



OPCW

**Advisory Body on Administrative and
Financial Matters**

Fifty-Third Session
26 – 28 July 2022

ABAF-53/1
28 July 2022
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**REPORT OF THE FIFTY-THIRD SESSION OF THE ADVISORY BODY
ON ADMINISTRATIVE AND FINANCIAL MATTERS**

1. Opening of the session

- 1.1 The Fifty-Third Session of the Advisory Body on Administrative and Financial Matters (ABAF) was held from 26 to 28 July 2022. The following members participated: Mr John Foggo (Chairperson), Ms Fatima Hamdia Tanweer, Mr Bahram Jamali, Mr Ashutosh Jindal, Ms Hollie Marie Mance, Mr Anton Minaev, Ms Yoko Sakurai, and Ms Qian Wang. Mr Milan Kerber (Vice-Chairperson), and Mr Hans-Christian Mangelsdorf did not participate.
- 1.2 The list of documents presented to the ABAF for this session is included as the Annex to this report.
- 1.3 The Deputy Director-General of the Technical Secretariat (hereinafter “the Secretariat”) of the Organisation for the Prohibition of Chemical Weapons (OPCW) welcomed the ABAF members with a brief statement at the opening of the session. She expressed appreciation for the ABAF’s important service to the OPCW and acknowledged the appointment by the Executive Council (hereinafter “the Council”) of the ABAF’s newest member, Mr Ashutosh Jindal.
- 1.4 Referring to the agenda for the session, the Deputy Director-General noted that a number of important topics were to be addressed by the ABAF, including the audited 2021 Financial Statements, the long-form report of the External Auditor, and the mid-biennium Draft Revised Programme and Budget of the OPCW for 2023 (EC-101/DG.1, dated 11 July 2022).
- 1.5 The Deputy Director-General informed the ABAF that the OPCW’s recently appointed External Auditor—the Comptroller and Auditor General of India (CAG)—would present their audit findings during this meeting.
- 1.6 The Deputy Director-General thanked and commended the CAG Audit Team for its exceptional efforts in completing the audit of the OPCW Financial Statements and the Provident Fund Statements for 2021, despite the tight schedule resulting from the additional time the Secretariat required to produce the Financial Statements within the OPCW’s new enterprise resource planning (ERP) system.
- 1.7 The Deputy Director-General informed the ABAF that the updated draft mid-biennium Programme and Budget proposal for 2023 had been announced by the Director-General on 11 July 2022, consistent with the biennial budgeting principles and Financial Regulation 3.3.



- 1.8 The Deputy Director-General indicated that financing for the 2023 draft Programme and Budget revision included proposals for the timely and effective use of the 2020 cash surplus. These proposals for States Parties' consideration addressed the 2019 cash deficit, avoided any changes to assessed contributions in 2023, and provided for the periodic and necessary replenishment of the special funds for OPCW equipment and infrastructure.
- 1.9 The Deputy Director-General concluded her remarks by reiterating her appreciation for the ABAF's contribution to the work of the OPCW and underlining the importance of the ABAF's reflections and advice on the range of important topics to be addressed at its Fifty-Third Session.

2. Adoption of the agenda

The ABAF adopted the following agenda:

1. Opening of the session
2. Adoption of the agenda
3. Review of the report of the previous session
4. Introductory matters
 - (a) ABAF member nominations and changes
 - (b) Election of the Chairperson of the ABAF
 - (c) Financial updates on matters including: the Organisation's cash position, the Working Capital Fund, status of collection of assessed contributions and reimbursements, and recommendations for write-offs (if any)
5. Status of 2022 financial performance (first half of 2022)
6. OPCW Financial Statements for 2021, and briefing by the External Auditor on the 2021 external audit report
7. Mid-biennium Draft Revised Programme and Budget of the OPCW for 2023
8. Update on the Working Group on the Manner of Appointment of the External Auditor
9. Any other business
10. Next session and agenda
11. Adoption of the report

3. Review of the report of the previous session

The ABAF reviewed the report of its previous session (ABAF-52/1, dated 9 June 2022), and noted that the Secretariat had again given appropriate attention to its observations and recommendations, as outlined in the Director-General's Note entitled "Comments on the Report of the Advisory Body on Administrative and Financial Matters at its Fifty-Second Session" (EC-100/DG.19, dated 1 July 2022).

