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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 2023

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1 The Financial Statements and the 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 2023

FINANCIAL STATEMENTS
OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS
FOR THE YEAR ENDED 31 DECEMBER 2023

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, among 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 2023 are presented fairly according to the requirements of IPSAS and the OPCW's Financial Regulations and Rules (reference OPCW-S/DGB/30, dated 31 January 2023).

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 is not part of the IPSAS-compliant financial statements.

4. It is also our opinion that the Financial Statements present a view that is consistent with our understanding of the OPCW's financial position as at 31 December 2023, 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]

Fernando Arias
Director-General

17 May 2024

[Signed]

Christopher Buck
Director, Administration
Principal Financial Officer

STATEMENT OF INTERNAL CONTROL FOR 2023

1. 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".

2. 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 objectives above.

My current statement on the OPCW's internal control processes, as described above, applies for the year ended 31 December 2023, and up to the date of authorisation for issue of the Organisation's 2023 Financial Statements.

3. 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 review and monitor 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 policy framework for internal control is comprised of policies, procedures, and processes underpinned by appropriate ethical values. It 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 Management team and I are committed to a continuous improvement programme to further strengthen the system of internal control across the Organisation.

3.1 Review of effectiveness

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

(a) my senior managers, in particular the division and office directors, who play important roles and are accountable for expected results, performance, and for controlling their respective division and office activities and the resources entrusted to them. The significant risk and internal control matters outlined below, together with appropriate mitigations, have been identified through information channels such as periodic meetings held by the Management Board, a formal self-assessment process, and my Division and Office Directors' personal written attestations for the year ended 31 December 2023. The results are used to inform the governance frameworks in the Organisation as well as to inform in-year operational decisions;

(b) the Office of Internal Oversight (OIO), on whose reports of internal audits and evaluations I rely. These reports are also provided to the individual division or office for strengthening the internal control, risk management, and governance processes. In 2023, the OIO conducted audits and evaluations to assess the adequacy and effectiveness of internal controls in several high-risk areas and made recommendations to further strengthen the system of internal controls, risk management, and governance. These high-risk areas were identified through a comprehensive risk assessment exercise carried out by the OIO so as to focus the audit effort on the areas that matter most to the Organisation. In 2023, the OIO conducted internal audits and evaluations on: waivers of bidding in the procurement process; management of flexible working arrangements; management of home leave; and evaluation of talent management – inspector training. In the reports on audits and evaluations issued in 2023, the OIO issued 14 recommendations, all of which were rated as "medium" priority. A brief summary of the key audit recommendations was issued in 2023, and the impact of those issued and implemented will be provided in the annual report of the OIO for 2023 to the Conference of the States Parties (the Conference). These have contributed significantly to strengthening the system of internal control in the Organisation. Management accepted all of the recommendations, and is taking action to implement them;

(c) the Advisory Body on Administrative and Financial Matters whose purpose is to advise the Executive Council (the Council) on administrative and financial issues;

(d) the recommendations of the Risk Management Committee, which provided updates of its work to the Management Board in April, September, and December 2023. The focus of the Risk Management Committee's work will continue to be placed on the sustainability of the risk management process, and the evolving roles of key internal stakeholders within this, such as the OIO, the Risk Management Committee, and the Management Board. Its activities included: reviewing the risk register revised by risk owners; reviewing top risks to be submitted to the Management Board for its consideration; reviewing the summary of the internal control self-assessment questionnaire; reviewing the questionnaire questions to simplify and make them user-friendly while focusing on the questionnaire's core objective; and work towards the further enhancement and integration of the various risk and control tools available in the Organisation into risk determination; and

(e) the recommendations of the External Auditor, whose comments and audit opinion are submitted to the Council and the Conference.

3.2 Significant risk and internal control matters

The following significant risks and internal control issues are reported for 2023, as informed through the above-mentioned channels:

3.2.1 Global risks and challenges

The Organisation was significantly impacted by very high, unforeseeable price inflation, with the Netherlands Consumer Price Index (CPI) rising by 4.1% in 2023. As will be further detailed below, many costs rose in line with inflation whereas some, such as utilities costs and travel, substantially exceeded this average increase. Salary costs, as promulgated by the International Civil Service Commission (ICSC), increased significantly beyond the level anticipated in the Biennium Programme and Budget of the OPCW for 2022–2023. These extraordinary inflation increases were partially addressed in the context of the mid-biennium 2023 budget update, and the Biennium Programme and Budget of the OPCW for 2024–2025 has been formulated with a view to keeping costs to the minimum necessary while managing historic inflationary pressures. It will ensure that the Secretariat can fulfil its essential mandate on behalf of States Parties in the face of continuing inflation pressures.

COVID-19-related travel restrictions were no longer in place during the year, allowing the Organisation to resume routine operational travel, with travel costs rising substantially higher than pre-COVID-19 levels. The OPCW has developed robust flexible working and business continuity frameworks, which will allow continued operations should a similar pandemic arise in the future.

3.2.2 Protection of classified and sensitive information and information systems

In 2023, the cybersecurity threat, related to the protection of classified and sensitive information and to the integrity and availability of the OPCW's information and systems, remained high as the cybersecurity landscape continued to evolve. The Office of Confidentiality and Security (OCS) continued to monitor and investigate attempted breaches and established a security operations centre to further enhance capabilities. The OCS also implemented effective procedural measures and invested in the most appropriate technical solutions. Furthermore, to address the risk in relation to the protection of confidential and sensitive information, in 2023 the Security Operations Centre deployed a diverse set of tools to provide continuous monitoring over all of the Secretariat's information systems, applications, networks, and devices to provide greater levels of information assurance. Additionally, in 2023 the OCS initiated a more robust governance, risk, and compliance strategy by promulgating policies and standards, and increasingly promoting strong security awareness throughout the Organisation.

3.2.3 Implementation of the enterprise resource planning system

In 2023, the Organisation upgraded to the latest version of the enterprise resource planning (ERP) software in order to gain additional functionalities. The implementation of the remaining functionality (travel) commenced in 2023 and is planned to be completed in the first half of 2024.

3.2.4 Construction of the Centre for Chemistry and Technology

The Centre for Chemistry and Technology (ChemTech Centre) is the largest capital investment ever undertaken by the OPCW, thereby presenting important risk management and control requirements. Through a robust process of Senior Management oversight, including the active engagement of the ChemTech Centre Project Board and a Project Team supported by expert consultants to provide quality assurance over vendor delivery, the construction of the ChemTech Centre has been completed within budget and on time, despite global inflation and challenges with materials supply chains during the construction period.

3.2.5 Non-payment of contributions by States Parties

In recent years, the Organisation has experienced significant financial issues as a result of the non-payment or delayed payment of assessed contributions and reimbursements of Article IV and Article V invoices by some States Parties. Remedial action, including recapitalisation of the Working Capital Fund (WCF) and active budget management, took place between 2016 and 2023 to address this issue and improve the financial position as at 31 December 2023. The failure of some States Parties to pay their contributions, however, remains a significant risk to the Organisation, and as such the Organisation continues to closely monitor and actively address the cash situation, apprising States Parties of the financial position and outstanding contributions on a monthly basis. The Organisation also continues to maintain a budgetary contingency margin to mitigate the risk of delayed cash flows.

3.2.6 Budgetary impact of unforeseen costs

At the time when the first Biennium Programme and Budget of the OPCW for 2022–2023 was being prepared, the Secretariat included for the first time in a decade, zero real-growth provisions in the budget proposal, with increases of 1.3% for 2022 and 1.5% for 2023 in human resource funding, based on the European Central Bank survey of professional forecasters. However, in contrast to those forecasts, actual inflation in the Netherlands according to the Dutch Central Bank was 11.6% for 2022 and 4.1% for 2023, both of which were significantly higher than the cost increases included in the 2022–2023 biennium budget proposal and its mid-term revision. Such unbudgeted costs included substantial increases in utilities and travel costs, as well as a significant increase in salary costs due to obligatory in-year changes in salary scales mandated by the International Civil Service Commission (ICSC), including retroactive application, as required by the OPCW Financial Regulations and Rules. Such variables are outside of the control of the Organisation and have continued to place an increased burden on the OPCW's regular budget. Extraordinary mitigation measures were taken in 2022 and 2023 to avoid a budget overspend, including higher levels of funding withheld as a contingency on non-staff costs and the temporary retention of savings on vacant staff positions. While the Secretariat thus far has mitigated the inflationary impacts in the short term, the mitigation measures undertaken were not sustainable for the long term. Against this backdrop, it was necessary to make the provisions set out in the Biennium Programme and Budget of the OPCW for 2024–2025 to maintain the Organisation's purchasing power in order to deliver on its mandate.

3.2.7 Physical security

After the intrusion at the OPCW Main Building on 3 December 2021, the OCS completed a comprehensive security risk assessment early in 2022. The security risk assessment outlined all the required security measures to increase security at OPCW Headquarters, to lower the risks to an acceptable level, and to meet the minimum standards promulgated by the United Nations Department of Safety and Security. The security risk assessment's conclusions and recommendations fully align with those of the assessment that was conducted by the Host Country's security services later in 2022.

Since 2022, the OCS has continued its engagement with the Host Country's security services to seek concrete support for the OPCW Main Building perimeter security. In the course of 2022, through reprioritisation of existing funds, some physical security systems were upgraded, and new secure garage gates were installed. The physical security upgrade of the Security Critical Areas within the Main Building was finalised in 2023, providing certified levels of resistance against forced entry and contributing significantly to the overall confidentiality regime. Internal physical security controls have been revitalised with new tools and documentation in a range of areas, including physical security zoning and fire safety. The procurement process for the establishment of a secure compartment in the Main Building reception area was re-tendered in 2023 and is expected to be implemented during 2024. Procurement of goods to improve the resistance levels of OPCW Headquarters access points is also planned in 2024 following the allocation of additional budget for this purpose. The OCS further expects to finalise the cross-federation of physical security management systems at the Main Building and ChemTech Centre in 2024, to ensure greater resilience and readiness in case of serious incidents at either location.

To implement all recommended security measures related to the Main Building perimeter, including the replacement of the perimeter fence, replacement of the security gates, and replacement of the Front Guard House, EUR 6.0 million of additional funds is still required.

In 2023, significant progress was made in the embedding of OCS in the mission planning process, despite resource challenges. Proactive involvement in the travel planning process for the Inspectorate, and International Cooperation and Assistance Division missions ensured timely OCS risks assessments. OCS presence at travel pre- and de-briefings generally improved security while balancing the practicality of security measures and criticality of the mission. The Inspectorate manual was reviewed and is in the process of being updated to ensure the inclusion of the role of the OCS and accountability related to physical and digital security, as well as confidentiality. The integration of automated OCS and INS tools was initiated in 2023 and is expected to be completed in 2024.

3.2.8 Business continuity planning

In 2023, the designated business continuity tool was implemented and rolled out, and is being further customised and optimised for OPCW use. After the first Business Continuity Steering Group (BCSG) and Business Continuity Working Group (BCWG) meetings at the end of 2022, two further BCWG meetings took place in 2023. These meetings were facilitated by the OCS in its capacity of Secretary to the BCSG and BCWG. Division and branch-specific business continuity plans are in process and are due for completion in mid-2024. The OCS held its first business continuity table-top exercise in November 2023. The embedding of business continuity into routine practices is an ongoing process.

3.2.9 Risk management

Two virtual trainings on risk management for staff of the Technical Secretariat (the Secretariat) were organised by the OIO in 2023. These included one advanced training on risk management for directors, branch heads, risk owners, and other staff that support risk management activities, which was attended by 25 participants. Additionally, one training session on the administrative directive on the risk management framework (AD/ADM/33/Rev.1, dated 29 December 2021) also took place, in which 37 staff members, including directors/branch heads, participated. Therefore, in the past two years (2022 and 2023), the OIO has provided training on risk management to 192 participants. These trainings helped to raise awareness of the importance of further embedding risk management into the Secretariat’s operations, and to improve the understanding of the risk management framework and methodology.

4. CONCLUSION

Effective internal control, no matter how well designed, has inherent limitations, including the possibility of circumvention, and therefore, can only provide 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 control noted during the year and brought to my attention. In 2023, among other activities, this work included the continued use of an internal control self-assessment questionnaire for programme managers to further embed a more systematic process of risk management, as well as risk management training conducted by the OIO.

Based on the assurances I have received as set out in this statement, I conclude that, to the best of my knowledge and information, there have been no significant material weaknesses across a broad base of both financial and non-financial controls, nor have other significant matters arisen that would have come to my attention for the period that would need to be raised in the present document for the year ended 31 December 2023.

