engagement, and governance of the Organisation..."

<sup>31</sup> See for example:  
[https://www.nao.org.uk/wp-content/uploads/2010/06/short\\_guide\\_to\\_structured\\_cost\\_reduction.pdf](https://www.nao.org.uk/wp-content/uploads/2010/06/short_guide_to_structured_cost_reduction.pdf)

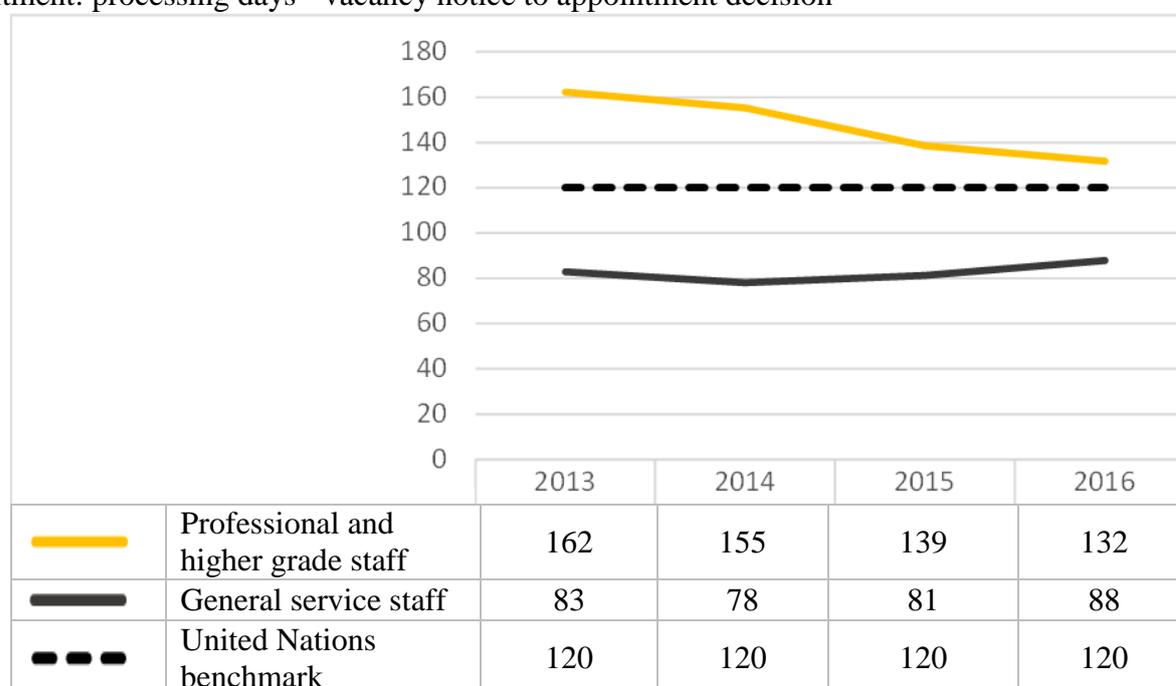
### Structured and strategic approach

4.12 The high-level Mid- to Long-Term Staffing Plan is not accompanied by a detailed and structured plan against which progress in addressing skills and resourcing needs is being systematically monitored. Workforce planning is largely done on an annual basis in line with budget preparation and based upon assumptions around natural attrition in the workforce. Despite proposals in 2015 to broaden the skills of staff, progress in understanding the current skills of the workforce has been slow. The HR Branch plans to implement a skills survey inviting staff to assess skills levels in 2017, following an initial survey of staff training preferences in 2014.

### Recruitment and retention

4.13 Minimising the time between when a vacancy first occurs and a post being filled is important if the Secretariat is to address additional skills needs efficiently. The HR Branch has a role in facilitating this process but must work collaboratively with operational divisions. The United Nations has established a benchmark of 120 days from the issue of a vacancy notice through to an appointment decision. OPCW has improved the time taken to recruit to vacant professional posts since 2013 but, in 2016, it remained above the UN benchmark of 120 days (Figure 2). Processing of general service appointments is quicker on average but has worsened slightly in recent years. Meanwhile, the Secretariat met its own recruitment processing target in just over half (53 per cent) of cases in 2016.<sup>32</sup>

Figure 2  
 Recruitment: processing days - vacancy notice to appointment decision