4. Introductory matters

Subitem 4(a): ABAF member nominations and changes

- 4.1 The Chairperson of the ABAF welcomed all members to the Fifty-Third Session of the ABAF, and particularly acknowledged Mr Ashutosh Jindal, newly appointed by the Council at its 100th Session.

Subitem 4(b): Election of the Chairperson of the ABAF

- 4.2 In accordance with Rule 4 of its Rules of Procedure (Annex 2 to ABAF-27/1, dated 3 September 2009 and Corr.1, dated 15 October 2009), the ABAF re-elected Mr John Foggo as Chairperson for a period of one year.

Subitem 4(c): Financial updates

Cash position

- 4.3 The ABAF reviewed a Note by the Director-General containing the Monthly Financial Situation Report as at 30 June 2022 (S/2081/2022, dated 21 July 2022). The Secretariat provided updated financial figures as at 22 July 2022.
- 4.4 Through these documents, the Secretariat informed the ABAF that the cash balance of the OPCW General Fund as at 22 July 2022 was EUR 7.9 million, which is significantly lower than at the same time in the previous year, when it stood at EUR 20.2 million. In addition, the Secretariat informed the ABAF that the Working Capital Fund (WCF) stood at a level of approximately EUR 8.1 million as at 22 July 2022, the same value as the previous year.
- 4.5 The ABAF noted that the Secretariat was forecasting a positive cash position for the General Fund for 2022 at approximately EUR 0.7 million. However, withdrawals from the WCF would likely be required to maintain liquidity during the year.

2022 Q2 income and expenditure report

- 4.6 The ABAF received a presentation from the Secretariat on OPCW income and expenditure for the period from 1 January to 30 June 2022. The ABAF noted that, as at 30 June 2022, the Secretariat had collected 52.83% of assessed contributions for the year, which was lower than the same period last year, when 56.25% of assessed contributions for 2021 had been received.

- 4.7 The ABAF took particular note that, as at 30 June 2022, six States Parties accounted for EUR 29.92 million (92.7%) of the EUR 32.27 million total outstanding balance of 2022 contributions.
- 4.8 The ABAF took note of the Secretariat's efforts to ensure timely payment of assessed contributions through initial requests and subsequent reminders.
- 4.9 Whilst recognising that States Parties may have procedural hurdles in respect of the release of funding, the ABAF emphasised the difficulties the Secretariat faced because of delays in the receipt of assessed contributions and underlined the need for States Parties to ensure prompt payment of their assessments.

Status of Article IV and Article V reimbursements

- 4.10 The ABAF noted the status of Article IV and V reimbursements as at 30 June 2022, the cumulative outstanding amount of which stood at EUR 5.95 million.

Recommendations for write-offs

- 4.11 The ABAF was provided with details of irrecoverable accounts receivable and obsolete/damaged fixed assets to be written off, amounting to EUR 7,109. The Director-General will request approval from the Conference of the States Parties (hereinafter "the Conference") for this sum to be written off. Given previous ABAF recommendations, the Secretariat confirmed that none of the irrecoverable amounts related to value-added tax. Furthermore, the Secretariat clarified to the ABAF that outstanding assessed contributions are not written off through this process. Instead, assessments may have a provision for impairment set against them (i.e., they are "written down") if they are deemed to be uncertain but are not "written off", and the legal obligation to pay remains.

5. Status of 2022 financial performance (first half of 2022)

- 5.1 The ABAF noted the Secretariat's implementation of the Programme and Budget for 2022 and was informed that, as at 30 June 2022, a sum of EUR 37,204,351 had been obligated or disbursed (54.2% against allotment and 52.8% against budget), which was higher by EUR 3.3 million than at the same point in the previous year.
- 5.2 ABAF members discussed aspects of travel policy given the substantial rise in costs. The Secretariat explained that the main travel policies—including access to business class fares for duty travel—had not changed. Indeed, home leave travel costs had generally been lower in recent years since the OPCW had stopped using IATA¹ YY fares as a benchmark for lump sum reimbursement in lieu of ticket purchases. Instead, the increase in costs related primarily to fare inflation. The Secretariat also noted that it was temporarily increasing Travel Unit capacity in order to ensure cost efficiency from early booking arrangements.

¹

IATA = International Air Transport Association.