[Signed]

Fernando Arias
Director-General

17 May 2024

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REPORT OF THE DIRECTOR-GENERAL ON THE FINANCIAL STATEMENTS OF THE OPCW FOR THE YEAR ENDED 31 DECEMBER 2023

INTRODUCTION

1. I have the honour to present the Financial Statements of the Organisation for the Prohibition of Chemical Weapons (OPCW) for the year ended 31 December 2023.

2. The OPCW is an international organisation that 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 (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.

3. 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.

4. The continued existence of the OPCW is dependent on States Parties and their continuing annual appropriations and financial contributions. The comprehensive Financial Statements prepared under the International Public Sector Accounting Standards (IPSAS) are a key enabler in allowing the Organisation to deliver its mandate efficiently.

ANALYSIS OF FINANCIAL STATEMENTS

5. The OPCW Financial Statements are general purpose financial statements providing information about the financial position, performance, and cash flows of the Organisation to a wide spectrum of users for decision making, consideration in future planning, and to demonstrate the accountability of the OPCW for the resources entrusted to it.

6. The Financial Statements of the Organisation have been prepared on an accrual basis in accordance with IPSAS. The Organisation's significant accounting policies within the context of IPSAS are detailed in the Financial Statements. The budget, as well as the budgetary basis information contained in the Financial Statements, continue to be prepared on a modified cash basis. Therefore, there are differences in the accounting bases used for the recognition of revenue, expenses, assets, and liabilities in the budget and the IPSAS Financial Statements for 2023, including timing differences. The Organisation's functional currency is the euro. Unless otherwise stated, all financial information in this analysis is quoted on an IPSAS accounting basis.

7. In 2023, the Organisation continued to focus on the effective implementation of the Convention and the efficiency of processes supporting such implementation.

8. Detailed information on the financial year 2023 can be found within the Financial Statements and accompanying disclosure notes. Within this context, the following analysis provides the reader of the Financial Statements with some of the key highlights of the financial year 2023.

GLOBAL RISKS AND CHALLENGES

9. The financial context of the Organisation remained subject to major global risks in 2023, principally threatening energy supplies, travel, and supply chains against a backdrop of already historically high inflation affecting goods and services required by the Secretariat to conduct its routine operations. The impact of the resulting high inflation on cost-of-living indices caused the International Civil Service Commission (ICSC), which sets the salary levels of the United Nations and related agencies, including the OPCW, to increase salaries and allowances for employees in the Netherlands substantially more than anticipated in the Biennium Programme and Budget of the OPCW for 2022–2023 and the Revised Programme and Budget for 2023.

10. The return to normal following the COVID-19 pandemic, as well as the rise in inflation towards the end of 2022, led central banks to increase interest rates throughout 2023 in contrast to the movements in rates observed in 2021 and early 2022. The rise in interest rates tapered off at the end of 2023 with a further moderate reduction expected in 2024. Despite some concerns over the capacity of some banks to accommodate declining asset values given lower bond yields, all the financial institutions with which the Organisation operates have maintained a Moody’s Investors Service Global short-term rating of P-1, indicating their continued strength. The Secretariat continues to closely monitor a variety of indices on the creditworthiness of the Organisation’s financial institutions.

11. Financial highlights of importance are presented below:

(a) The regular budget (General Fund) recorded an implementation rate of 100% for 2023, including full utilisation of the carryover balance from 2022, as compared to 97% in the prior year. Excluding the EUR 2.1 million 2022 carryover balance, the budget implementation rate (including disbursements and obligations) as at 31 December 2023 was 97%. Owing to extraordinary developments in global inflation following the approval of the 2023 budget, important mitigation measures were taken by the Secretariat to ensure that no overspend would occur. These measures continued right up to the end of the year, and included provisions to absorb a potential additional staff cost increase that could have arisen from a cost-of-living survey that was being conducted by the ICSC in 2023.

(b) The level of assessed contributions for 2023 increased to EUR 69.9 million (2022: EUR 68.4 million) in accordance with the Revised Programme and Budget of the OPCW for 2023. The Programme and Budget of the OPCW (excluding extraordinary provisions) increased by 4.7% in 2023 compared to the prior year for Chapter 1 and Chapter 2 programmes.[2] Including extraordinary provisions, there was an increase of 7.9% in 2023 compared to the prior year.

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2 The total approved Revised Programme and Budget of the OPCW for 2023 was EUR 76.0 million, including an appropriation of EUR 2.2 million for extraordinary provisions (C-27/DEC.11, dated 29 November 2022).

(c) Trust funds experienced a net decrease in revenue from voluntary contributions of EUR 3.1 million compared to 2022.

(d) Overall expenses,[3] inclusive of the General Fund, trust funds, and special funds, increased by EUR 1.0 million, to EUR 84.1 million, in 2023. Employee benefit expenses increased by EUR 0.4 million, primarily as a result of inflation increases in the post-adjustment multiplier which was offset partially by decreases in common staff costs and the accrual for home leave in 2023. This increase was accompanied by an increase in depreciation and amortisation (+ EUR 1.3 million) and other operating expenses (+ EUR 1.3 million).

(e) The net deficit (across all funds) for 2023 was EUR 9.2 million, compared to a net deficit of EUR (0.1) million in the previous year. This EUR 9.1 million decrease in net surplus is largely explained by a 3.1 million decrease in voluntary contributions revenue to EUR 10.9 million, as well as the impact of the estimated cash surplus adjustment.

(f) The overall value of cash and cash equivalents across the General Fund, trust funds, and special funds decreased to EUR 45.7 million in 2023, from EUR 47.8 million in 2022, and was comprised primarily of a decrease of EUR 7.3 million in trust fund cash balances, and a decrease in General Fund cash balances of EUR 4.0 million which was partly offset by the increase in the cash balances of the WCF, following the reimbursement made in the first quarter of 2023 in relation to the drawdown that was made to fund the General Fund at the end of 2022.

(g) A higher collection rate for assessed contributions of 96.1% was experienced during 2023, as compared to a rate of 94.6% in 2022.

(h) Outstanding total Article IV and Article V net receivables decreased by EUR 0.7 million, to EUR 1.5 million.

(i) The overall net book value of property, plant, and equipment increased by EUR 1.0 million, the core component being the final construction costs related to the ChemTech Centre capitalised in 2023. The increase was partially offset by the annual depreciation of in-use assets (EUR 2.5 million). The net book value of intangible assets decreased by EUR 0.7 million in 2023.

(j) The Organisation’s total liabilities in 2023 decreased by EUR 4.2 million, owing to a reduction in all elements of current liabilities apart from deferred revenue on voluntary contributions, which increased by EUR 0.4 million, while other current liabilities decreased by 6.8 million. This was offset by increases in non-current liabilities including: the cash surplus of EUR 1.0 million—reimbursable to States Parties, employee benefits liabilities of EUR 0.3 million, and other non-current liabilities of EUR 1.1 million. The level of the WCF remained consistent with 2022, with no change to the overall approved level.

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3 Including net finance income and costs.

(k) The total employee benefit liability decreased from EUR 8.5 million in 2022 to EUR 7.4 million in 2023. In 2023 there was a moderate decrease in employee benefit liabilities across the board, apart from a significant decrease in annual leave liabilities amounting to EUR 0.6 million. The liability continues to be unfunded on a long-term basis and addressed on a pay-as-you-go approach, as considered and recommended by the Advisory Body on Administrative and Financial Matters at its Forty-Sixth Session.

(l) The total net assets position decreased by EUR 2.0 million. The movement included a net deficit of EUR 9.2 million for 2023, offset by the allocation of a prior year surplus of EUR 5.9 million, a change in accounting policy,[4] as well as a movement in the actuarial provision for employee benefits totalling EUR 1.3 million.

(m) In 2023, a final cash surplus was determined for 2022 in the amount of EUR 6.9 million, an increase from the cash surplus for 2021 reported in 2022 of EUR 5.9 million. The 2022 cash surplus was largely attributable to the collection of prior years' annual contributions paid belatedly in 2023. The treatment of the cash surplus for 2022 will be determined through a decision by the Conference of the States Parties (the Conference) in future reporting periods.

FINANCIAL PERFORMANCE

12. A summary of the financial performance by all trust funds and special funds for 2023 is shown in Table 1 below.

TABLE 1: SUMMARY OF FINANCIAL PERFORMANCE BY ALL TRUST FUNDS AND SPECIAL FUNDS FOR THE YEAR ENDED 31 DECEMBER 2023 (EUR MILLIONS)

	Regular Budget	**Trust Funds and Special Funds**	**Total**
Total revenue	63.8	11.2	**75.0**
Total expenses[5]	(73.5)	(10.7)	**(84.2)**
Net surplus/(deficit) for the year	**(9.7)**	**0.5**	**(9.2)**

13. Considering all funds and special funds of the OPCW, the difference between revenue and expenses for 2023 resulted in a net deficit of EUR 9.2 million, compared to a net deficit of EUR (0.1) million in the previous year.

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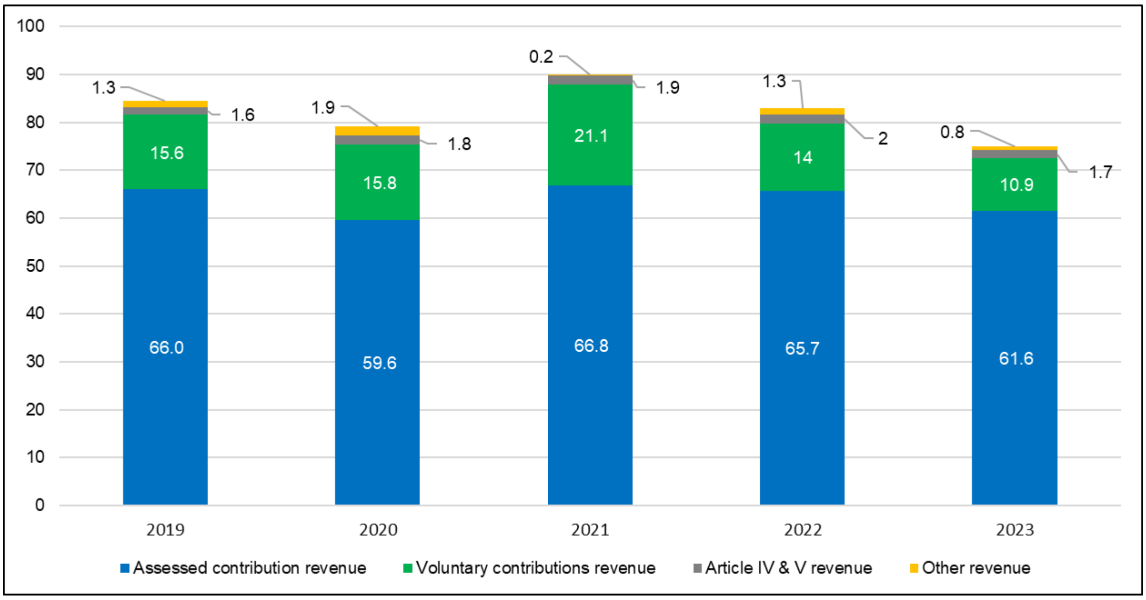
4 The change in accounting policy is fully described in the notes to the Financial Statements contained herein.