Source: UK National Audit Office analysis of OPCW Technical Secretariat data

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See discussion of UN performance against this target in:  
[https://www.unjuu.org/en/reports-notes/jiu%20products/jiu\\_note\\_2012\\_2\\_english.pdf](https://www.unjuu.org/en/reports-notes/jiu%20products/jiu_note_2012_2_english.pdf)

- 4.14 Most professional and higher staff in the Technical Secretariat are subject to a maximum tenure of 7 years.<sup>33</sup> There is therefore a risk that the way the tenure policy is managed may lead to less motivated staff, higher turnover from resignations and the loss of key knowledge. However, staff survey data from 2016, referred to above, suggests that staff are generally motivated. Our analysis of 2016 data shows that turnover from resignations of all fixed term staff was not, at 4 per cent, unduly high - though rates are higher for tenure staff (5 per cent compared with around 2 per cent for non-tenure staff).
- 4.15 Given the tenure policy the Secretariat accepts that it needs to do more to improve the way it retains knowledge, often in very specialist areas. We understand that in 2016 it allocated extra resources to knowledge management and has sought external advice on this matter.<sup>34</sup> A Knowledge Management Strategy is currently being prepared.
- 4.16 At the same time, the tenure policy may also bring benefits linked to staff rotation and a more diverse workforce. We are advised that States Parties are considering the effectiveness of the tenure policy ahead of their next review conference in 2018. In our discussions we have noted that operational needs resulted in the re-employment of inspectors to meet immediate skill and experience needs. To inform these discussions, there is scope for the HR Branch to lead a full assessment of the costs and benefits of the current tenure policy and alternative options taking account of the operational objectives for OPCW and specific specialist skills.

### **Performance management**

- 4.17 Developing staff so that they may take on different and more challenging roles in line with changing organisational priorities is a key part of workforce planning. Performance management forms one aspect of this. The HR Branch has a role in setting the minimum requirements for performance management (PMAS) and sponsoring best practice, but effective arrangements also depend on the behaviours of managers across the Secretariat.
- 4.18 Despite strong compliance with the requirement to receive a written annual appraisal of performance (99% completion), it is not clear that current arrangements give a consistent basis for either identifying the very best performers or managing underperformance. Our review of completed appraisals for 2015 found that 38 per cent of personnel achieved the highest 'exceeds performance expectations' ratings. Nobody received a 'partially meets' or 'does not meet the performance expectation' score. Scores between divisions vary with around half of staff in the Inspectorate achieving the highest performance rating in 2015 and around 20 per cent in the Administration Division. In a performance system the spread of ratings should be broadly similar, as the assessment should be based on the performance in role.
- 4.19 A performance system which differentiates more clearly between levels of performance will provide greater support to management. Enabling the identification of staff who can be further developed to meet more challenging or changed roles and to support more focused development training. An effective performance management system is essential to underpin the delivery of successful change. The Secretariat is seeking to develop improved training on PMAS which is being delivered to both staff and supervisors and with the development of a management development programme in the future the Secretariat hope to place more

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<sup>33</sup> Inspector grades may be appointed for an extra three years following a career gap of at least one year.

<sup>34</sup> The International Atomic Energy Agency are identified as a model of best practice in this regard and there is scope to learn from their approach. See 2016 review by the Joint Inspection Unit at: [https://www.unjiu.org/en/reports-notes/JIU%20Products/JIU\\_REP\\_2016\\_10\\_English.pdf](https://www.unjiu.org/en/reports-notes/JIU%20Products/JIU_REP_2016_10_English.pdf)

emphasis on performance management. A PMAS committee has been charged with reviewing the process and they continue to seek improvements in the system.

