



OPCW

**Advisory Body on Administrative and
Financial Matters**

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**REPORT OF THE THIRTY-SIXTH SESSION OF THE ADVISORY BODY ON
ADMINISTRATIVE AND FINANCIAL MATTERS**

1. Opening of the session

- 1.1 The Thirty-Sixth Session of the Advisory Body on Administrative and Financial Matters (ABAF), convened by its Chairperson, Ms Mary B. Rios, was held from 2 to 5 June 2014. The following experts participated: Mr Mahmoud Esfahaninejad, Ms Sakiko Hayakawa, Mr Denis Zhuykov, Mr Milan Kerber, Mr Rudiger Zettel, and Mr Jiang Bo.
- 1.2 The list of documents presented to the ABAF for this session is included as an annex to the present 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. In regard to the agenda for this session, the Deputy Director-General noted that a number of important issues were to be addressed by the ABAF, in particular the Financial Statements of the OPCW for 2013 (advance copy), the report of the Office of Internal Oversight (OIO) for the period from 1 January to 31 December 2013 (EC-76/DG.2 C-19/DG.3, dated 27 March 2014), and the document on the implementation in 2013 of the OIO recommendations contained in its report for 2012 (EC-76/DG.1, dated 17 March 2014).
- 1.4 With regard to the Financial Statements, the Deputy Director-General informed the ABAF members that these had once again been prepared in full compliance with International Public Sector Accounting Standards (IPSAS) and that the External Auditors would present their initial findings to the ABAF at this session.
- 1.5 The Deputy Director-General informed the ABAF that the Office of Strategy and Policy (OSP) had issued a revised Medium-Term Plan (MTP) for the period from 2015 to 2019 (EC-77/S/1 C-19/S/1, dated 23 April 2014). This version reflects the recommendations of the Third Special Session of the Conference of the States Parties to Review the Operation of the Chemical Weapons Convention (hereinafter “the Third Review Conference”), and presents a longer-term perspective within the results-based management (RBM) framework.
- 1.6 Although the draft Programme and Budget for 2015 was not on the agenda of this ABAF session, the Deputy Director-General mentioned that the Secretariat was finalising its preparation, and that it would be ready for discussion at the next session.



The Deputy Director-General stated that the Secretariat has improved the mechanism and process to guide the preparation of the Programme and Budget, which included revising and strengthening the mandate of the renamed “Budget Steering Committee”. The Deputy Director-General added that, during the preparation of the 2015 Programme and Budget, emphasis had been placed on applying and strengthening RBM principles, including ensuring a linkage between operational planning, as detailed in the Programme and Budget, and the OPCW’s strategic direction, as detailed in the MTP. The Deputy Director-General stated that the Secretariat intends to present a realistic, results-orientated budget that covers the ongoing and new programmatic work of the Organisation, while taking into account the current financial situation of the States Parties.

- 1.7 The Deputy Director-General informed the ABAF that the Secretariat had been studying the option of an enterprise resource planning (ERP) solution, as advised by the ABAF and the External Auditors, and stated that a final strategy document would be presented to the ABAF at its Thirty-Seventh Session. The Deputy Director-General noted the requirement to establish an ERP fund and, in this regard, stated that the External Auditor had endorsed the ABAF’s recommendation to reduce the OPCW’s Working Capital Fund (WCF) so that EUR 5.8 million could be earmarked to partly finance the ERP project. Given that the project may require a total of EUR 7 to 8 million, the Deputy Director-General requested the ABAF to consider the option of retaining budget surpluses to bridge the funding gap.
- 1.8 The Deputy Director-General stated that the Secretariat had been unable to complete the preparation of a medium- to long-term staffing plan, as requested by the ABAF in paragraph 7.5 of the report of its Thirty-Fifth Session (ABAF-35/1, dated 4 September 2013). However, the Deputy Director-General stated that the Secretariat had prepared a paper on the principles that would guide the preparation of such a plan in 2015, and requested that the ABAF provide comments on the principles before they are shared with the States Parties.

2. Adoption of the agenda

The ABAF **adopted** the following agenda:

1. Opening of the session
2. Adoption of the agenda
3. Election of the Vice-Chairperson of the ABAF
4. Review of the report of the previous session
5. Status of the 2014 budget performance (first quarter of 2014)
6. Financial Statements of the OPCW and the report of the External Auditor for the year ending 31 December 2013
7. Report of the Office of Internal Oversight for the year ending 31 December 2013

8. Any other business
9. Next session and agenda
10. Adoption of the report

3. Election of the Vice-Chairperson of the ABAF

Under Rule 4 of its Rules of Procedure (Annex 2 of ABAF-27/1, dated 3 September 2009 and Corr.1, dated 15 October 2009), the ABAF **re-elected** Mr Mahmoud Esfahaninejad as its Vice-Chairperson for a period of one year.