5 Including net finance income and costs.

REVENUE ANALYSIS

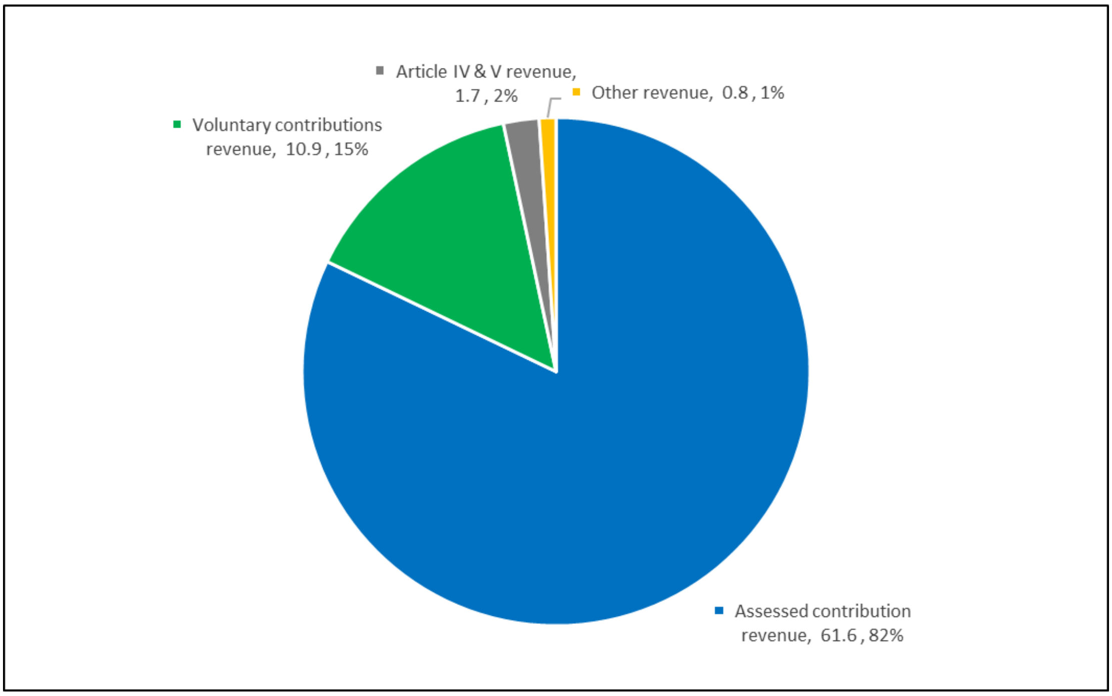
FIGURE 1: COMPOSITION OF REVENUE FOR FINANCIAL YEARS 2019 – 2023 (EUR MILLIONS)



14. Figure 1 above shows the composition of revenue by type over the past five financial years. Having shown a gradual increase between 2018 and 2019, total revenue fell slightly to EUR 79.1 million in 2020, as a result of a decrease in assessed contributions revenue recognised on an IPSAS basis, and then rose significantly in 2021 before falling back down in 2022 and 2023, as a result of a decrease in trust fund contributions. Gross assessed contributions according to the Programme and Budget for the OPCW increased by 2% between 2022 and 2023. Voluntary contributions revenue reduced by 22% to EUR 10.9 million in 2023 from EUR 14.0 million in 2022, and Article IV and Article V revenue decreased by 15% from 2022 levels.

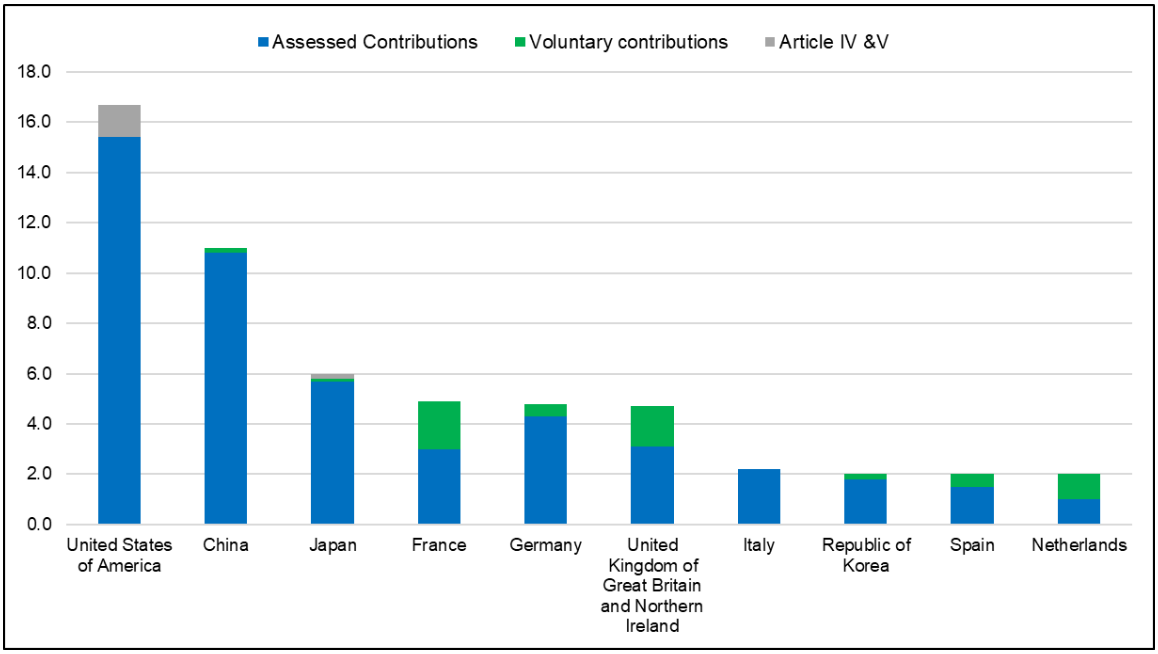
15. Assessed contributions revenue remains the largest revenue stream for the Organisation, forming 82% of total revenue for 2023, with voluntary contributions accounting for 15% of revenue, as noted in Figure 2 below.

FIGURE 2: COMPOSITION OF REVENUE FOR 2023 (EUR MILLIONS)



16. The top 10 contributors to the OPCW accounted for a combined total of EUR 56.3 million of total revenue in 2023, as indicated in Figure 3 below, a decrease of EUR 5.3 million when compared with 2022.

FIGURE 3: TOP 10 CONTRIBUTORS TO OPCW REVENUE IN 2023, COMBINING ASSESSED CONTRIBUTIONS, VOLUNTARY CONTRIBUTIONS, AND ARTICLE IV AND ARTICLE V REVENUE (EUR MILLIONS)[6]



17. Article IV and Article V revenue decreased by EUR 0.3 million (15%) to EUR 1.7 million in 2023 (2022: EUR 2.0 million), and includes amounts accrued but not yet invoiced.

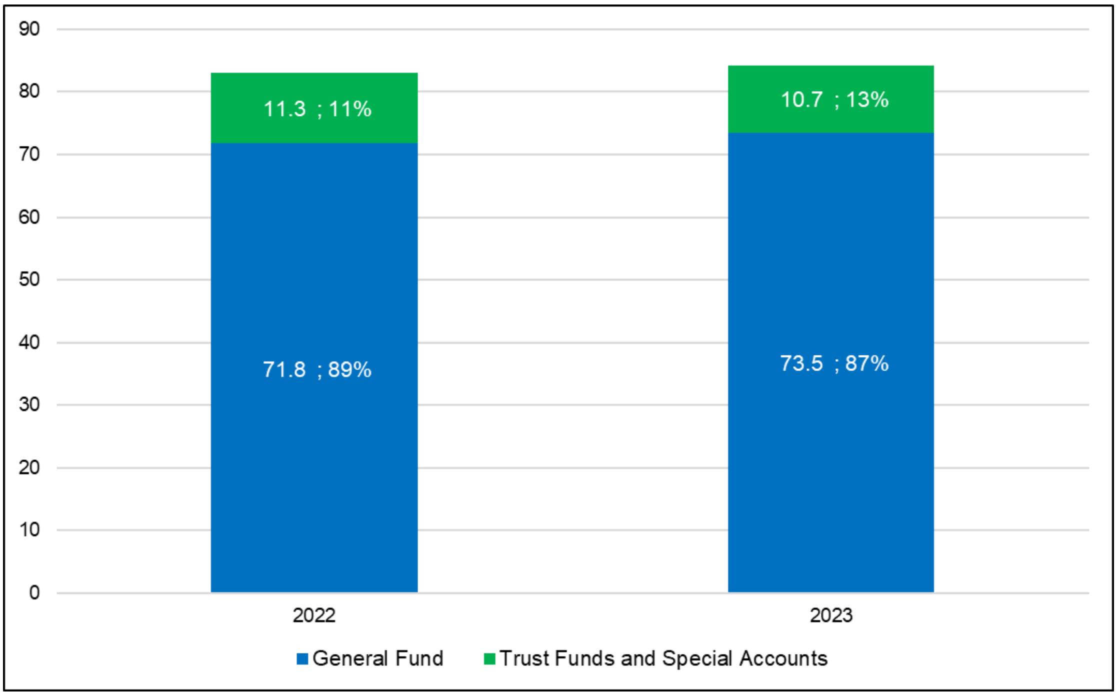
18. Other revenue decreased by EUR 0.5 million to EUR 0.8 million in 2023, compared to EUR 1.3 million in 2022.

6 Figures included for assessed contributions and Article IV and Article V revenue represent amounts invoiced or accrued, while not all amounts have been received in 2023. Voluntary contributions figures represent the cash received in 2023.

EXPENSE ANALYSIS

19. Figure 4 below shows a comparison of expenses between 2022 and 2023.

FIGURE 4: EXPENSE ANALYSIS BY FUNDING SOURCE FOR 2022 AND 2023 (EUR MILLIONS)

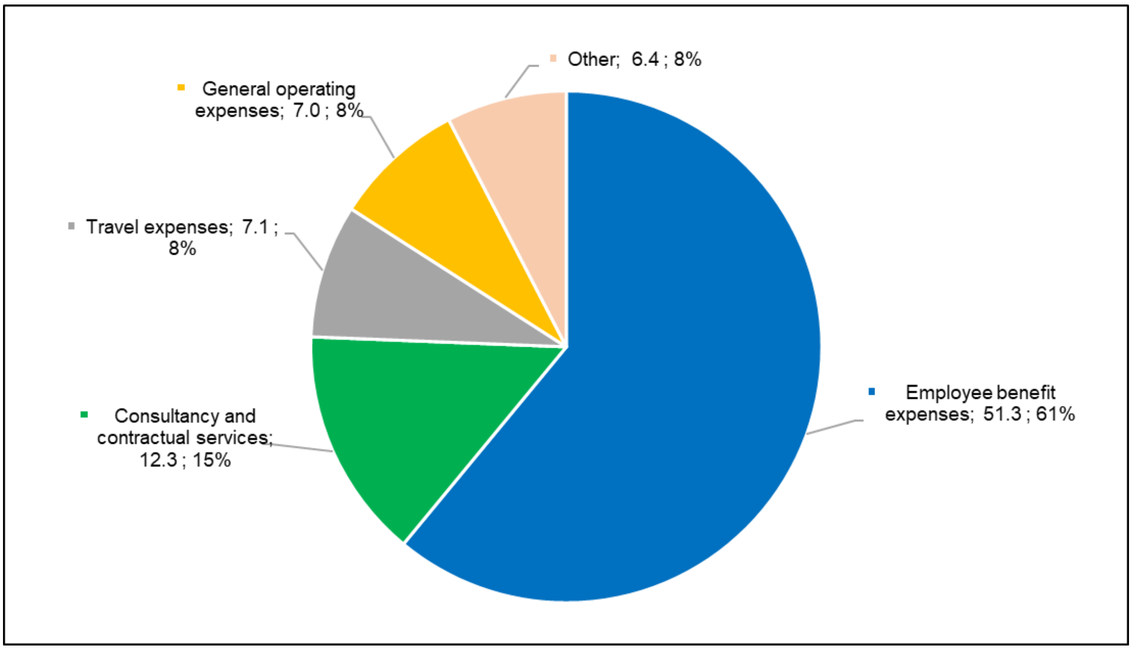


20. In 2023, total expenses (including net finance income and costs) were EUR 84.2 million, denoting an increase of EUR 1.1 million (1.3%) compared to the previous year. While there was a decrease in travel and consultancy and contractual services expenses of EUR 0.9 million and EUR 0.7 million respectively, these were offset by an increase in the other expense categories, general and other operating expenses as well as employee benefits expense of EUR 2.3 million and EUR 0.4 million respectively.

21. The proportion of activities funded by General Fund resources remained comparable to 2022, at around 87%, and the General Fund expenses increased by EUR 1.7 million to EUR 73.5 million in 2023. Trust funds and special funds expenses decreased from EUR 11.3 million in 2022 to EUR 10.7 million in 2023.

22. Employee benefit expenses (including salaries) represented the largest cost category in 2023 at EUR 51.3 million (61%), followed by consultancy and contractual services (EUR 12.3 million, 15%), and travel expenses (EUR 7.1 million, 8%). Figure 5 below shows the breakdown of 2023 expenses by nature for all funds.

FIGURE 5: EXPENSE ANALYSIS FOR THE PERIOD ENDED 31 DECEMBER 2023 – ALL FUNDS (EUR MILLIONS)



23. Table 2 below shows that total expenses in 2023 increased slightly compared to 2022, such that an increase in expenses was observed in three out of the five categories of expenditure.