**Recommendation 10: The Technical Secretariat, supported by HR Branch, should strengthen workforce planning by:**

- (a) developing and documenting a specific action plan addressing high-level workforce planning objectives set out in the Mid- To Long-Term Staffing Plan (June 2015); and providing a regular and consistent report to analyse progress against the plan to the Management Board;**
- (b) completing a skills survey of its personnel and - in light of the results of this analysis - considering steps to further address priorities in its Staffing Plan;**
- (c) implementing measures to improve recruitment processing performance in those areas over which it has control; and considering establishing targets and plans to improve gender balance at all levels;**
- (d) analysing the costs and the benefits of the tenure policy and considering alternatives to inform future decision-making by States Parties especially in the light of known skills and experience deficiencies; and**
- (e) differentiating staff performance more clearly through performance appraisal; and strengthening underlying systems for identifying and addressing under-performance through the appraisal process.**

## **PART FIVE**

### **Prior Year Recommendations**

- 5.1 As at April 2017, of the 26 recommendations outstanding for 2015 and previous years, we consider that five recommendations were implemented during the year, and 21 recommendations remained under implementation. The Appendix contains a detailed commentary on the status of previous recommendations.
- 5.2 The Secretariat reports twice each year to the Executive Council on the status of implementation. Our review of previous recommendations identified that responses lacked clear accountability such as assigning actions to specific individuals and expected timescales for implementation. In our view, the Secretariat should enhance the way in which it tracks the implementation of recommendations and the detail of its response. This is an additional area where external scrutiny by a body such as an Audit Committee could provide useful support to the Director-General and States Parties to ensure the issues arising from both OIO and the External Auditor work are given suitable attention and priority.
- 5.3 In our view more can be done to progress the recommendations at a faster pace, and to provide a clearer plan in respect of the actions and timetable for implementation. Without these it is difficult to track management's progress and to secure accountability for the implementation of the recommendations.

### **Acknowledgments**

- 5.4 We would like to thank the Director-General, Deputy Director-General and their staff for their co-operation in facilitating their second year of our audit engagement.

[signed]

**Sir Amyas C E Morse**  
**Comptroller and Auditor General, United Kingdom - External Auditor**

**27 May 2017**

## Appendix

### FOLLOW-UP OF PRIOR YEAR RECOMMENDATIONS

Ref	Area	Recommendation	OPCW Response	External Auditor Comment
1/2015	Financial Management	The Secretariat should continue to monitor and report on the timeliness of contributions, and remind States Parties of their obligations under the Convention in order to alleviate financial pressures on the General Fund.	<p>The Secretariat continues to remind States Parties of their unpaid assessed contributions and Article IV and V verification costs on every possible occasion and also sends individual letters to those in arrears on a regular basis. The status of unpaid assessed contributions and reimbursement of verification activities is reported regularly to States Parties by the Secretariat through monthly financial situation reports, quarterly income and expenditure reports, and the annual Financial Statements.</p> <p>The non-payment of prior years' assessed contributions has a negative impact on the cash position of the Secretariat, and States Parties must meet their legal obligations to pay all outstanding contributions in full.</p> <p>In the year ending 31 December 2016, the Secretariat was successful in recovering arrears in assessed contributions in the amount of EUR 4.8 million relating to 2015 and prior years.</p>	Closed- we note that the cash position remains challenging for 2017 and would encourage OPCW to continue to take steps to improve the balance on this fund as part of the longer term consideration of financial resources. However, there has been improvement in the timeliness of assessed contribution receipts and some reduction in State Party arrears.

Ref	Area	Recommendation	OPCW Response	External Auditor Comment
2/2015	Financial Management	<p>The Secretariat should evaluate the potential options for cost reduction and efficiency to further alleviate financial pressures and plan for structured cost reductions as the Organisation downsizes to 2025.</p>	<p>The Secretariat operates on an annual budget cycle and is continually assessing options to address the Organisation's immediate and medium-term financial situation. In this regard, a number of the options suggested by the External Auditor are already in place. For example, programme implementation is currently being limited by the application of a contingency margin that will potentially produce savings in operational (non-staff) spending. Trust funds are also being utilised, whenever possible, to supplement costs currently charged to the regular budget and the Organisation is constantly reviewing ways to improve its efficiency and cost effectiveness.</p> <p>Looking to the longer term, the Secretariat is developing a paper on strategic financing, as recommended by the Advisory Body on Administrative and Financial Matters (ABAF) at its Forty-Third Session.</p>	<p>In progress - we note that the Organisation is considering potential for cost reduction and would encourage that these discussions remain in focus as the OPCW moves toward the Fourth Review Conference. We will review the proposed paper on strategic finance in our audit of 2017.</p>
3/2015	Financial Management	<p>The Secretariat should integrate strategic and financial planning within a longer-term financial planning horizon, and identify resource assumptions used to support the medium and long term financial plans.</p>	<p>As noted in the response to Recommendation 2/2015 above, the Secretariat is developing a paper on strategic financing.</p>	<p>In Progress - we look forward to receiving the Organisation's paper on Strategic Financing in due course.</p>