6. OPCW Financial Statements for 2021, and briefing by the External Auditor on the 2021 external audit report

- 6.1 The External Auditor presented the following elements of their audit work: results of the audit of the Financial Statements, a performance audit on the “verification regime and site-selection methodology”, implementation of the ERP system, the risk management framework, human resources performance management, and the implementation of previous External Auditor recommendations.
- 6.2 On the results of the audit of the Financial Statements, the CAG concluded that the Financial Statements present fairly, in all material respects, the financial position of the OPCW and OPCW Provident Fund for the financial year ended 31 December 2021. Based on this conclusion, the CAG issued an unqualified audit opinion on the OPCW Financial Statements and OPCW Provident Fund Financial Statements for the year.
- 6.3 During their audit, the CAG drew two financially material matters to the attention of OPCW management. The first related to an adjustment between the 2019 and 2020 cash balances, which had the effect of overstating revenue and understating the cash surplus liability by EUR 1.2 million. The second was an overprovision for repatriation grants, which overstated the employee benefits expense and accounts payable by EUR 0.75 million. OPCW management accepted both observations and adjusted the Financial Statements. Furthermore, the CAG proposed additional disclosures with respect to contingent liabilities, contingent assets, related party transactions, and changes to actuarial assumptions. OPCW management accepted all these proposals.
- 6.4 The CAG made two recommendations on the Financial Statements. The first concerned the recording of adjustments relating to cash surpluses. The second recommendation was that the Secretariat should undertake quarterly reconciliation of Provident Fund balances.
- 6.5 On the performance audit on the “verification regime and site-selection methodology”, the CAG reviewed the performance of the Secretariat regarding the verification regime during the period from 2019 to 2021. Their methodology took account of confidentiality restrictions on access to working documentation and was therefore based on questionnaires, audit queries, and other such sources. The CAG made a number of recommendations arising from the performance audit, particularly with regard to the timeliness and modalities for the submission of State Party declarations and the prioritisation and selection of Article VI inspection sites.
- 6.6 The CAG also made recommendations regarding continued monitoring of the implementation of the ERP system and the system’s internal controls relating to data entry and segregation of duties. Furthermore, the CAG reviewed risk management processes and human resources performance management, and made some recommendations in both areas.
- 6.7 The ABAF thanked the CAG for their presentation and discussed key findings relating to budget transfers between programmes, in particular the performance audit recommendations. The Secretariat noted that, whilst the External Auditor has complete authority to review all OPCW operations, certain OPCW confidentiality restrictions limit the scope of raw data that can be provided with regard to verification activities. Nevertheless, the performance audit and resulting draft recommendations had been

discussed by the Secretariat with the External Auditor in an iterative and fruitful process. The ABAF was also of the view that the current format of the External Auditor reporting separately on the OPCW Financial Statements and OPCW Provident Fund Financial Statements represents good practice and suggested that it be maintained in the future.

7. Mid-biennium Draft Revised Programme and Budget of the OPCW for 2023

- 7.1 The Secretariat provided a presentation on the proposed revisions to the Programme and Budget for 2023. The revisions were primarily related to the unpredicted global inflationary pressures and the evolving physical security requirements of the OPCW facilities.
- 7.2 ABAF members noted that, in principle, there should be no or only minimal changes to the biennium budget. If possible, it would be preferable that the requirements be included within the Programme and Budget for the 2024–2025 biennium. The Secretariat acknowledged that this approach is indeed preferable and stressed that the proposed updates to the Programme and Budget for 2023 were strictly limited to the mitigating the impact of exceptionally high inflation and to security and safety considerations.
- 7.3 The ABAF discussed the separation of costs into the core budget and into extra-ordinary provisions. Some felt that such a division was undesirable. The Secretariat agreed in principle but noted that in practice, to bring all such matters into the core budget, it would be necessary to have stability in assessed income streams as well as a less volatile inflation environment. Furthermore, the Secretariat proposed using the 2020 cash surplus (after setting off the 2019 deficit) to fund the additional requirement in 2023. This would avoid the need for an increase in assessed contributions for the year at a time when States Parties themselves are dealing with extraordinary fiscal challenges.
- 7.4 The ABAF discussed the level of staffing at the OPCW, noting that the recent report by the Director-General on the composition of the Secretariat (EC-100/DG.16, dated 28 June 2022) indicated a far lower level of engaged staff than the 464 fixed-term posts authorised in the budget. The Secretariat responded by noting that the Director-General's report indicated currently encumbered posts and that the disparity between the budgeted and actually encumbered fixed-term staff levels was indicative of a post-pandemic phenomenon in which retaining and recruiting staff had become more difficult, not only for the Organisation but for employers globally. In order to cover the gap during the ongoing recruitment surge, the Secretariat is employing short-term consultants wherever feasible.
- 7.5 The ABAF discussed the impact of payroll inflation, given that the biennial Programme and Budget anticipated only a 1.5% increase in salary costs in 2023. The OPCW had achieved budget execution levels of 91% in 2021; the ABAF asked what the level would be in 2022 and 2023, especially given the impact of inflation. The Secretariat responded that 99% budget execution was anticipated in 2022, and that this was principally a result of inflation.
- 7.6 The ABAF discussed the fact that the International Civil Service Commission (ICSC) sets salary levels but does not provide much in the way of advance notice of changes to salary levels to organisations that lie outside the United Nations family. The ABAF felt