4. Review of the report of the previous session

- 4.1 With regard to paragraph 4.4 of the report of its Thirty-Third Session (ABAF-33/1, dated 30 August 2012), paragraph 4.2 of the report of its Thirty-Fourth Session (ABAF-34/1, dated 29 May 2013), and paragraph 4.1 of ABAF-35/1 on the recommendation of the OIO on the need for a Chief Information Officer (CIO) in the Secretariat, the ABAF **recommended** that the core group of Secretariat staff be formalised and that terms of reference be developed. The ABAF received an update that in 2014 the terms of reference of the Information Services Steering Sub-Committee (ISSC) and the role and responsibilities of the CIO Core Group had been defined in the “ICT¹ Governance Charter.” In broad terms, the ISSC is responsible for policy issues and information technology (IT) strategy and investments, whereas the CIO Core Group is responsible for coordinating IT strategy implementation and making policy recommendations. More specifically, the ISSC, which is chaired by the Deputy Director-General and reports to the Director-General, ensures the effective and efficient use of technology to enable the OPCW to achieve its strategy and goals, within acceptable levels of risk. The ISSC is tasked with—and accountable for—ensuring that technology services deliver business value and that expected benefits from new investments are fully realised. In this respect, the ISSC defines and agrees on the organisational IT strategy, makes relevant IT policy decisions, and ensures the link between the IT strategy and the budget process. The CIO Core Group is chaired by the Chief of Cabinet and is responsible for coordinating IT strategy implementation and for making policy recommendations to the ISSC. The CIO Core Group is therefore responsible for the supply side of the IT strategy, and addresses how the Information Services Branch (ISB) should deliver the services expected of it. The primary tasks of the CIO Core Group include prioritising business initiatives, allocating IT resources, and approving the ISB work plan. In sum, the CIO Core Group acts as a bridge between the Executive Management and ISB to translate Management Board requirements into solutions. The CIO Core Group is also responsible for IT performance measurement. The ABAF was informed that in 2013 the OIO conducted an audit of the IT project management process and issued seven recommendations. Some of the recommendations are related to the need to strengthen IT governance, including those related to project documentation, project status monitoring, and monitoring by the CIO. The findings of this audit are presented in the annual report of the OIO (EC-76/DG.2 C-19/DG.3).

¹ ICT = information and communication technologies.

- 4.2 With regard to paragraphs 4.2 of ABAF-35/1, 5.7 of ABAF-33/1, and 4.3 and 6.3 of ABAF-34/1, dealing with the issue of recovery of programme-support costs (PSC), the ABAF was informed that the funds received in voluntary contributions did not include a component for the recovery of PSC. Considering the additional reporting and review requirements for some voluntary contributions, the ABAF recommended formalising the recovery of support costs, in line with the practice in some organisations in the United Nations system, as well as with the guidelines for the allocation and use of the amount collected. The ABAF was informed that the policy for the recovery of PSC from voluntary contributions was developed in Administrative Directive AD/FIN/17/Rev. 3 “Voluntary Contributions and Trust Funds”, which became effective on 31 October 2013. In total, 7% of PSC are now charged on the actual expenditures incurred from voluntary contributions of more than EUR 10,000. As of 31 December 2013, EUR 116,000 was booked as income to a special PSC fund. The amount will primarily be used to finance short-term consultant costs. The ABAF was informed that a mechanism was set up to manage and allocate the resources, which mostly come from the Trust Funds for Syria. The ABAF **asked** if this proposed use is in line with the practice at other international organisations. PSC are typically used to reimburse offices for indirect costs that cannot be easily tied to a specific project. The ABAF recognised that the management and allocation of PSC is relatively new and **recommended** that the Secretariat further review the proposed use of these funds to ensure that it is consistent with their underlying purpose. The ABAF **requested** that an update be provided at its Thirty-Eighth Session.
- 4.3 With regard to paragraph 4.4 of ABAF-35/1 concerning the unliquidated obligations (ULO) listed in Annex 10 of the report by the Director-General on OPCW income and expenditure for the financial year to 31 March 2013 (EC-72/DG.5, dated 12 April 2013), the ABAF had noted in paragraph 5.4 of ABAF-34/1 that, with a few and specific exceptions, ULOs should normally be cleared shortly after the end of the financial period. The ABAF had recommended that ULOs be tightly monitored and that the Financial Statements should provide explanations on the late clearance or cancellation reported at the end of the year.
- (a) The ABAF was informed that the Finance and Accounts Branch (FIN) has added a statement of ULOs (as at 31 December 2013) by programme and item of expenditure as an appendix to the 2013 Financial Statements. In addition, a new statement of savings on 2012 ULOs by programme has been added. Both statements provide better overviews of the outstanding and/or unutilised ULOs. It was noted that according to IPSAS, expenses are recorded when goods and services are received. ULOs are neither recognised nor reported in the statements, as they represent commitments rather than receipt of goods and services. FIN therefore reviews and presents the status of ULOs in the financial statements for budgetary reporting purposes only. In 2013, FIN facilitated several training sessions for the certifying officers on their responsibilities, including their duties regarding the timely liquidation of ULOs. FIN has also improved a process to expedite the disbursement of invoices, and has been reviewing outstanding ULOs and invoices on a regular basis. It has also been following up with OPCW divisions/branches to ensure the prompt submission of payment requests so that ULOs can be liquidated. Furthermore, the Budget, Planning and Control Branch routinely follows up

with each programme on the status of their outstanding ULOs and issues quarterly ULO status reports.