Ref	Area	Recommendation	OPCW Response	External Auditor Comment
4/2015	Governance and Internal Control	The OPCW should establish a small, independent, objective and expert Audit Committee to enhance the assurances to States Parties, focusing on internal control, risk management and audit provision.	The Secretariat is currently exploring the options available for introducing an audit committee function in the most efficient and cost-effective manner, given the relative size and budgetary constraints of the OPCW. As agreed previously with the ABAF, the Secretariat will prepare background information on this topic for consideration by the ABAF at its Forty-Second Session.	In progress - we have reiterated our recommendation in this report and support the discussions that will be ongoing about the Audit Committee during the next ABAF.  As OPCW External Auditor we remain available to support ABAF and States Parties in these deliberations.
5/2015	Governance and Internal Control	The Secretariat should maintain and regularly update the risk register and ensure that it is used in the business decision making processes.	The Secretariat accepts this recommendation and continued to maintain and update the risk register in 2016. Senior Management is embedding use of the risk register as a key tool in the business decision-making processes, and training was provided to staff members regarding risk management in late 2016. Such work will continue in 2017, and the Secretariat proposes to close this recommendation.	In progress - We have noted the revised risk registers, and will consider the extent to which these are used and revised on a regular basis in our 2017 report.
6/2015	Governance and Internal Control	Risk management processes should be subject to a clear challenge process to support the embedding of risk management and to improve the quality of identified mitigations, ideally this could be conducted by an Audit Committee.	As noted above, the Secretariat continues to explore, at the request of the ABAF, the options available for introducing an audit committee function, with the review of risk management processes included in this function.	Outstanding- we encourage the Organisation to continue its thinking in terms of risk management as it considers the remit and scope of an Audit Committee.

Ref	Area	Recommendation	OPCW Response	External Auditor Comment
7/2015	Governance and Internal Control	We recommend that the Organisation conducts a comprehensive fraud risk assessment to determine the Organisation's potential vulnerabilities and exposure to risks of fraud. The Organisation should use the results of this assessment to prepare a fraud and corruption risk strategy.	The Secretariat accepts these recommendations and is currently reviewing the arrangements in place relating to fraud, with a view to establishing internal roles and responsibilities, conducting a fraud risk assessment, examining training requirements, and developing a whistleblowing policy.	Outstanding - we will continue to review the Organisation's progress in these areas.
8/2015	Governance and Internal Control	The Organisation should raise awareness of fraud risks through regular communication of fraud issues and through mandatory training courses for all staff on their induction to the Organisation.	The Secretariat accepts these recommendations and is currently reviewing the arrangements in place relating to fraud, with a view to establishing internal roles and responsibilities, conducting a fraud risk assessment, examining training requirements, and developing a whistleblowing policy.	Outstanding - we will continue to review the Organisation's progress in these areas.

Ref	Area	Recommendation	OPCW Response	External Auditor Comment
9/2015	Governance and Internal Control	The Organisation should develop a whistleblowing policy to set out how staff can raise valid concerns which will be appropriately and independently investigated and provide assurance over the protection it offers to staff. Such policies should be clearly accessible and promoted.	The Secretariat accepts these recommendations and is currently reviewing the arrangements in place relating to fraud, with a view to establishing internal roles and responsibilities, conducting a fraud risk assessment, examining training requirements, and developing a whistleblowing policy.	Outstanding - we will continue to review the Organisation's progress in these areas.