TABLE 2: COMPARATIVE EXPENSE ANALYSIS FOR 2022 AND 2023 (EUR MILLIONS)

	2023	2022	Difference	Change (%)
Employee benefits	51.3	50.9	0.4	0.8%
Consultancy and contractual services	12.3	13.0	(0.7)	-5.4%
Travel expenses	7.1	8.0	(0.9)	-11.3%
General operating expenses	7.0	6.9	0.1	1.4%
Other expenses[7]	6.5	4.3	2.2	51.2%
Total expenses	**84.1**	**83.1**	**1.1**	**1.3%**

24. Salaries and employee benefits include the accrued costs of post-employment and other long-term employee benefits which better account for the true cost of employing staff on an annual basis. The increase of 0.4% in 2023 compared to the prior year relates primarily to an increase in the short-term employee benefit expenses, which includes salaries and post-adjustment expenses and common staff costs.

7 Including other operating expenses, depreciation, impairment and amortisation, and net finance income and costs.

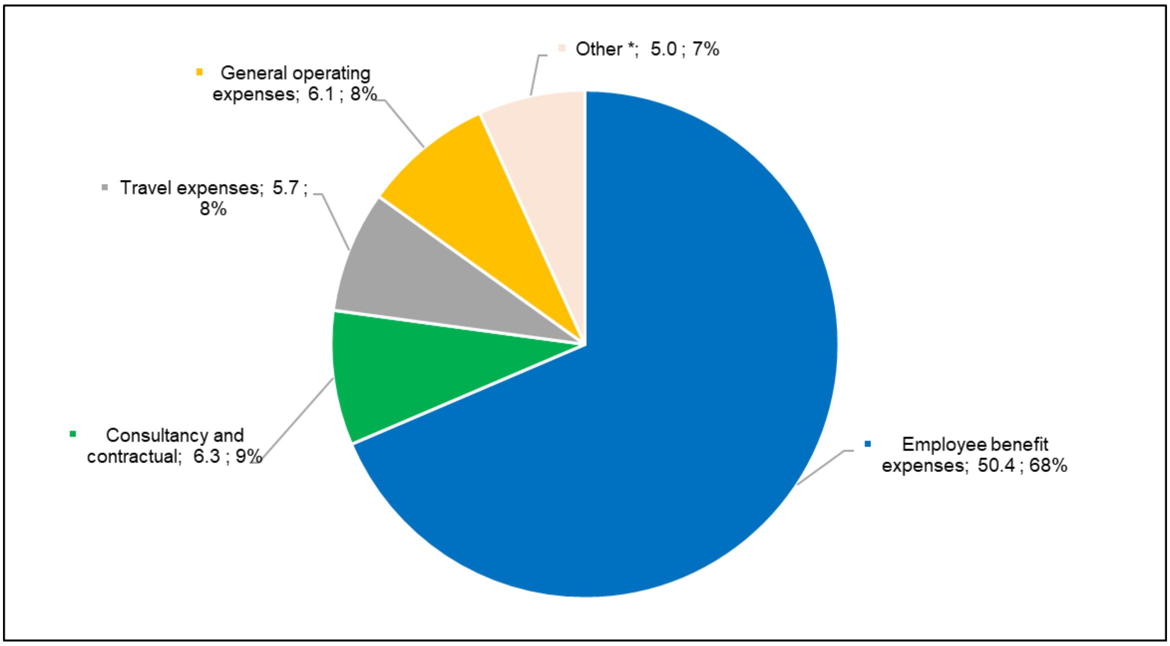
25. Travel expenses decreased by EUR 0.9 million to EUR 7.1 million in 2023. The most significant element (52%) of travel expenses in 2023 was for official travel – non-staff (EUR 3.7 million), which decreased by EUR 0.4 million compared to the previous year.

26. General operating expenses increased in 2023 compared to 2022, primarily as a result of higher maintenance and utility expenses in 2023.

27. Expenses relating to consultancy and contractual services decreased by 5% to EUR 12.3 million between 2022 and 2023, mainly attributable to a decrease in contractual services costs related to activities undertaken by the United Nations Office for Project Services (UNOPS).

28. Figure 6 below further shows the analysis of expenses for the General Fund only, highlighting that a lower proportion of consultancy and contractual services is paid from the General Fund. This is partly the result of the cost of contractual services work related to various projects that are frequently funded through trust fund resources. The figure also highlights that the majority (98%) of employee benefit costs are funded through the General Fund.

FIGURE 6: EXPENSE ANALYSIS FOR THE PERIOD ENDED 31 DECEMBER 2023 – GENERAL FUND (EUR MILLIONS)[8]



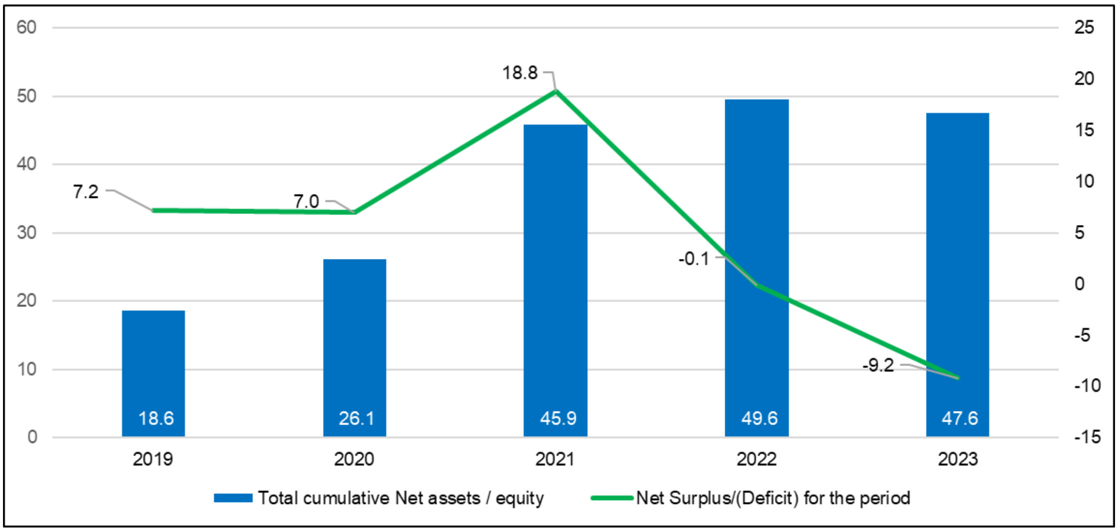
8 Expenses reported on an IPSAS basis.

NET SURPLUS/DEFICIT FOR THE YEAR

29. The overall net deficit for 2023 was EUR 9.2 million, a decrease from a net deficit of EUR (0.1) million in 2022. This change is largely explained by a higher estimated cash surplus/(deficit) adjustment of EUR 8.3 million and a lower voluntary contributions revenue recognised at EUR 10.9 million, as well as increased expenditure during the year.

30. Overall net assets decreased by 4%, to EUR 47.6 million in 2023, from EUR 49.6 million in 2022, as noted in Figure 7 below.

FIGURE 7: EVOLUTION OF ANNUAL SURPLUS/(DEFICIT) AND NET ASSETS 2019 – 2023 (EUR MILLIONS)



BUDGETARY PERFORMANCE

31. The regular budget of the Organisation continues to be prepared on a modified cash basis and is presented in the Financial Statements as Statement V(a) – Statement of Comparison of Budget and Actual Amounts for 2023. To facilitate a comparison between the Programme and Budget and the Financial Statements that are prepared under IPSAS, a reconciliation of the budget to the cash flow statement is included in note 40.8 to the Financial Statements.

32. The regular budget appropriation for 2023 was approved for EUR 73.7 million for Chapter 1 and Chapter 2 programmes[9] (EUR 70.5 million in 2022). Total operational regular budget expenditures for Chapter 1 and Chapter 2 programmes, measured on a modified cash basis, were EUR 71.7 million. In 2022, these expenditures totalled EUR 68.3 million. The total General Fund budget implementation rate for Chapter 1 and Chapter 2 programmes for 2023 was 97.2%, an increase of 0.2% from 2022 (97.0%).

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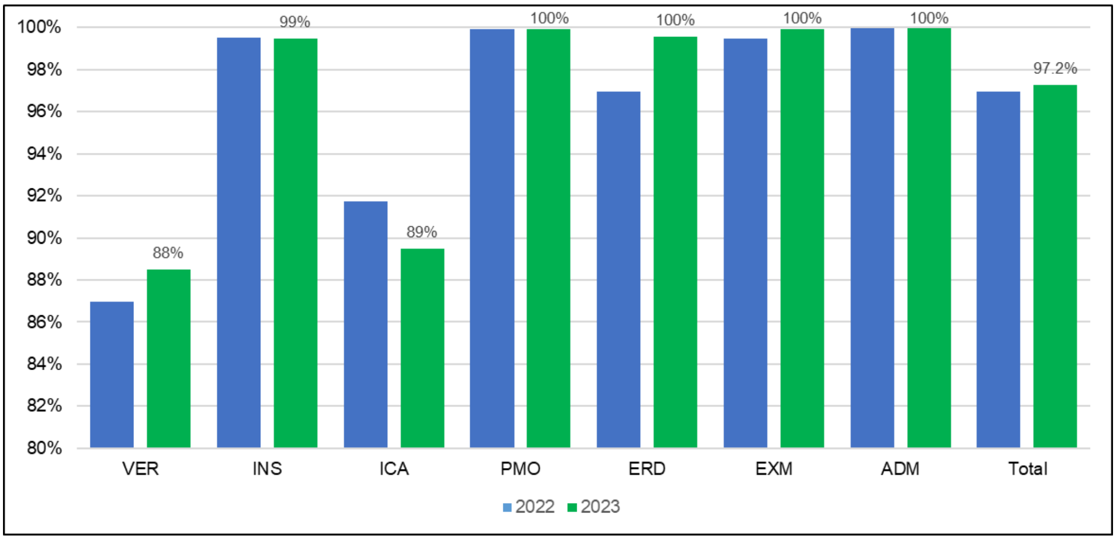
9 Before extraordinary provisions.

FIGURE 8: REGULAR BUDGET IMPLEMENTATION BY PROGRAMME IN 2022 AND 2023

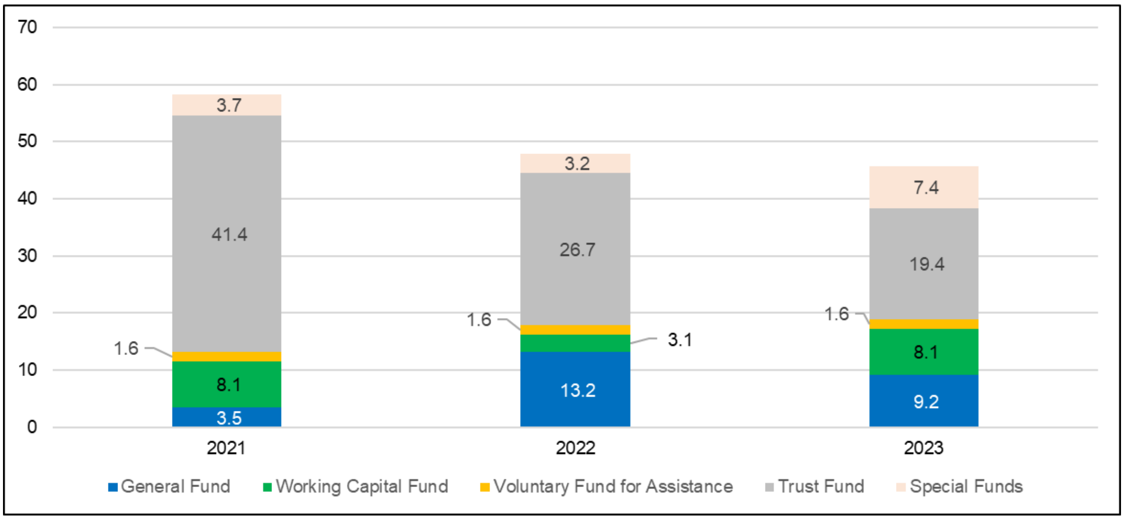


FINANCIAL POSITION

Cash, investments, and liquidity analysis

33. In 2023, total cash and cash equivalents decreased by EUR 2.1 million (4%), to EUR 45.7 million, as at 31 December 2023, as noted in Figure 9 below. Cash balances in the General Fund decreased by EUR 4.0 million (30%), to EUR 9.2 million, as at 31 December 2023. This decrease reflects a EUR 5.0 million drawdown from the WCF in November 2022, which was reimbursed to the WCF in February 2023, partially offset by collections of some early 2024 assessed contributions received in December 2023. Cash balances in the trust funds decreased by EUR 7.3 million (27%) to EUR 19.4 million at the end of 2023 as a result of reduced voluntary contributions received compared to the prior year.