- (b) In his 2013 report, the External Auditor noted that the OPCW presented additional statements providing the status of ULOs and savings on prior years' ULOs. Although it is not required under IPSAS, the External Auditor appreciated this additional information in the interest of giving a faithful picture of the accounts.
- (c) The ABAF **appreciated** the efforts made by the Secretariat regarding ULOs but noted that the balances at the end of each year are still significant. The savings on the prior year obligations for 2013 and 2012 totalled EUR 613,525 and EUR 651,973, respectively. The ABAF **recommended** strengthening the budget formulation methodology in order to better estimate requirements and to strengthen the mechanisms by which ULOs are liquidated. The ABAF **requested** that a further update be provided at its Thirty-Eighth Session.

4.4 In regard to paragraphs 4.9 of ABAF-35/1 and 7.7 of ABAF-34/1, the ABAF had recommended that the OIO should endeavour to introduce more benchmarking where appropriate by comparing current OPCW practices against what is done at other international organisations. Taking into account these observations, the ABAF was informed that OIO has adopted benchmarking in its audit analysis as follows: (i) home leave disbursements have been reviewed according to the disbursement practices of 38 other organisations/entities; (ii) the process of IT project management was audited with reference to version 2 of the methodology of Projects in Controlled Environments, (PRINCE2), a framework developed by Office of Government Commerce of the United Kingdom of Great Britain and Northern Ireland which provides a structured project management method used by many United Nations organisations. The ABAF received an update on the progress made in evaluating OPCW practices compared with other international organisations, whenever possible. The ABAF commended the OIO on its efforts and **requested** further updates on benchmarking, where appropriate and available.

4.5 In paragraphs 4.10 of ABAF-35/1 and 8.6 of ABAF-34/1, the ABAF highlighted the importance of the annual programme performance report in the context of RBM, notably with regard to the validation of results, and recommended the possible involvement of the External Auditor in this process. The ABAF was informed that the OSP would design an appropriate approach, and received an update that the annual programme performance report is in a transition phase from reporting on activities to reporting on results. The quality of the report will improve as RBM principles become increasingly embedded into the management practices of the Organisation. Given the transitional character of the document, involvement of the External Auditor has not been regarded as appropriate at this stage. In order to achieve a more robust implementation of RBM within the Secretariat, a series of workshops for both senior management and other staff members was conducted in early 2014. Details on the RBM-related activities undertaken were presented during the session and covered under agenda item 8 "any other business".

4.6 In regard to paragraphs 4.11 of ABAF-35/1 and 8.7 of ABAF-34/1, the ABAF had reiterated that potential changes to the Financial Regulations and Rules of the

Organisation should be presented as a package and not as part of a piecemeal approach. The Secretariat was to perform a full analysis to determine whether any rules or regulations pose obstacles to the full implementation of RBM. The ABAF was informed that the mandate of the OPCW Budget Committee was revised in 2014. The Budget Steering Committee now has the following main functions: (i) to assist the annual programming and budgeting process and to monitor and evaluate implementation of the budget following its approval by Member States; (ii) to review and recommend changes to existing rules, regulations, policies and procedures related to programme and budget management; and (iii) to support the implementation of RBM across the Secretariat. In 2014, the Budget Steering Committee will review the annual programme and budget process and recommend possible improvements to the Director-General. This may include changes to the budget presentation in order to further embed RBM principles. During the review process, an analysis of the Financial Regulations and Rules will be conducted to see if they pose any obstacles to the full implementation of RBM. This may lead to proposed changes to the Financial Regulations and Rules, which will be presented as a package and not using a piecemeal approach. It should be noted that any changes to the programme and budget process will not take effect before the 2016 budget cycle. The draft Programme and Budget for 2015 will be presented in the same format as 2014, but is being prepared with increased focus on RBM principles, with a particular effort to link operational planning to the strategic direction outlined in the MTP. In this light, the ABAF will review the 2015 draft Programme and Budget at its next session.