Ref	Area	Recommendation	OPCW Response	External Auditor Comment
10/2015	Governance and Internal Control	<p>The Organisation should provide greater clarity over responsibilities and arrangements for the response to an identified fraud by means of an approved fraud response plan. This should include establishing clear independence processes to determine the approach and staffing required to appropriately investigate any fraud allegations.</p>	<p>The Secretariat accepts these recommendations and is currently reviewing the arrangements in place relating to fraud, with a view to establishing internal roles and responsibilities, conducting a fraud risk assessment, examining training requirements, and developing a whistleblowing policy.</p>	<p>Outstanding - we will continue to review the Organisation's progress in these areas.</p>
11/2015	Governance and Internal Control	<p>As the Organisation takes steps to develop its risk management processes, we would expect OIO to play a greater role in providing management with assurance over its significant risks within its annual programme.</p>	<p>OIO has developed a robust risk assessment process which takes into account the risk management system in the organisation. Risks are reassessed every year at the time of preparation of OIO annual work programme. OIO will continue to provide assurance to management over its significant risks in accordance with its staff and budget resources.</p>	<p>Outstanding - we will continue to review the extent to which OIO develops an appropriate risk based audit plan.</p>

Ref	Area	Recommendation	OPCW Response	External Auditor Comment
12/2015	Governance and Internal Control	Greater focus needs to be given to succession planning and to ensuring that the skills and resources of OIO are sufficient to deliver effective assurance across key risks to a professional standard. The Director of OIO should make a clear statement each year on the sufficiency of the assurance coverage and resourcing in his annual report.	The Director of the OIO addressed this subject in the OIO's annual reports as a regular practice. The Secretariat proposes to close this recommendation.	Closed - We note that in the OIO Annual Report it states: The Director of OIO should make a clear statement each year on the sufficiency of the assurance coverage and resourcing in his annual report.
13/2015	Governance and Internal Control	OIO should have a direct reporting line to an audit committee which has full view of the planned range and scope of activities and can ensure these are sufficient to enable the assurances contained in the Statement on Internal Control (SIC).	As noted above, the Secretariat is currently exploring the options available for introducing an audit committee function. This recommendation will be considered in this process, and implementation will take place once an audit committee is established.	In progress - we continue to support the Organisation's effort to introduce an Audit Committee.

Ref	Area	Recommendation	OPCW Response	External Auditor Comment
14/2015	Governance and Internal Control	<p>Governance arrangements overseeing the production of the SIC should be strengthened. Senior management need to be more involved in challenging the SIC to ensure the statements made are supported by assurance work and highlight areas where control improvements are planned. Furthermore, the SIC should be subject to review by the Director of OIO and provide some summary which captures the outcomes from their work, and their overall conclusion in respect of internal controls.</p>	<p>OIO and senior management have reviewed the process for supporting the SIC, including the development of the existing internal control framework with related tools, OIO will review the governance process over the production of the SIC as this system continues to be enhanced by management.</p> <p>OIO continues to provide assurance on the internal controls in the organisation, which are audited as per the risk based annual work programme for the year. Based on inputs provided by OIO, the SIC now provides a summary which captures the outcomes of OIO work. OIO will also provide an overall conclusion in respect of internal controls in the audits it conducted.</p>	<p>In progress - while we see some improvements in the SIC this year, but further evolution is needed. There is a need to enhance the focus on risks to internal control and how these are mitigated.</p>

Ref	Area	Recommendation	OPCW Response	External Auditor Comment
15/2015	ERP System	The Secretariat should ensure it completes its recent exercise to estimate the level of savings arising from the ERP implementation. Sufficient data should be collated to enable an auditable measurement of realised cost benefits on completion of the implementation.	The Secretariat is enhancing the original ERP business case to include estimated benefits and savings that could arise from the ERP implementation.	In progress- We note that the Project Team is in the process of drafting a detailed Benefits Realisation Plan (BRP) which will be subject to review by the Project Steering Committee and the Project Board. We have drawn attention in our 2016 Report to the urgent need for this plan to be agreed.
16/2015	ERP System	The Organisation should formalise its plan to measure benefits and efficiencies over time with a formal benefits realisation plan.	The Secretariat is in the process of drafting an ERP benefits realisation plan, which will include key performance indicators (KPIs) that can be used to effectively measure the outcomes of the project.	In progress - As above

Ref	Area	Recommendation	OPCW Response	External Auditor Comment
17/2015	ERP System	To ensure efficient delivery of the implementation the Secretariat should clearly demonstrate the business need for selecting a hybrid solution for business processes comprised of “commercial-off-the-shelf” packages and include these in the fully costed budget for the implementation.	Market research has indicated that a “single-instance” ERP solution was no longer offered on the market, and this was further confirmed in the vendor’s responses to the ERP solution request for proposal (RFP). Accordingly, the Secretariat is following the “Post-Modern ERP” approach of selecting a commercial “off-the-shelf” single-instance solution for the “system of record” and looking for other commercial “off-the-shelf” solutions for the “systems of differentiation”. The Secretariat has used the concept of “total cost of ownership” in the solution evaluation and project budget preparation. The Secretariat proposes to close this recommendation.	Closed - selection of the ERP solution has been undertaken and is in the process of being implemented.