that greater levels of information should be available from the ICSC and undertook to enlist the assistance of States Parties, if necessary. The Secretariat welcomed this suggestion.

- 7.7 The ABAF received presentations from the Inspectorate Division (INS), the Office of Confidentiality and Security (OCS), and the Administration Division (ADM), outlining proposed adjustments to their 2023 budgets.
- 7.8 The INS presented a requirement for EUR 150,000 in additional travel costs. This was solely related to inflationary pressures and the ABAF recognised this as a legitimate reason for the increase proposed.
- 7.9 The OCS presented the three elements requested in its proposed budget increase for 2023. The OCS explained that there is a need to address changes in the OPCW security environment at the OPCW Headquarters building (EUR 80,000) and at the OPCW Centre for Chemistry and Technology (ChemTech Centre) (EUR 87,850), as evidenced by the 3 December 2021 incursion into the OPCW Headquarters by violent demonstrators. The OCS's biennial budget had assumed that the Fifth Review Conference² would be run back-to-back with the regular session of the Conference in 2023. Separating these two sessions, as ultimately decided by the Conference, would give rise to additional security costs of EUR 51,000.
- 7.10 The ABAF members discussed security concerns in considerable depth, with the Secretariat noting in particular the advantages of investing in significant physical security upgrades with regular budgetary resources. The Secretariat welcomed the ABAF's consideration of these matters and outlined the EUR 5.5 million in infrastructural improvements deemed necessary to fulfil current United Nations Department of Safety and Security standards at the Headquarters building, noting that the ChemTech Centre will, by virtue of its design, meet the standards. The ABAF members asked whether such expenditure should form part of the next biennial Programme and Budget, rather than being funded through a combination of trust funds and special funds. The Secretariat responded by noting that this point was well taken, but that there were also significant advantages to undertaking large-scale, multi-year investment plans through trust funds and special funds, rather than trying to complete them within operating budgets' activities. At the same time, the Secretariat observed that, if there is sufficient support among States Parties, additional assessed contributions could be used to generate income for the special fund dedicated to physical security infrastructure, in order to meet the as yet unfunded requirements.
- 7.11 The ABAF members urged the Secretariat to engage with the Host Country with a view to maximising security support, especially with respect to the physical security arrangements for the Headquarters building, given its prominent location in The Hague's International Zone and the increased threat assessment for the OPCW since December 2021.

² Review Conference = Special Session of the Conference of the States Parties to Review the Operation of the Chemical Weapons Convention.

7.12 The ADM detailed proposed changes to the 2023 budget that related to inflation increases in energy costs (EUR 363,400), rent (EUR 66,802), and cleaning services (EUR 20,000); consultancy costs to cover motor-pool and travel pressures (EUR 72,922); a change in the programme support cost assumptions for Headquarters rental costs of EUR 250,000; and other time-sensitive repair and replacement costs of EUR 37,000.

7.13 The ABAF members discussed whether it would be better to delay certain activities such as repairs to cafeteria facilities in advance of a more general assessment of overall needs. The Secretariat responded by noting that, indeed, a fuller appraisal of refurbishment requirements would be valuable, but the relatively low level of costs proposed (EUR 27,000) would allow the cafeteria to fulfil immediate requirements, thus ensuring that it could continue to serve the staff and visitors.