5. Status of the 2014 budget performance (first quarter of 2014)

- 5.1 The ABAF reviewed the report by the Director-General entitled “OPCW Income and Expenditure for the Period 1 January to 31 March 2014 (First Quarter of the Financial Year Ending 31 December 2014)” (S/1176/2014, dated 25 April 2014 and Corr.1, dated 6 May 2014). The ABAF noted that, as at 31 March 2014, 45.65% of the annual 2014 assessed contribution had been collected, a slight improvement on 2013. The ABAF **received** a further update on the status of assessed contributions as at 31 May 2014, and **noted** that 68.71% of these contributions had been received, a marked improvement over the same period in 2013, when this figure stood at 45.28%. The Secretariat reported that the number of States Parties that had already paid their contribution in full had increased from 62 to 83 since the release of the report.
- 5.2 The ABAF **reiterated its concern** that, as at 31 March 2014, 34 Member States were in arrears in respect of annual contributions assessed for previous years in an amount equal to or exceeding the amount of contributions due from them for 2012 and 2013.² The ABAF **recommended** that the Council encourage these Member States to regularise the payment of their outstanding annual contributions, if necessary by making use of the multi-year payment plans developed to that end, which were

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Paragraph 8 of Article VIII of the Chemical Weapons Convention (hereinafter “the Convention”) states the following: “A member of the Organization which is in arrears in the payment of its financial contribution to the Organization shall have no vote in the Organization if the amount of its arrears equals or exceeds the amount of the contribution due from it for the preceding two full years.” In assessing Member States’ voting rights in any given year, the Secretariat, following past practice, does not factor into its calculation of arrears any amounts still outstanding for the current year, and takes into account only amounts outstanding from annual assessments for previous years. Member States that joined the Convention during the preceding two years are not included in this assessment.

approved by the Conference of the States Parties (hereinafter “the Conference”) at its Eleventh Session (C-11/DEC.5, dated 7 December 2006). This recommendation is also reiterated in the report of the External Auditor, who noted that 47 State Parties had not paid any contributions towards the 2013 assessment as at 31 December 2013, and encouraged “the States Parties to pay their contributions or at least to make use of the payment plans offered by the Secretariat”. The Secretariat informed the ABAF that it had continued to remind States Parties to fulfil their obligations in this regard and had increased the frequency of reminder letters. As at 31 March 2014, the number of States Parties that had lost their right to vote increased by one, from 33 to 34.

- 5.3 As noted in paragraph 5.5 of ABAF-33/1, which addressed the status of appropriations by funding programme, the ABAF **reiterated** its recommendation that the Secretariat should continue to make every attempt to utilise available allotments efficiently and to the maximum extent possible, in line with the Programme and Budget for the year in question. The Secretariat informed the ABAF that it had developed a budget tracking mechanism in 2014 that aims to provide early warning of any potential budget overspends or underspends, so that rectifying actions can be taken to ensure the optimal utilisation of resources. The ABAF will continue to monitor these results at its Thirty-Seventh Session.
- 5.4 The ABAF noted that Annex 5 to S/1176/2014 does not include activities related to the Syrian Arab Republic. The ABAF was informed that a decision has not been taken on how to invoice the inspections carried out under Articles IV and V, although FIN is preparing all the necessary documentation and estimates the amount relating to missions in 2013 to be approximately EUR 750,000. The ABAF **requested** that it be provided with an update on the invoicing issue at its Thirty-Seventh Session. The ABAF also noted that the bank balances in Annex 8 to S/1176/2014 showed a significant increase, due to the addition of two trust funds for Syria.

6. Financial Statements of the OPCW and the report of the External Auditor for the year ending 31 December 2013

- 6.1 The ABAF was briefed on the 2013 Financial Statements. The Secretariat noted that the net assets/equity of the Organisation showed a negative balance of EUR 1.1 million, a significant improvement over the negative result of EUR 3.5 million from 2012. The negative balance is mostly due to unfunded long-term employee liabilities, and does not represent a short-term problem for the Organisation. The improvement was due to one-time transactions and special contributions, such as cash from the Nobel Peace Prize award, the capitalisation of expenses as fixed assets under the Trust Funds for Syria, and actuarial gains in post-employment benefit obligations, which resulted from an improvement in the discount rate. As these improvements are not sustainable, and since a negative balance should not be maintained over a long period, the External Auditor recommended discussing options to consider funding this liability. The ABAF **recommended** that the Secretariat monitor the situation and report as appropriate.
- 6.2 The External Auditor presented the initial findings on the statements for the year ending 31 December 2013. The audit examination revealed no weaknesses or errors material to the accuracy, completeness, and validity of the Financial Statements as a

whole; the External Auditor issued an unqualified audit opinion on the Financial Statements of the OPCW for 2013. The ABAF **commended** the hard work carried out by the Secretariat staff in order to ensure another year of fully IPSAS-compliant Financial Statements.