Ref	Area	Recommendation	OPCW Response	External Auditor Comment
18/2015	ERP System	<p>The Organisation should plan to give sufficient emphasis and resource to implementing new business processes and new ways of working and providing high-quality training for staff. It should create a clear plan to support the business change process alongside the schedule for the system implementation, supported by adequate training plans and post implementation support.</p>	<p>The planning for the implementation phase includes business process change management. In addition to other change management activities, a sustainable training solution is planned to be used during the implementation phase to train staff on the new system and for ongoing support and maintenance after the system goes live.</p>	<p>In progress - We note that the strategy documents for <i>training</i> are currently in draft form awaiting necessary approvals. We were unable to review the training plans proposed.</p>

Ref	Area	Recommendation	OPCW Response	External Auditor Comment
19/2015	Prior Year Recommendations	<p>The Secretariat should review the way in which it responds to assurance recommendations and provide more specific and measurable plans for implementation; these should be supported by a suitable governance process to consider the appropriateness of management responses.</p>	<p>The Secretariat is actively addressing assurance recommendations, and the appropriate governance role will be considered as a key function of an OPCW audit committee. The Secretariat has also developed time frames for the implementation of the assurance recommendations remaining open.</p>	<p>In progress - response to this recommendation is noted and will continue to be monitored.</p>

Reference: Report EA Chapter, Year	Original Recommendation	External Auditor's Comments in 2015	OPCW Response	Time- frame	External Auditor Response in 2016
4.1.1/2014	Following the IIA's <sup>35</sup> standards, the "Internal Audit Charter" provides a recognised statement for review and acceptance by management and for approval by the board. Applied to the OPCW, the "board" corresponds to the Conference of the States Parties (CSP). However, the current OIO Charter was approved by the Director-General. The Secretariat states that it will study further whether the OIO Charter should be approved by the CSP.	Ongoing. We note the opinion of the IIA that OIO should ask the Executive Council, as the executive organ of the OPCW, for formal approval of the OIO Charter, preferably on an annual basis. We would suggest that an audit committee could better fulfil this task and provide greater oversight on planning and reporting in general.	The Secretariat has drafted a new OIO Charter. Further consultations will take place in due course to request approval from the Conference.	2017	In progress - We note that the Organisation is in the process of considering the new OIO Charter and we will continue to monitor this matter.

<sup>35</sup>

IIA = Institute of Internal Auditors

Reference: Report EA Chapter, Year	Original Recommendation	External Auditor's Comments in 2015	OPCW Response	Time- frame	External Auditor Response in 2016
4.1.1/2014	<p>The governance body that is charged with the oversight of the organisation's audit and control functions is the audit committee as defined by the IIA. These fiduciary duties are often delegated to an audit committee of the board of directors. In the OPCW, the Advisory Body on Administrative and Financial Matters (ABAF) has OIO-related responsibilities. However, the OIO Charter does not explicitly refer to the role of the ABAF as audit committee. While this may be current practice, in my view OIO's independence should be strengthened as a first step by ABAF taking over the role of audit committee but moreover by establishing an Audit Committee.</p>	<p>Ongoing. We support and encourage the creation of an audit committee and its role in improving the Organisation's internal control system.</p>	<p>The Secretariat will prepare background information on this topic for consideration by the ABAF at its Forty-Second Session.</p>	2017	<p>In progress - We note that discussions in respect of setting up an audit committee are ongoing with a paper on this matter going to the June 2017 ABAF.</p>

Reference: Report EA Chapter, Year	Original Recommendation	External Auditor's Comments in 2015	OPCW Response	Time- frame	External Auditor Response in 2016
4.1.2/2014	According to Financial Regulation 12.2, the OIO shall carry out audits including Quality Assurance (QA). On the other hand, OIO exercises oversight of QA. As the oversight of QA is a management responsibility, this can impair OIO's independence and objectivity. I recommend transferring the responsibility for QA oversight from OIO to QA officers in the Divisions concerned.	Ongoing. We are supportive of efforts to clarify the distinction between the oversight and operational responsibilities and consider a clear separation to be important to ensure the robustness of the assurance process.	The OIO made a presentation and submitted a proposal for consideration by the External Auditor during his visit. The Secretariat proposes to close this recommendation.	Closed	Closed - OIO presented proposals for their involvement in the audit of quality arrangements. We continue to stress that the validation of quality should be part of the management controls, and OIO should have no direct involvement in the quality process.