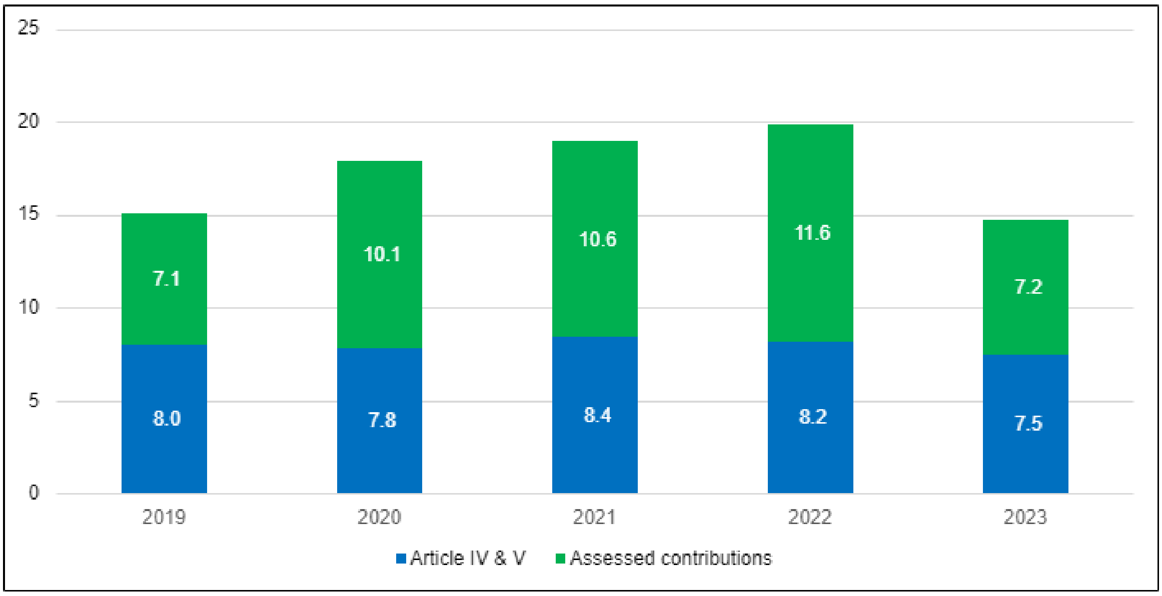
FIGURE 9: COMPOSITION OF CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER 2021, 2022, AND 2023 (EUR MILLIONS)



Accounts receivable

34. Overall, the total gross receivables[10] for assessed contributions and Article IV and Article V reimbursements decreased by EUR 5.1 million, to EUR 14.7 million as at 31 December 2023. Receivables for assessed contributions on a gross basis decreased by EUR 4.4 million and receivables for Article IV and Article V reimbursements decreased by EUR 0.7 million. As indicated in Figure 10 below, the amount of cumulative outstanding assessed contributions for all periods as at 31 December 2023 (EUR 7.2 million) is at the second lowest level in the past five years, with the level in 2019 being lower by EUR 0.1 million. Despite this being a significant reduction from the level at the end of 2022, when it stood at EUR 11.6—the highest compared to the previous five years—non-payment, or delayed payment of assessed contributions continues to place significant cash pressures on the Organisation.

FIGURE 10: OUTSTANDING TOTAL ASSESSED CONTRIBUTIONS AND ARTICLE IV AND ARTICLE V REIMBURSEMENTS 2019 – 2023 (EUR MILLIONS)

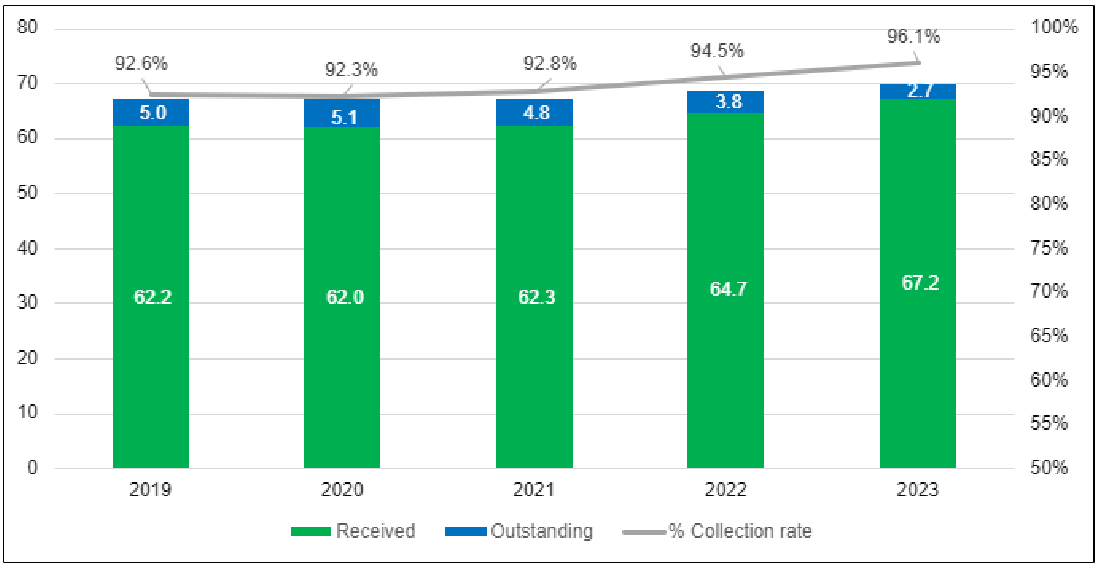


35. The collection rate for assessed contributions increased between 2022 and 2023, and it is higher than the previous five years, as represented in Figure 11 below. The figure shows the collection rate for the specific year as at 31 December of the year (i.e., the collection within 12 months).

36. The late payment of assessed contributions to the Organisation continues to present challenges to the General Fund cash flow, and the Secretariat continues to report on outstanding balances to States Parties on a monthly basis, as well as to provide timely reminders to States Parties that have not met their financial obligations to the OPCW.

10 Receivables are reported net of impairment on the face of the statement of financial position. Gross receivables prior to impairment are reported in notes 7 and 8 to the Financial Statements.

FIGURE 11: ASSESSED CONTRIBUTIONS BALANCES AND COLLECTION RATES 2019 – 2023 [11] (EUR MILLIONS)



Cash surplus/deficit

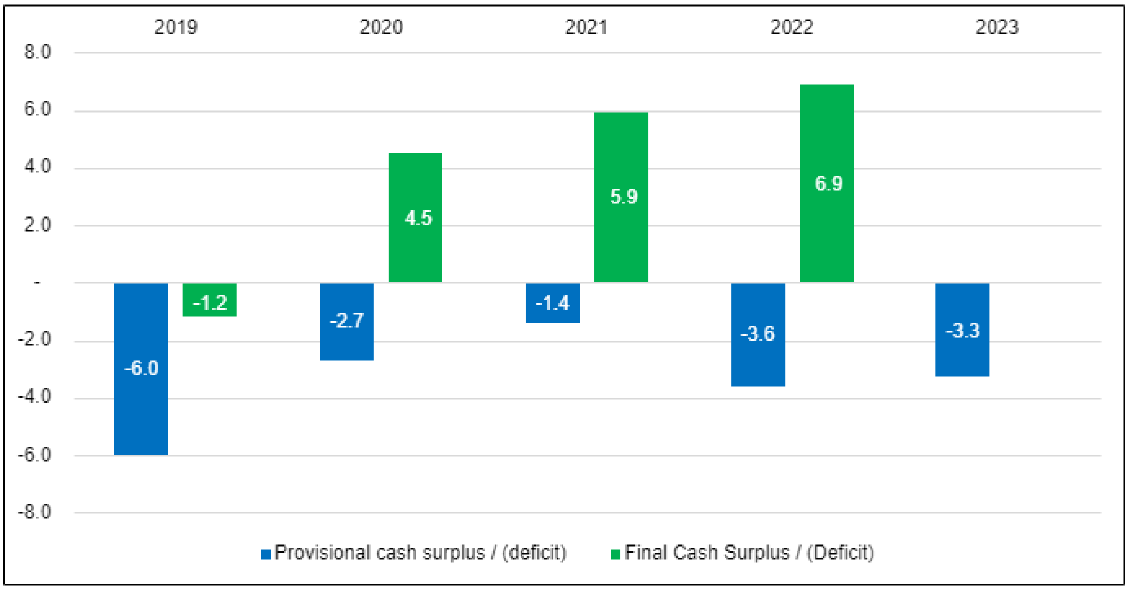
37. Figure 12 below highlights the provisional and final cash surplus/deficit for the budgetary years 2019 to 2023. The provisional cash surplus/deficit is determined at the end of the financial year in question, and the final cash surplus/deficit is determined in the following financial year.

38. In 2023, the final cash surplus for 2022 was determined to be EUR 6.9 million, an increase of EUR 1.0 million from the final cash surplus for 2021 (EUR 5.9 million). The increase is mainly due to higher collection of prior year assessed contributions received belatedly in 2023.

39. The final cash surplus for 2023 will be determined in 2024 and reported in the Financial Statements for 2024. The provisional cash deficit for 2023 is EUR 3.3 million; this may result in a final cash deficit for 2023 unless significant 2023 and prior year assessed contributions are received in 2024.

11 As of 31 December each year.

FIGURE 12: PROVISIONAL AND FINAL CASH SURPLUSES 2019 – 2023 (EUR MILLIONS)



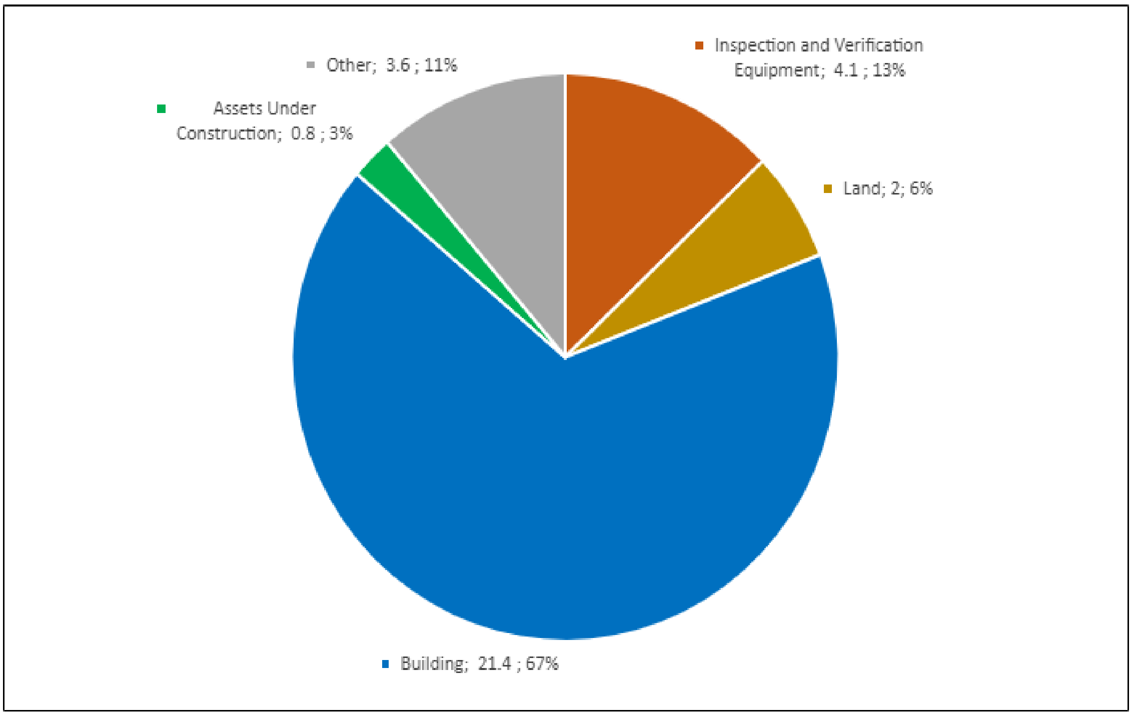
LONG-TERM ASSETS

Property, plant, and equipment

40. The total net book value of property, plant, and equipment increased by EUR 1.0 million in 2023, which relates primarily to the capitalisation of 2023 construction costs for the ChemTech Centre, partially offset by the ongoing depreciation charges.

41. As indicated in Figure 13 below, the ChemTech Centre building and the land it is constructed on account for the largest aggregate component (EUR 23.4 million) of the net book value of property, plant, and equipment. Inspection and verification equipment increased by EUR 1.2 million, to EUR 4.1 million as at 31 December 2023, owing to additions in the year which outweighed the depreciation charge.