- 6.3 The External Auditor reiterated his recommendation regarding the existing ERP system. Although it meets the current requirements for the delivery of IPSAS-compliant statements, the financial transactions must be manually converted into IPSAS-based transactions by using Excel worksheets and by entering journal vouchers. This procedure requires manual entries because of the fact that the current system (SmartStream) is not an integrated system and does not process and generate the information required by IPSAS. The ABAF **expressed** its continued concern that this poses potential risks to the Organisation.
- 6.4 Based on ABAF's previous discussion on the level of the WCF, the External Auditor reported that the overall cash situation of the Organisation was comfortable. The average cash balance amounted to EUR 16.4 million, whereas the average cash outflow stood at EUR 5.4 million. The WCF's current level of EUR 9.9 million is meant to bridge cash-flow shortages as a result of delays in the receipt of assessed contributions and cash management, but there has never been a need to use the WCF to offset a temporary cash shortfall. The ABAF had recommended that the level of the WCF be reduced from the current level of 14.2% to 6% of the total budget. The External Auditor supported the view of the ABAF on lowering the level of the WCF, as well as the previous ABAF recommendation to retain the surplus for a future one-time, non-recurring project, such as a new ERP system. The ABAF **recommends** that the Council reduce the WCF to 6% and use the surplus of approximately EUR 5.4 million to assist in the financing of an ERP system.
- 6.5 The External Auditor briefed the ABAF on a number of recommendations related to human resources issues, and noted that the Secretariat had accepted the recommendations on the development of a human resources strategy, a review of lump-sum payments for travel, and the recruitment and selection process. Although the Secretariat has improved its recruitment and selection procedures, the External Auditor is of the opinion that more can be done, and the ABAF **encouraged** the Secretariat to fully implement the recommendations related to this issue. In terms of the lump-sum payments, the ABAF recalled that this issue had been raised previously by the former External Auditor. Although the Secretariat had revised its policy at the time, the ABAF **supported** the recommendation to revisit the current policy with a view to updating it.
- 6.6 The External Auditor briefed the ABAF on the recommendation related to the administrative costs of the Provident Fund. Although the Provident Fund Charter states that all administrative costs are to be covered by Provident Fund contributions, the reality is that the OPCW annually commits approximately EUR 100,000 (200 person-days) from regular budget resources to assist in the management of the Fund. The ABAF supported the recommendation of the External Auditors to, at the very least, clearly disclose this "in-kind" contribution to the Provident Fund in the OPCW Financial Statements. The ABAF recommended that the Council consider whether resources from the regular budget should be used to assist in the management of the

Provident Fund, or whether all administrative expenses should be covered by Provident Fund resources, consistent with the Charter and administrative rules.

- 6.7 With regard to the recommendations on the Syrian trust funds, the External Auditors stressed the importance of harmonising the conditions in the agreements. The ABAF **noted positively** that PSC costs had been charged in each agreement, and **commended** the OPCW on its ability to rapidly respond to the situation in the Syrian Arab Republic. The ABAF will continue to monitor future developments, improvements, recommendations, and lessons learned in this case in subsequent reports of the External Auditor.
- 6.8 The External Auditor noted that expenses related to verification activities in the Syrian Arab Republic and Libya had not been invoiced as Article IV and V activities. As such, they cannot be recognised in the OPCW Financial Statements as “accounts receivable”. The External Auditor noted that these amounts should have been disclosed in the Notes to Financial Statements as “contingent assets” under IPSAS 19. The ABAF **recommended** that the Council take a decision on this matter in order to allow the External Auditor to evaluate the transactions in accordance with IPSAS 9 and 19.

7. Report of the Office of Internal Oversight for the year ending 31 December 2013

- 7.1 The ABAF noted the presentation provided by the Secretariat with regard to the annual report of the OIO for the period from 1 January to 31 December 2013 (EC-76/DG.2 C-19/DG.3).
- 7.2 The OIO’s programme of work for 2013 resulted in eight audit/evaluation assignments with a total of 45 recommendations (38 as of 31 December 2013, plus seven added in 2014), including four critical recommendations, of which 14 have been implemented. The OIO reports quarterly to the Director-General and to the Management Board on the status of implementation of its recommendations. The ABAF **noted** all the recommendations and concerns presented in the report and **encouraged** the Director-General to implement the recommendations in a timely fashion.
- 7.3 The ABAF **noted** that, as at 31 December 2013, the cumulative rate of implementation of the OIO recommendations issued in previous years stood at 87.5%, compared to 85.0% as at 31 December 2012. With respect to the critical recommendations, nine of the recommendations issued since 2010 have not been implemented. The ABAF was informed that since the issuance of the 2013 OIO report, one critical recommendation (OIO/10/1) has been closed.
- 7.4 The ABAF was also informed that the OIO carried out five internal audits of activities of both the OPCW Laboratory and the OIO, which are subject to accreditation. The work carried out by the OIO in respect of the Quality Management System (QMS), the maintenance of the QMS, and the preparation for the annual surveillance visit of the Dutch Accreditation Council (RvA) is a significant achievement which, thanks to the diligence of the staff members of the OIO, resulted in the Secretariat obtaining the necessary certification from the RvA in 2013, as in each preceding year. The ABAF **commended** the OIO on this achievement.