Reference: Report EA Chapter, Year	Original Recommendation	External Auditor's Comments in 2015	OPCW Response	Time- frame	External Auditor Response in 2016
3.2/2011 3.2/2012 3.2/2013 3.2/2014	<p>Assessed contributions: In relation to previous years, the number of States Parties which have not paid any contributions has decreased in 2014. Unfortunately, compared to 2013, the number of States Parties that fully paid their contributions decreased by 7.1%. I repeatedly pointed out that it is hardly acceptable that contributions are not paid. I encourage the States Parties to pay their contributions or at least to make use of the payment plans offered by the Secretariat.</p>	<p>Ongoing. We have noted that the level of outstanding contributions continues to increase and that States Parties need to ensure they fulfil their Convention obligations subscribing to payment plans to provide more certainty of cash flows.</p>	<p>As noted in the response to Recommendation 1/2015, the Secretariat continues to remind States Parties of their unpaid assessed contributions and Article IV and V verification costs on every possible occasion and also sends individual letters on a regular basis to those in arrears. Significant progress was made in 2016 to recover arrears in assessed contributions relating to 2015 and prior years.</p>	<p>Ongoing</p>	<p>Closed - States Parties need to ensure they fulfil their Convention obligations subscribing to payment plans to provide more certainty of cash flows. As we report, 2016 has seen some improvement in the overall position when excluding the provision for Syria and Libya. OPCW will need to retain focus on stressing State Party obligations.</p>
3.4.1/2012 3.4.1/2013 3.4.1/2014	<p>Net assets/equity and unfunded liabilities: As at 31 December 2014, total liabilities exceeded total assets</p>	<p>Ongoing. We note that as at 31 December 2015, total assets exceeded total liabilities by EUR 8.27</p>	<p>As noted in the response to Recommendations 2/2015 and 3/2015, the Secretariat is developing a paper on strategic financing.</p>	<p>Q4 2017</p>	<p>In progress - we note the 2016 position and look forward the</p>

Reference: Report EA Chapter, Year	Original Recommendation	External Auditor's Comments in 2015	OPCW Response	Time- frame	External Auditor Response in 2016
	by EUR 0.7 million. Although the Secretariat is of the view that there is no need of additional funding as long as States Parties continue to support the OPCW, I still recommend that States Parties should start considering how future liabilities could be funded, as a negative balance should not be maintained over a longer period.	million. This was due to the reclassification of the Special Fund for the Implementation of the ERP, which was taken to reserves in year, reflecting the correct classification under IPSAS. The underlying position remains one which needs to be addressed, as we have noted in our report.	Furthermore, in the 2016 Financial Statements, the Secretariat has separately disclosed the net assets of the General Fund (negative EUR 5.1 million), and notes an increase of EUR 0.2 million from 31 December 2015 (negative 5.3 million). The Secretariat also notes that one major factor for the continuing negative net asset balance is the recognition, as required by IPSAS, of long-term employee benefit liabilities of EUR 5.6 million (for future repatriation, removal, and home leave payments). Such liabilities are unfunded, meaning that as at 31 December 2016, no assets had been set aside to settle these liabilities. Instead, such liabilities will be settled as and when due through the regular budget on an annual basis, through States Parties' assessed contributions.		Secretariat's paper on strategic financing.
4.5/2013 4.6/2013 6.1/2014	Restructuring the Secretariat not yet completed: The Secretariat is working in close co-operation with the States Parties to develop a long-term strategy for a necessary adaption of the OPCW to the	Ongoing. We consider that greater attention needs to be given to longer-term financial planning, and how the ambition to achieve 2025 will be achieved.	The Medium-Term Plan of the OPCW (EC-83/S/1 C-21/S/1, dated 8 April 2016) was recently updated to cover the period from 2017 to 2021, and core activities such as verification, inspections, and international cooperation and assistance will continue	2017	In progress - we have continued to make observations on the need for longer term planning for financial and