FIGURE 13: COMPOSITION OF PROPERTY, PLANT, AND EQUIPMENT (NET BOOK VALUE AS AT 31 DECEMBER 2023) (EUR MILLIONS)[12]



42. Inspection and verification equipment has passed on average 63% of its useful life, reflecting the annual asset replacement programme for significant items of equipment, as noted in Figure 14 below.

43. The net book value of other asset types was lower, indicating that replacements may be required in the near-term. The special fund for major capital investments[13] is intended to address such recurring capital requirements but will require regular and substantial replenishment in order to fulfil this role.

44. Land is assumed to have an infinite useful life, and hence the land component in Figure 14 has no accumulated depreciation as at 31 December 2023. Similarly, depreciation for assets under construction starts when the asset is available for use.

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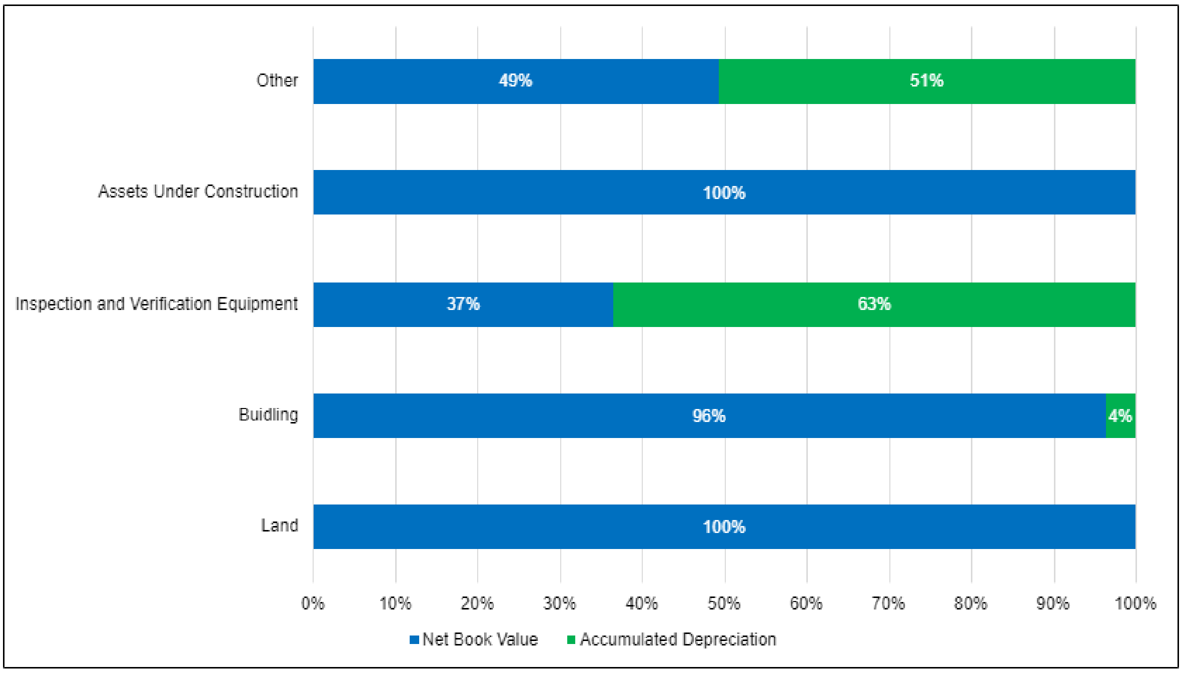
12 Other assets include hardware equipment, office furniture and equipment, vehicles, and leasehold improvements.

13 C-24/DEC.12 (dated 28 November 2019).

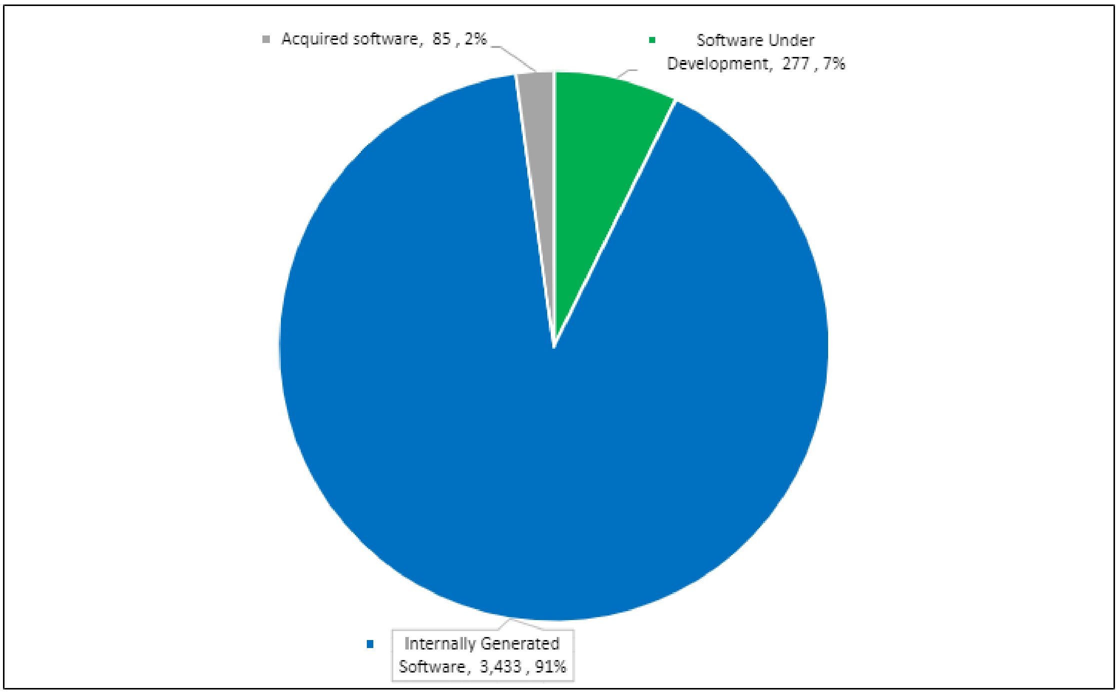
FIGURE 14: NET BOOK VALUE AND DEPRECIATION OF PROPERTY, PLANT, AND EQUIPMENT AS AT 31 DECEMBER 2023 (EUR MILLIONS)



Intangible assets

45. The total net carrying amount of intangible assets decreased to EUR 3.8 million as at 31 December 2023 (2022: EUR 4.5 million). As shown in Figure 15 below, the major component of intangible assets at this date was the internally generated software (EUR 3.4 million), representing 91% of the intangible asset of the Organisation, which mainly relates to the ERP system with a book value of (EUR 2.8 million).

FIGURE 15: COMPOSITION OF INTANGIBLE ASSETS (NET BOOK VALUE AS AT 31 DECEMBER 2023) (EUR MILLIONS)

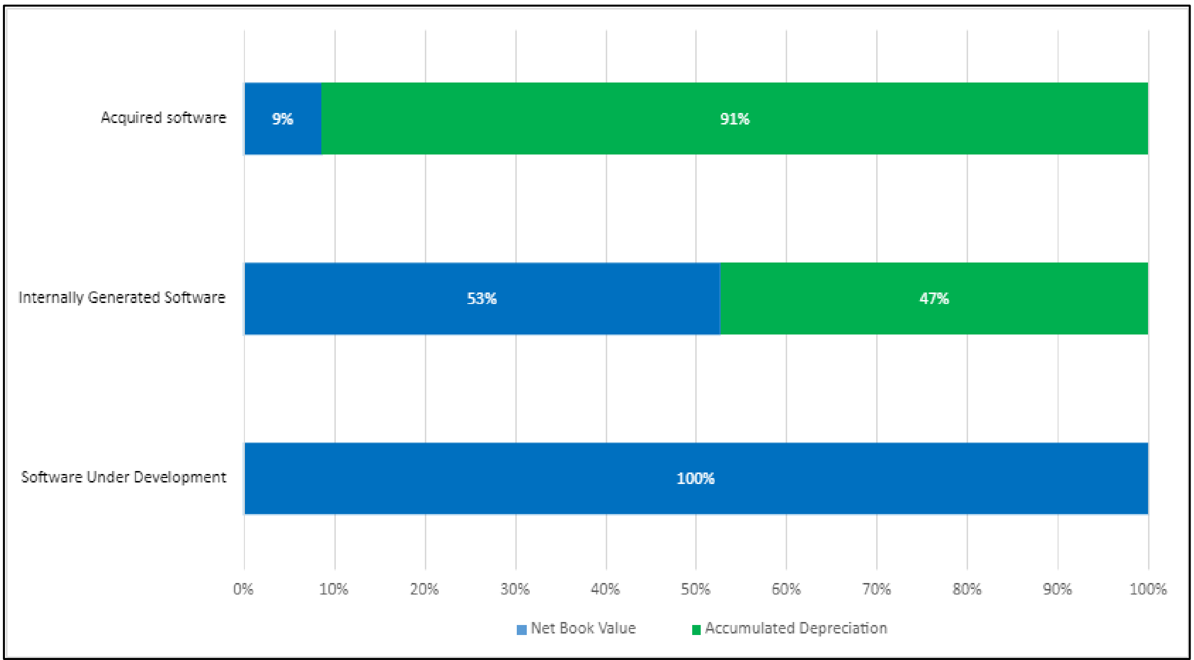


46. Internally generated software accounts for 91% of the net book value of intangible assets as at 31 December 2023, and is 47% through their useful life (2022: 35%).

47. Acquired intangible assets are 91% of the way through their useful lives (2022: 89%). It should be noted that the market for software provision has shifted predominantly towards a model of Software as a Service (SaaS). This results in substantially less acquired intangible assets being registered by the Organisation, with the cost of software being expensed as incurred on a yearly basis. The aforementioned special fund for major capital investments is also applicable for the replacement of intangible assets.

48. Amortisation for software under development does not start until the system go-live, and hence the net book value of the assets under development is equal to their cost. Figure 16 below shows the remaining net book value for acquired software and internally generated software which is currently in use.

FIGURE 16: NET BOOK VALUE AND AMORTISATION OF INTANGIBLE ASSETS AS AT 31 DECEMBER 2023 (EUR MILLIONS)



EMPLOYEE BENEFIT LIABILITIES

49. Employee benefit liabilities consist of short-term employee benefits payable (such as salaries, annual leave, and education grants), and long-term employee benefits (such as accrued home leave and removal/repatriation entitlements). Long-term employee benefits are accrued as staff members earn the rights to entitlements and as such an actuarial method is used to calculate such liabilities as at the end of the financial year.

50. Total employee benefit liabilities decreased by EUR 1.1 million, to EUR 7.4 million as at 31 December 2023, from EUR 8.5 million as at 31 December 2022. As shown in Figure 17 below, the most significant decrease is related to the annual leave liability (decreased by EUR 0.5 million), explained by the return to a 31 December carryover of annual leave balances, resulting in lower year-end balances for staff. Similarly, home leave and repatriation benefits liabilities decreased by EUR 0.2 million each, while removal benefits and other liabilities decreased by EUR 0.1 million each compared to the level as at 31 December 2023.

51. Employee benefit liabilities continue to be unfunded, meaning that specific funds are not set aside as the entitlements to these benefits are earned by staff members. Instead, the necessary funding is provided on a pay-as-you-go basis through the annual budget cycle. In 2019, the Advisory Body on Administrative and Financial Matters at its Forty-Sixth Session[14] recommended that the Organisation continue to use the "pay-as-you-go" approach to liquidate the long-term unfunded employee benefit liabilities as they come due.