- 7.5 The ABAF **noted** that the recommendations regarding audit OIO/11/06, “Review of the Management of Human Resources in the External Outreach Activities of the Technical Secretariat”, included as the management response that the Director-General was “considering” the recommendation. The ABAF **recommended** that future reports include a more comprehensive management response.
- 7.6 The ABAF **noted** the recommendations regarding audit OIO/13/05, “Evaluation of the Working Practices of the Office of Strategy and Policy”. The ABAF recalled that the Note by the Secretariat entitled “Review of the Office of Strategy and Policy” (S/1110/2013, dated 4 July 2013) had been submitted in response to subparagraph 3(m) of the decision on the Programme and Budget for 2013 (C-17/DEC.4, dated 27 November 2012). The ABAF had **expressed concern** that the paper did not capture the mandate of the decision and encouraged the OSP to revise it further. The ABAF **will review** the OSP’s 2015 Programme and Budget proposal, notably its objectives, key performance indicators (KPIs) and planned activities to ensure that they reflect the mandate of the programme.
- 7.7 The ABAF was briefed on the “Note by the Director-General: The Implementation in 2013 of the Recommendations Contained in the 2012 Annual Report of the Office of Internal Oversight” (EC-76/DG.1). The Secretariat reported that the target dates noted are still applicable and that no obstacles in the implementation of the recommendation are foreseen at this time.

8. Any other business

Rehiring of inspectors

- 8.1 The ABAF was requested to review the current draft decision on the rehiring of inspectors (EC-74/DEC/CRP.4/Rev.1, dated 25 November 2013), which notes that the OPCW is a non-career organisation and that the total length of service for staff is seven years. Nevertheless, in its decision entitled “Future Implementation of the Tenure Policy of the OPCW” adopted at its Sixteenth Session (C-16/DEC.9, dated 30 November 2011), the Conference decided that the Council may explore at a later stage possible options, so as to ensure that the Organisation has the staff with the requisite skills and expertise to meet its operational requirements.
- 8.2 The ABAF **noted** paragraph 1 of C-16/DEC.9, specifically the section which states that “as a one-time measure, which does not set a precedent for the future, this exceptional authority of the Director-General to grant contract extensions or renewals beyond the seven-year total length of service provided for in Staff Regulation 4.4(b) shall expire effective 29 April 2016. This exceptional authority shall apply to the operational requirements of verification and inspection of destruction-related activities. At that time, no staff subject to tenure with a total length of service in excess of seven years, other than those falling under the provisions of Staff Regulation 4.4(b) (i) and (ii) may remain on staff”.
- 8.3 The Secretariat briefed the ABAF on the staff rules of the International Atomic Energy Agency (IAEA) and the Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO), organisations with similar mandates, which have already implemented decisions allowing for the rehiring of

inspectors. Like the OPCW, both organisations have seven-year service limits for Professional staff (P-staff). However, their staff rules allow for the rehiring of all P-staff, including inspectors, following a mandatory 12-month break in service. The underlying principle when considering any such applications is that the rehiring will ensure the retention of highly specialised knowledge and skill.

8.4 In terms of possible financial impact to future budgets, the Secretariat noted that cost savings could be realised from the rehiring of inspectors. The savings would be due to reduced training and less reliance on special-service agreements, notably in the period before new inspectors are fully ready for the field. The ABAF **recommended** that the Secretariat prepare a cost/benefit analysis to identify potential savings.

8.5 In terms of other concerns, the Secretariat assured the ABAF that:

- (a) any former inspectors of the OPCW rehired would be subject to the normal terms and conditions of all OPCW staff members;
- (b) the term of service of a rehired inspector would be no more than seven years;
- (c) recruitment rules for rehiring will apply in accordance with the Convention and existing Staff Regulations, without any preferential treatment; and
- (d) the rehiring mechanism would be used sparingly.

8.6 The ABAF **noted** that measures to address the above issues are already in place, including extending the terms of service for inspectors involved in destruction-related activities from seven to 10 years, and encouraged the Secretariat to apply them to the extent possible. The ABAF **recommended** that the Council consider amending the current staff rules to bring them in line with the best practices successfully adopted at the CTBTO and IAEA, taking into account the differences between the OPCW and these organisations. The ABAF **recommended** that the break in service be one year between the end of the previous contract and the beginning of the new contract.

Presentation on the enterprise-resource planning strategy

8.7 In paragraph 7.4 of ABAF 33/1, the ABAF requested the Secretariat to issue a follow-up report on the risk-mitigation options associated with the current ERP system. An ERP working group had been created and had approved a roadmap to improve and automate processes, as well as to mitigate certain risks mentioned in the report. A roadmap for 2013 and 2014 was presented. In the ICT Strategy for the period 2014 to 2018, ERP was identified as one of four major pillars, and was presented to the Member State delegations attending a special session on the margins of the Seventy-Fifth Session of the Council in March 2014.