8. Update on the Working Group on the Manner of Appointment of the External Auditor

The ABAF took note of a report from the Chairperson of the Working Group on the Manner of the Appointment of the External Auditor (EC-100/WP.1, dated 21 June 2022) and welcomed the Chairperson's intention to provide a proposal for consideration by the Council at its 101st Session, with prospective subsequent approval by the Conference at its Twenty-Seventh Session.

9. Any other business

The ABAF emphasised the importance of the Secretariat's providing documentation well in advance of ABAF meetings.

10. Next session and agenda

Dates of ABAF sessions in 2023

10.1 The ABAF decided on the dates for its 2023 sessions as follows: the Fifty-Fourth Session will be held from 6 to 9 June 2023, and the Fifty-Fifth Session will be held from 25 to 28 July 2023.

Provisional agenda for the Fifty-Fourth Session of the ABAF

10.2 The ABAF adopted the following provisional agenda for its Fifty-Fourth Session:

1. Opening of the session
2. Adoption of the agenda
3. Review of the report of the previous session
4. Review of the status of previous ABAF recommendations
5. Introductory matters
 - (a) Election of the Vice-Chairperson of the ABAF

- (b) ABAF member nominations and changes
- (c) Financial updates: cash position, status of collection of assessed contributions and reimbursements, and the Working Capital Fund
- 6. Status of the 2023 financial performance (to date)
- 7. 2022 budget transfers
- 8. 2022 programme performance
- 9. Update on longstanding trust fund and reserve balances
- 10. Financial Statements of the OPCW and the report of the External Auditor for the year ending 31 December 2022
- 11. Report of the Office of Internal Oversight for the year ending 31 December 2022
- 12. Progress in results-based management
- 13. Update on the OPCW Centre for Chemistry and Technology
- 14. Any other business
- 15. Next session and agenda
- 16. Adoption of the report

11. Adoption of the report

The ABAF adopted the report of its Fifty-Third Session on 28 July 2022.

Annex: List of Information Papers and Other Documents Presented to the Advisory Body on Administrative and Financial Matters at its Fifty-Third Session

Annex

**LIST OF INFORMATION PAPERS AND OTHER DOCUMENTS PRESENTED
TO THE ADVISORY BODY ON ADMINISTRATIVE AND FINANCIAL MATTERS
AT ITS FIFTY-THIRD SESSION**

	Title
1.	Agenda for the Fifty-Third Session of the Advisory Body on Administrative and Financial Matters
2.	Report of the Fifty-Second Session of the Advisory Body on Administrative and Financial Matters (ABAF-52/1, dated 9 June 2022)
3.	Note by the Director-General: Comments on the Report of the Advisory Body on Administrative and Financial Matters at its Fifty-Second Session (EC-100/DG.19, dated 1 July 2022)
4.	Note by the Technical Secretariat: Nomination for Membership of the Advisory Body on Administrative and Financial Matters (EC-100/S/1, dated 23 May 2022)
5.	Note by the Director-General: Monthly Financial Situation Report as at 30 June 2022 (S/2081/2022, dated 21 July 2022)
6.	Presentation: OPCW Income and Expenditure for the Period 1 January to 30 June 2022
7.	Presentation: OPCW Cash Position and Forecast
8.	Presentation: OPCW 2022 Financial Performance (First Half of 2022)
9.	2021 External Audit Report: Briefing by the External Auditor
10.	Note by the Technical Secretariat: Report on the Status of Implementation of the Recommendations of the External Auditor (EC-99/S/3, dated 24 February 2022)
11.	Financial Statements of the OPCW for the Year Ended 31 December 2021
12.	Financial Statements of the Provident Fund of the OPCW for the Year Ended 31 December 2021
13.	CAG of India: Audit of the OPCW for the Financial Year Ended 31 December 2021(Audit Report)
14.	Presentation: CAG of India, Audit Report
15.	Note by the Director-General: Draft Revised Programme and Budget of the OPCW for 2023 (EC-101/DG.1, dated 11 July 2022)
16.	Presentation: Draft Revised Programme and Budget of the OPCW for 2023: Overview
17.	Presentation: (INS, OCS, ADM) Presentations on the Draft Revised Programme and Budget of the OPCW for 2023
18.	Report by H.E. Ambassador Jorge Skinner-Klee Arenales, Chairperson of the Working Group on the Manner of Appointment of the External Auditor to the Executive Council at its 100th Session (EC-100/WP.1, dated 21 June 2022)