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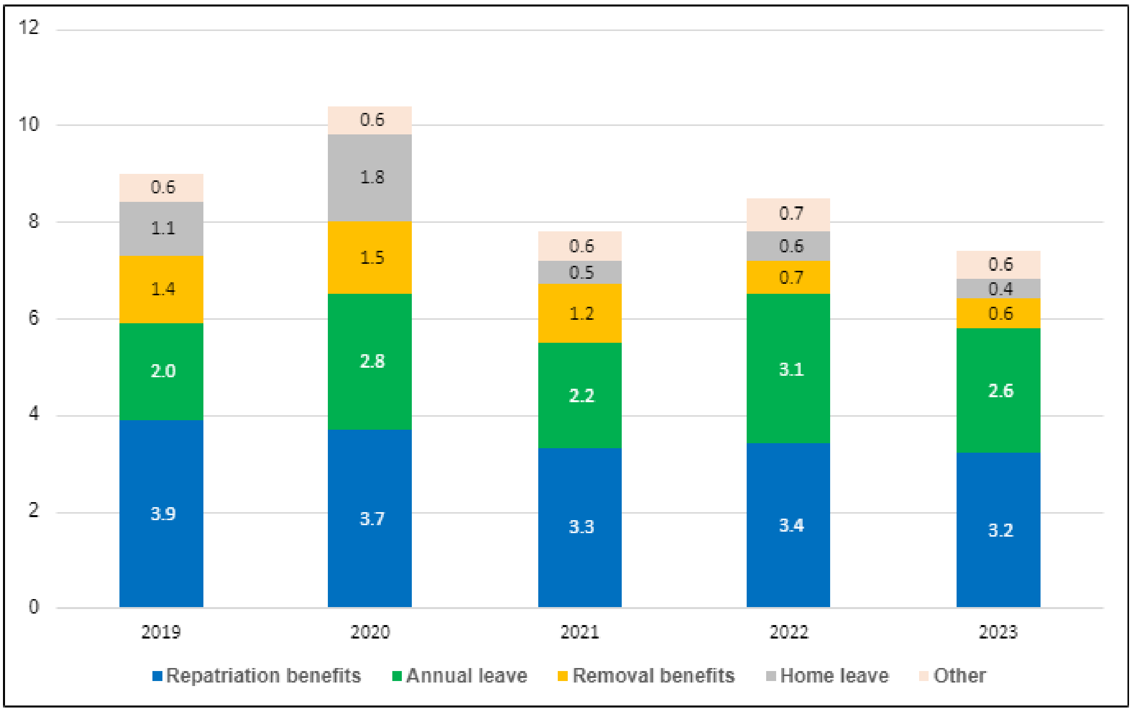
14 Paragraph 9.5 of ABAF-46/1 (dated 7 June 2019).

FIGURE 17: EVOLUTION OF THE COMPOSITION OF THE MAIN EMPLOYEE BENEFIT LIABILITIES (EUR MILLIONS)



WORKING CAPITAL FUND

52. The overall level of the WCF remained at EUR 8.1 million in 2023. In 2022, owing to the cash pressures faced in the financial year resulting from unreceived assessed contributions, a drawdown of EUR 5.0 million was made from the WCF to the General Fund, highlighting the vital importance of the WCF in providing financial liquidity to the Organisation. The drawings from the WCF were reimbursed by the General Fund in early 2023. The WCF—at its current level—provides liquidity coverage for a period of less than two months of expenditure.

53. The Conference has reaffirmed that the WCF shall be maintained at a target level of EUR 8.0 million to EUR 9.0 million in 2022 and 2023, including by proposing additional steps when necessary to maintain the target level.[15]

NET ASSETS/EQUITY

54. Net assets represent the difference between an Organisation's assets and its liabilities, which is illustrated in Figure 18 below. In 2023, total assets decreased by EUR 6.2 million and total liabilities decreased by 4.2 million, leading to an overall increase in net assets of EUR 2.0 million.

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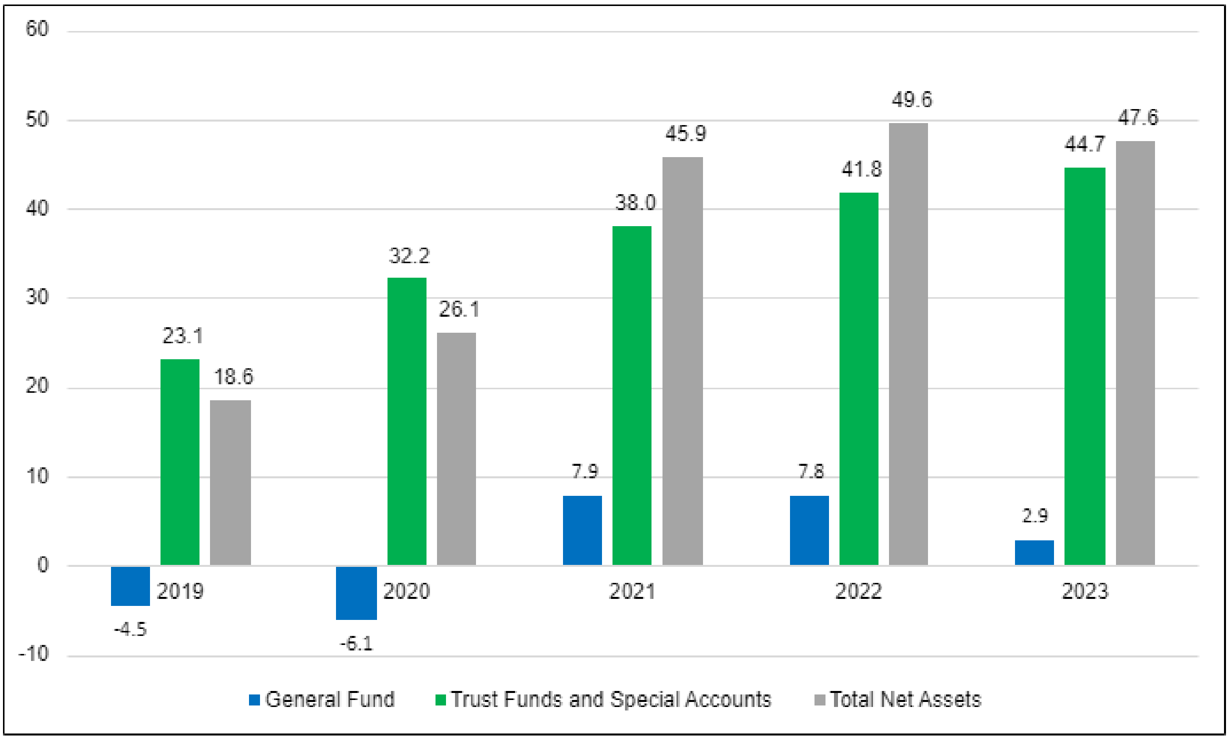
15 C-26/DEC.11 (dated 1 December 2021).

FIGURE 18: EVOLUTION OF NET ASSETS 2019 – 2023 (EUR MILLIONS)



55. The General Fund net assets were EUR 2.85 million as at 31 December 2023 compared to the General Fund net assets of EUR 7.8 million in 2022. This decrease is explained by the deficit generated in 2023 of EUR 9.7 million and partially offset by the reclassification of net assets totalling EUR 5.1 million less actuarial loss of EUR 0.36 million.

56. The net asset values of trust funds, the WCF and special funds increased by EUR 2.9 million (7%) in 2023 to EUR 44.7 million as at 31 December 2023, reflecting the surplus for the period of EUR 0.5 million, supplemented by the impact of the change in accounting policy with regard to special funds, at EUR 1.6 million, and the reclassification of the net assets, at EUR 0.8 million. The decrease in the surplus generated by trust funds is mainly related to the decrease in contributions received in 2023 versus 2022, as well as the implications of the application of IPSAS 23 on revenue from non-exchange transactions, by which an organisation is required to recognise revenue in the period in which it is received when there is no expectation for the funds to be refunded. This leads to surpluses in periods when there are significant inflows to fund activities occurring in future periods, and to deficits where the outflow is higher than the funds coming in, due to utilisation of funds received in prior periods.

RISK MANAGEMENT

57. The Financial Statements prepared under IPSAS provide details of how the Organisation manages its financial risk, including credit risk, market risk (foreign currency exchange and interest rate), and liquidity risk. From an overall perspective, the Organisation maintains only euro and United States dollar current accounts, primarily instant access savings accounts and term deposits of less than 90 days in both

currencies with P-1 rated financial institutions, ensuring sufficient liquidity to meet cash operating requirements and limiting exposure to foreign currency fluctuations. All of the banks used by the OPCW continued to retain the highest ratings (P-1) as at 31 December 2023.

SUMMARY

58. The Financial Statements presented for 2023 show an overall decrease of EUR 2.0 million in the net assets of the Organisation. The General Fund generated a deficit of EUR 9.7 million in 2023 compared to a deficit of EUR 2.8 million the year before. The surplus generated by trust funds and special funds decreased from EUR 2.7 million in 2022 to EUR 0.5 million in 2023, explained by a decline in voluntary contributions received and recognised as revenue in 2023.

59. The Organisation's fixed asset base has increased with the capitalisation the construction costs for the ChemTech Centre and other software development projects in 2023. While major items of equipment are replaced on a regular basis, there remains a substantial volume of equipment that requires replacement, as well as important and urgent, but as yet only partially funded physical security upgrades required at the OPCW Main building. The initial funding of the Major Capital Investment Fund (MCIF) in 2020 has laid the foundations to enable needed capital investments in property, plant, and equipment as well as intangible assets. However, the viability of this approach to capital replacement will require reliable and significant periodic replenishment of the MCIF.

60. The final cash surplus generated in 2022 (EUR 6.9 million) was the result of mainly an increase in collections of assessed contributions owed for in prior years.

61. As noted above, the financial context of the Organisation is subject to significant global risks that have threatened energy supplies, travel, and supply chains in the context of continued inflation affecting key goods and services required by the Secretariat to conduct its routine operations.

62. This year has been financially challenging, as the impact of the unforeseeable emergence of historically high inflation strained the already-limited financial resources. The Organisation's ability to continue to implement its mandate in 2023, despite the significant challenges, has been an important achievement reflecting the dedication of the Secretariat's staff and the strong support of the States Parties. Mindful of current challenges and risks, the Secretariat will continue to apply utmost vigilance, transparency, and innovation in its stewardship of State Party resources in fulfilment of its mandates.

[Signed]

Fernando Arias
Director-General

17 May 2024

THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS

STATEMENT I – STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (IN EUR, THOUSANDS)

	Note	2023	2022
Assets			
Current assets			
Cash and cash equivalents	13	45,655	47,768
Assessed contributions recoverable	7	2,495	7,302
Article IV and Article V receivables	8	1,506	2,160
Voluntary contributions recoverable	9	3,146	1,989
Other assets	10	2,139	2,192
Prepayments	11	2,108	2,203
Inventories	12	631	600
Total current assets		**57,680**	**64,214**
Non-current assets			
Property, plant, and equipment	6.1	31,924	30,895
Intangible assets	6.2	3,795	4,488
Total non-current assets		**35,719**	**35,383**
Total assets		**93,399**	**99,597**
Liabilities			
Current liabilities			
Accounts payable	19	2,462	4,562
Employee benefits	18	4,833	6,320
Cash surplus—current	17	12	18
Deferred revenue	21	14,786	14,367
Other current liabilities	22	302	3,535
Total current liabilities		**22,395**	**28,802**
Non-current liabilities			
Employee benefits	18	2,551	2,223
Other non-current liabilities*	20	4,241	3,106
Cash surplus—non-current	17	6,873	5,884
Voluntary Fund for Assistance	16	1,568	1,568
Working Capital Fund	15	8,140	8,140
Provisions	23	50	250
Total non-current liabilities		**23,423**	**21,171**
Total liabilities		**45,818**	**49,973**
Net assets		**47,581**	**49,624**
Net assets			
Accumulated surplus		47,581	49,624
Total net assets		**47,581**	**49,624**

THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS

STATEMENT II – STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2023 (IN EUR, THOUSANDS)

	Note	For the Year Ended 31 December 2023	For the Year Ended 31 December 2022
Revenue			
Assessed contributions	24	69,887	68,422
Estimated cash surplus/(deficit) adjustment		(8,289)	(2,693)
Voluntary contributions	25	10,922	13,973
Article IV and Article V	26	1,686	1,987
Other revenue	27	843	1,317
Total revenue		**75,049**	**83,006**
Expenses			
Employee benefit expenses	28	51,336	50,943
Consultancy and contractual services	29	12,334	12,994
Travel expenses	30	7,107	7,970
Depreciation, amortisation, and impairment	6.1 – 6.4	3,431	2,164
General operating expenses	31	7,010	6,856
Other operating expenses	32	3,632	2,337
Total expenses		**84,850**	**83,264**
Net finance income/(cost)	33	**631**	**175**
Net surplus for the period		**(9,170)**	**(83)**

THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS

STATEMENT III – STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2023 (IN EUR, THOUSANDS)

	Note	Attributable to States Parties		
		General Fund	**Trust Funds, Working Capital Fund, and Special Funds**	**Total Net Assets**
Balance as at 1 January 2022		**7,898**	**38,026**	**45,924**
Changes recognised in net assets:				
Actuarial gains/(losses) on post-employment benefit obligations	18.6	324	-	324
Allocation of 2020 Cash Surplus		2,349	959	3,308
Prior year adjustments*			151	151
Surplus/(deficit) for the period		(2,788)	2,705	(83)
Balance as at 31 December 2022		**7,783**	**41,841**	**49,624**
Balance as at 1 January 2023		**7,783**	**41,841**	**49,624**
Changes recognised in net assets:				
Actuarial gains/(losses) on post-employment benefit obligations	18.6	(365)		(365)
Allocation of 2021 Cash Surplus		5,122	763	5,122
Prior year adjustments**			1,607	1,607
Surplus/(deficit) for the period		(9,686)	516	(9,170)
Balance as at 31 December 2023		**2,854**	**44,727**	**47,581**

* Adjustment in net assets for the recognition of voluntary contributions revenue that was omitted in 2021.