8.8 The ABAF received a presentation on the draft ERP strategy, divided into four major sections: architecture for the current ERP solution; major risks in the current ERP solution; major systems gaps and weaknesses; and the proposed architecture of the new ERP solution. The draft ERP strategy highlights that the Secretariat needs to address major business, organisational, and quality risks associated with the current ERP and satellite applications. In the long term, this will help to achieve higher return on investment and cost benefits.

- 8.9 Although the current SmartStream system, along with a number of “in-house” and “other” systems, can be used to deliver IPSAS-compliant financial statements, many risks and functional gaps have been identified. The current study has concluded that maintaining SmartStream and the associated applications may be costly in terms of the benefits derived from them. The current system is not good enough to support the Organisation’s current business needs and requires a lot of customisation. Additionally, most other United Nations agencies (including the United Nations Development Programme (UNDP), the United Nations Children’s Fund (UNICEF), the United Nations High Commissioner for Refugees (UNHCR), and the World Health Organization (WHO), among many others) have moved in recent years from heavily tailored systems to more standardised ERP.
- 8.10 Three hosting options have been identified: on-premise, external, or “cloud-based” ERP. The total cost of ownership would depend on the hosting option chosen and through-life operational costs. The cloud-based hosting option has the lowest implementation cost at EUR 5.43 million, but the highest annual operational running costs at EUR 1.44 million. The on-premise hosting option has the highest implementation cost at EUR 7.98 million, but the lowest annual operational running cost over a 10-year timeline. Whatever solution is chosen, the implementation phase is expected to take three years.
- 8.11 The External Auditor supports the final recommendations of the ERP system risk analysis to (i) align the ERP strategy with the future business of the OPCW; (ii) to consider alternate funding; and (iii) to explore hosting solutions and cooperation with other organisations.
- 8.12 The Secretariat has identified three funding options:
- (a) Using non-budgetary financial resources to fund ERP implementation, such as use of the cash surplus and savings gained from a reduction in the WCF;
 - (b) On-premises hosting or external hosting at United Nations International Computing Centre, to take advantage of economies of scale when operating these systems and to provide for the security of these systems by placing them in an off-site, secure location. The final decision would hinge on the relative costs of these two alternatives, once the Secretariat has received firm offers from prospective vendors;
 - (c) Forming a dedicated project team composed of internal staff members who are familiar with OPCW processes. Additional resources would need to be mobilised for a project-based assignment using temporary staff or consultants.
- 8.13 The ABAF recognises the limitations of SmartStream and commends the Secretariat for making the system work to produce IPSAS-compliant statements. Nevertheless, the ABAF recognises the limitations and risks of continuing with this set-up. The ABAF **supports** the implementation of a fully integrated ERP system, consistent with practices adopted at other international organisations. The ABAF also stresses the importance of streamlining current processes ahead of planned implementation in order to minimise customisation requirements.

- 8.14 ABAF **requested** future updates on the development of the draft ERP strategy and **recommended** the further development of total project cost and timeline estimates that reflect the future strategic direction of the Organisation.

Development of a medium- to long-term staffing plan

- 8.15 The ABAF was briefed on the development of a medium- to long-term staffing plan, in response to its request in paragraph 7.5 of ABAF-35/1. The ABAF was informed that the Director-General had established a Transition Group to develop an understanding of the change process that will be necessary for the OPCW once 95% of existing declared stockpiles of chemical weapons will have been verifiably destroyed by 2017, and all stockpiles by the early 2020s. The ABAF was informed that the Director-General had held a series of discussions with his Management Board and Directors on this topic, where future resource requirements—including a possible staffing plan for the medium to long term—were considered based on a number of possible post-destruction organisational scenarios.
- 8.16 The ABAF was informed that, following this exercise, the Secretariat had considered certain principles, assumptions, and possible processes that may provide the basis for developing a final staffing plan. The assumptions were that the current timelines for the destruction of chemical weapons were accurate and that Organisation's staffing profile will need to adapt to the changes triggered by this reality during the period from 2015 to 2020. The 19 principles stated, inter alia, that the core objectives of the OPCW will continue to guide the work of Organisation; that realignment to a new organisational structure would be implemented on a staggered basis and be completed by 2020; that the top structure of the Organisation would remain unchanged during the transition period but may change following any restructuring; that States Parties expect to see a gradual reduction in staffing costs and levels; and that strategic workforce management will be given the highest priority during the transition period.
- 8.17 The ABAF **noted** the progress made to date on the development of a medium- to long-term staffing strategy and agreed, in general, with the assumptions and principles included in the paper. The ABAF **encouraged** the Secretariat to continue its work in this regard and **recommended** that the Director-General continue his discussions with the Management Board and Directors on this key strategic issue. The ABAF **requested** that a more tangible medium- to long-term staffing plan be presented at its Thirty-Eighth Session.