Reference: Report EA Chapter, Year	Original Recommendation	External Auditor's Comments in 2015	OPCW Response	Time- frame	External Auditor Response in 2016
	<p>challenges of the future. For that purpose, the Secretariat engaged an external consultant in April 2011. Two years later, the final plan to restructure the Secretariat had not been completed due to the fact that discussions on the future mission and direction of the Organisation are still ongoing among the States Parties. In the meantime, the Secretariat continued its work to develop a long-term strategy. The Executive Council incorporated the new strategic focus in the Medium-Term Plan for the period from 2015 to 2019. Nevertheless, I reiterate my recommendation to bring this issue forward. Particularly, I encourage all managers in the Secretariat seeking direct and continuous communication with their staff on all relevant issues.</p>		<p>to receive primary focus. Moving forward, the Secretariat will seek to enhance contingency operations capability, promote education and outreach initiatives, enhance capacity-building, promote national implementation of the Convention, and raise awareness of the potential threats posed by non-State actors. The Secretariat has also started to address medium- and long-term staffing considerations through the Mid- To Long-Term Staffing Plan (S/1292/2015, dated 30 June 2015).</p>		<p>staffing matters.</p>

Reference: Report EA Chapter, Year	Original Recommendation	External Auditor's Comments in 2015	OPCW Response	Time- frame	External Auditor Response in 2016
<p>4.2/2011 6.1/2012 6.3/2013 6.3/2014</p>	<p>Risk management and the Statement of Internal Control (SIC): The Secretariat put into effect a risk management policy in February 2013 and stated its intention to develop a control framework that would allow the Director-General to issue a Statement of Internal Control. Together with the 2014 Financial Statements the Director-General issued a Statement of Internal Control (SIC). We are grateful for the progress made, but it appears that the implementation of all features of an SIC takes longer than initially expected. I still do not see the clear distribution of duties down through the Organisation and the assurances of the relevant managers and OIO.</p>	<p>Ongoing. While we welcome the commitment to introducing the SIC we consider that its value is diminished by the absence of clear processes of assurance to support the underlying statement and have identified that risk processes in 2015 have been ineffective.</p>	<p>As noted in the response to Recommendation 14/2015, OIO and senior management have reviewed the process for preparing the SIC, including the development of the of the existing internal control framework.</p>	<p>2017</p>	<p>In progress - SIC we consider that its value is diminished by the absence of clear processes of assurance to support the underlying statement and have identified that risk processes in 2016 have not been fully effective.</p>

**Annex 4**

**RESPONSE OF THE DIRECTOR-GENERAL  
TO THE  
REPORT OF THE EXTERNAL AUDITOR ON THE FINANCIAL STATEMENTS  
OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. The Director-General wishes to express his appreciation for the observations and recommendations received from the Comptroller and Auditor General and his staff, on the occasion of the external audit of the financial statements of the OPCW for the period ended 31 December 2016.
2. The Director-General notes that, in the External Auditor's opinion, the financial statements present fairly the financial position as at 31 December 2016 and that they were prepared in accordance with the OPCW's stated accounting policies (applied on a basis consistent with the previous period); and that the transactions were in accordance with the Financial Regulations and legislative authority.
3. The Director-General notes the observations and recommendations made by the External Auditor, and action has been initiated to implement these recommendations as appropriate.

**Annex 5**

**RESPONSE OF THE CHAIRPERSON OF THE PROVIDENT FUND  
MANAGEMENT BOARD  
TO THE  
REPORT OF THE EXTERNAL AUDITOR ON THE FINANCIAL STATEMENTS  
OF THE PROVIDENT FUND OF THE  
ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

The Chairperson of the Provident Fund Management Board would like to thank the External Auditor for the very useful work done in respect of the audit of the Provident Fund of the OPCW. The Chairperson notes with satisfaction that, in the External Auditor's opinion, the financial statements present fairly the financial position as at 31 December 2016 and that they were prepared in accordance with the stated accounting policies (applied as far as possible on a basis consistent with the previous period), and that the transactions were in accordance with the Charter and the Administrative Rules and with the OPCW's Financial Regulations (as far as applicable).

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