Results-based management and the OPCW Medium-Term Plan

- 8.18 The ABAF was briefed by the OSP on the Medium Term Plan and how RBM is being introduced at the Secretariat. The presentation provided an overview of RBM principles and how they are being implemented at the OPCW. It also highlighted the role of the ABAF in this process. The ABAF was briefed that RBM is a management approach that shifts the focus from inputs to improved performance and the achievement of results. Some of the practical tools include strategic planning and budgeting, risk management, progress monitoring, and results evaluation. The ABAF **noted** that the OPCW already has several of these tools in place, representing an excellent step towards the full implementation of RBM. Long-term strategic planning in particular is a critical element in the formulation of short-term programmes and

budgets. The ABAF was advised that a results-based framework, which incorporates leadership, evaluation, accountability, planning, and statistics, has been adopted in many other international organisations and governments as best practice. ABAF **noted** and **commended** the commitment shown by the Secretariat as it endeavours to fully implement RBM. The ABAF **stressed** the importance of involving all Member States as partners in this process.

- 8.19 The OSP then briefed the ABAF on how these principles are being applied at the Secretariat and on the role of the MTP in the OPCW's strategic planning process. The ABAF was informed that the OPCW moved to RBM in 2011, but that by 2013 half of the staff trained on RBM had left the Organisation. The ABAF noted the negative impact of staff turnover when implementing a mid- to long-term initiative. The ABAF **encouraged** the Secretariat to incorporate measures to mitigate this risk to ensure the full implementation of RBM.
- 8.20 The ABAF was also informed that strengthening the RBM approach has been a priority during the formulation of the Programme and Budget for 2015. Here, emphasis has been placed on linking operational planning to the OPCW's strategic direction, as detailed in the new MTP for 2015 to 2019. In this regard, references to the MTP as well as the outcomes of the Third Review Conference are now included in the Programme and Budget narrative to highlight how planned activities aim to achieve the core objectives of the Organisation, in line with the strategic guidance of the States Parties.
- 8.21 The ABAF **noted** the challenges of implementing RBM and encouraged the Secretariat to continue its efforts in this critical area. However, the ABAF **stressed** that, in addition to commitments made in developing plans, equal efforts must be focused on the essential area of follow-up, notably in the areas of progress monitoring, performance evaluation, and incorporating lessons learned into future programmes of work.
- 8.22 The ABAF **further noted** that the current MTP features several plausible scenarios of the future operating environment. The ABAF is of the view that further dialogue is needed, both within the Secretariat and with Member States, to more concretely define the strategic direction of the OPCW. The ABAF **requested** that at a future session it be provided with updates on the implementation of the MTP and on the progress made in defining a clear vision for the future of the Organisation.

9. Next session and agenda

The ABAF **adopted** the following provisional agenda for its Thirty-Seventh Session, which will be held from 1 to 5 September 2014:

1. Opening of the session
2. Election of the Chairperson
3. Adoption of the agenda
4. Review of the report of the previous session

5. Status of 2014 financial performance (first half of 2014)
6. Draft Programme and Budget for 2015 (including the Medium-Term Plan and the performance report for 2013)
7. Any other business
8. Next session and agenda
9. Adoption of the report

10. Adoption of the report

The ABAF **adopted** the report of its Thirty-Sixth Session on 5 June 2014.

Annex:

List of Information Papers and Other Documents Presented to the Advisory Body on Administrative and Financial Matters at its Thirty-Sixth Session

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

Title	
1.	Agenda for the Thirty-Sixth Session of the Advisory Body on Administrative and Financial Matters
2.	Report of the Thirty-Fifth Session of the Advisory Body on Administrative and Financial Matters (ABAF-35/1)
3.	Note by the Director-General: Comments on the Report of the ABAF at its Thirty-Fifth Session (EC-74/DG.16, dated 1 October 2013)
4.	Informal paper: Responses to Questions Raised in Regard to the ABAF's Report of its Thirty-Fifth Session
5.	Report by the Director-General: OPCW Income and Expenditure for the Financial Year to 31 March 2014 (S/1176/2014)
6.	Report of the Independent External Auditor on the Audit of the Financial Statements for the Year ending 31 December 2013 (advance copy)
7.	Financial Statements of the Organisation for the Prohibition of Chemical Weapons for the Year Ending 31 December 2013 (advance copy)
8.	Note by the Director-General: Annual Report of the Office of Internal Oversight for the period from 1 January to 31 December 2013 (EC-76/DG.2 C-19/DG.3)
9.	Note by the Director-General: The Implementation in the 2013 of the Recommendations Contained in the 2012 Annual Report of the Office of Internal Oversight (EC-76/DG.1)
10.	Informal Paper: Development of a Medium- to Long-term Staffing Plan
11.	Note by the Technical Secretariat: Medium-Term Plan for the Period from 2015 to 2019 (EC-77/S/1 C-19/S/1)
12.	Opening Statement by the Deputy Director-General to the Thirty-Sixth Session of the ABAF
13.	Presentation: Draft ERP Strategy
14.	Informal Paper: Draft OPCW ERP Strategy