** Change in accounting policy related to special funds.

THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS

STATEMENT IV – CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023
(IN EUR, THOUSANDS)

	Note	For the Year Ended 31 December 2023	For the Year Ended 31 December 2022
Cash flows from operating activities			
Net surplus/(deficit) for the period		(9,170)	(83)
Non-cash movements			
Depreciation, amortisation, and impairment	6.1 – 6.4	3,431	2,164
(Gains)/losses on disposal of property, plant, and equipment	27, 32	17	160
Increase/(decrease) in provision for impairment of recoverables and receivables	7.4, 8.5	347	690
Unrealised currency exchange (gain)/loss	33	113	(192)
Repayments of cash surplus	17.3	-	-
Changes in assets			
(Increase)/decrease in recoverables and receivables (current)	7 – 11	4,105	5,451
(Increase)/decrease in inventories	12	(31)	72
Changes in liabilities, net assets/equity			
Increase/(decrease) in cash surplus (non-cash)	17.3	983	1,339
Movement in employee benefits (liability)	18.1 – 18.6	(1,523)	1,077
Increase/(decrease) in "other non-current liabilities"	20	1,135	(3,191)
Increase/(decrease) in provisions	23	(200)	50
Increase/(decrease) in deferred income, accounts payable, and other current liabilities	19, 21, 22	(4,914)	(3,116)
Net cash flows from operating activities		**(5,707)**	**4,421**
Cash flows from investing activities			
Proceeds from sale of property, plant, and equipment		-	-
Purchases of property, plant, and equipment	6.1, 6.2	(3,527)	(18,449)
Purchases of intangible assets	6.3, 6.4	(257)	(128)
Net cash flows used in investing activities		**(3,784)**	**(18,577)**
Cash flows from financing activities			
Proceeds received for the Voluntary Fund for Assistance	16	-	-
Allocation of 2020 surplus		5,884	3,308
Net cash flows from financing activities		**5,884**	**3,308**
Prior year adjustments		1,607	151
Net increase/(decrease) in cash and cash equivalents		**(2,000)**	**(10,697)**
Cash and cash equivalents at beginning of the period	13	47,768	58,273
Unrealised currency exchange gain/(loss)	33	(113)	192
Cash and cash equivalents at end of the period	13	**45,655**	**47,768**

THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS

STATEMENT V(A) – STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 DECEMBER 2023 (IN EUR, THOUSANDS)

	Budgeted Amounts for the Year Ended 31 December 2023		Actual Amounts on Comparable Basis[16]	Difference Final Budget and Actual
	Original	Final		
Receipts				
Assessed contributions	69,887	69,887	69,887	-
Voluntary contributions[17]	-	-	-	-
Article IV and Article V	1,481	1,481	1,686	(205)
Miscellaneous income	25	25	444	(419)
Allocation of 2020 Cash Surplus	1,179	1,179	1,179	-
Total receipts	**72,572**	**72,572**	**73,196**	**(624)**
Expenditure				
Chapter 1				
Verification	9,948	9,675	8,560	1,115
Inspectorate	21,500	21,773	21,652	121
Total Chapter 1	**31,448**	**31,448**	**30,212**	**1,236**
Chapter 2				
International Cooperation and Assistance	7,658	7,282	6,515	767
Support to the Policy-Making Organs	5,800	6,101	6,096	5
External Relations	2,177	2,207	2,197	10
Executive Management	10,472	10,985	10,976	9
Administration	16,190	15,721	15,713	8
Total Chapter 2	**42,297**	**42,296**	**41,497**	**799**
Total expenditure	**73,745**	**73,744**	**71,709**	**2,035**
Transfers	**-**	**-**	**-**	**-**
Total expenditure and transfers	**73,745**	**73,744**	**71,709**	**2,035**
Net receipts/(expenditure)[18]	**(1,173)**	**(1,172)**	**1,487**	**(2,659)**

16 The actual amounts are based on the budgetary accounts, which are maintained on a modified cash basis.

17 Voluntary contributions received as services in kind are disclosed in note 34.

18 A reconciliation of the actual amounts from the budgetary basis to the net cash flows from operating, investing, and financing activities is presented in note 40.

THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS

STATEMENT V(B) – STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 DECEMBER 2022 (IN EUR, THOUSANDS)

	Budgeted Amounts for the Year Ended 31 December 2022		Actual Amounts on Comparable Basis[19]	Difference Final Budget and Actual
	Original	Final		
Receipts				
Assessed contributions	68,422	68,422	68,422	-
Voluntary contributions[20]	-	-	-	-
Article IV and Article V	2,007	2,007	1,987	20
Miscellaneous income	25	25	(21)	46
Cash surplus for major capital investment projects	-	-	-	-
Total receipts	**70,454**	**70,454**	**70,388**	**66**
Expenditure				
Chapter 1				
Verification	9,838	9,838	8,554	1,284
Inspectorate	20,472	20,472	20,371	101
Total Chapter 1	**30,310**	**30,310**	**28,925**	**1,385**
Chapter 2				
International Cooperation and Assistance	7,582	7,582	6,955	627
Support to the Policy-Making Organs	5,269	5,293	5,289	4
External Relations	2,175	2,151	2,085	66
Executive Management	10,044	10,037	9,984	53
Administration	15,076	15,083	15,074	9
Total Chapter 2	**40,146**	**40,146**	**39,387**	**759**
Total expenditure	**70,456**	**70,456**	**68,312**	**2,144**
Transfers	**-**	**-**	**-**	**-**
Total expenditure and transfers	**70,456**	**70,456**	**68,312**	**2,144**
Net receipts/(expenditure)[21]	**(2)**	**(2)**	**2,076**	**(2,078)**

19 The actual amounts are based on the budgetary accounts, which are maintained on a modified cash basis.

20 Voluntary contributions received as services in kind are disclosed in note 34.

21 A reconciliation of the actual amounts from the budgetary basis to the net cash flows from operating, investing, and financing activities is presented in note 40.

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. 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 (note 15), special funds (note 39.1), the Voluntary Fund for Assistance (note 16), and trust funds (note 39.1).

1.5 The General Fund is funded through the regular budget of the Organisation in accordance with the Biennial Programme and Budget of the OPCW and covers activities related to Verification, Inspections, International Cooperation and Assistance, Support to the Policy-Making Organs, External Relations, Executive Management, and Administration.

1.6 Special funds are established for specific purposes, with funding derived from the General Fund through the transfer of cash surpluses and/or budgetary surpluses in specific programmes.

1.7 The Voluntary Fund for Assistance is created to coordinate and deliver assistance, in terms of Article X of the Convention, to a State Party when requested.

1.8 Trust funds are funded through voluntary contributions for clearly defined activities that are consistent with the policies, aims, and activities of the OPCW for the implementation of the Convention.

2. BASIS OF PREPARATION

2.1 The Financial Statements 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 IPSAS Conceptual Framework and subsequently the appropriate International Financial Reporting Standards (IFRS) are applied.

2.2 The OPCW applies the historical cost principle unless stated otherwise. Accounting policies have been applied consistently throughout the year.

2.3 The Financial Statements are presented in euros, rounded to the nearest thousand. These Financial Statements cover the calendar year ended 31 December 2023. The financial period is the calendar year.

Future accounting pronouncements

2.4 The following significant future accounting pronouncements from the International Public Sector Accounting Standards Board had been issued as at 31 December 2023, but were not yet effective:

Standard	Objective of Standard	Effective Date	Estimated Impact on OPCW Financial Statements
IPSAS 43 Leases	To increase transparency related to assets and liabilities that arise from lease contracts, eliminate information asymmetry, and increase comparability between financial statements of lessees that buy assets from those that lease assets.	1 January 2025	Changes will apply to the operating leases concluded by the OPCW. The OPCW will further review and consider the impact of the changes prescribed in this Standard in the period prior to the effective date.
IPSAS 46 Measurement	To define measurement bases that assist in reflecting fairly the cost of services, operational capacity and financial capacity of assets and liabilities. The standard identifies approaches under those measurement bases to be applied through individual IPSAS to achieve the objectives of financial reporting.	1 January 2025	The OPCW will review and consider the impact of the changes prescribed in this Standard during 2024.
IPSAS 47 Revenue	To establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from revenue transactions.	1 January 2026	The OPCW will review and consider the impact of the changes prescribed in this Standard during 2024 and 2025.
IPSAS 48 Transfer Expenses	To establish the principles that a transfer provider (an entity) shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of expenses and cash flows arising from transfer expense transactions.	1 January 2026	The OPCW will review and consider the applicability and impact of the changes prescribed in this Standard during 2024 and 2025.

3. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

3.1 The scope of consolidation of the OPCW comprises one entity, the OPCW. No associates or joint operations or controlled entities have been identified for inclusion in the scope of consolidation of these Financial Statements.

Foreign currency translation

3.2 The following exchange rates have the most significant impact on the preparation of these Financial Statements:

Period	USD/EUR	JPY/EUR	GBP/EUR
31 December 2023	0.901	0.00640	1.151
Average 12 months	0.924	0.00660	1.149
Period	**USD/EUR**	**JPY/EUR**	**GBP/EUR**
31 December 2022	0.939	0.00706	1.130
Average 12 months	0.948	0.00727	1.172

Functional and presentation currency

3.3 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.

Transactions and balances

3.4 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 remeasured. 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 2023.

Financial assets

Classification

3.5 The OPCW classifies its financial assets as financial assets caried at amortised cost which include cash and cash equivalents, investments, contributions receivables and other receivables. These are non-derivative financial assets which are held to collect cash flow consisting of the principal and where applicable interest with fixed or determinable payments. 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 receivables comprise "receivables and recoverables from non-exchange transactions and receivables from exchange transactions".

Cash and cash equivalents

3.6 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.

Recognition and measurement

3.7 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 waived; or where the financial asset is transfer and the transfer qualifies for derecognition of the financial asset.

Subsequent measurement

3.8 Cash and cash equivalents, investments and receivables are carried at amortised cost. It is to be noted that cash and cash equivalents were held at fair value through surplus and deficit prior to the adoption of IPSAS 41. Cash and cash equivalents which are held with financial institutions with a credit rating of P-1 or above are measured at amortised cost, however, they are not subject to amortisation in line with IPSAS 41 paragraph 40 as they have maturities of less than 12 months. Receivables are held at amortised cost and Estimated Credit Loss (ECL) models are applied where applicable in line with the requirements of IPSAS 41.

Impairment

3.9 All financial assets are subject to review for impairment at each reporting date. Assessed contributions recoverable are impaired using the ECL model developed for this purpose. The impairment of other financial assets (including Article IV and Article V receivables) as at the reporting date is based on whether there is objective evidence that a financial asset is impaired.

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. 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:

Asset	**Estimated Useful Life**
Building (component level)	5-50
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
Freehold land	Indefinite

3.13 The residual value will be set at nil value according to 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 3.17 "impairment of non-cash-generating assets" below). 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

<u>Operating lease</u>

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.

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. Internally generated software is capitalised when the criteria stated in note 3.16 below 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 in line with the development criteria set out in IPSAS 31:

(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, and dependency allowances); compensated absences (annual leave, special leave, and sick leave); and 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, such as the OPCW Provident Fund, 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.

Financial liabilities

3.24 The OPCW's financial liabilities include accounts payable, "Working Capital Fund", "Voluntary Fund for Assistance", and "cash surplus". These financial liabilities are recognised initially at fair value. 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. 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

3.26 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

3.27 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 in the Financial Statements but are disclosed in the notes to the Financial Statements.

Taxes

3.28 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

3.29 The OPCW's major categories of non-exchange revenue are assessed contributions and voluntary contributions (as described in notes 23 and 24). Assessed contributions are assessed annually based on the scale of assessments as approved by the Conference. Voluntary contributions are received from various States Parties and other parties (donors) 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.

3.30 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.

3.31 Non-exchange revenue represents transactions in which the OPCW receives value from another entity without providing approximately equal value to another entity in exchange. Non-exchange revenue is measured at the amount of the increase in net assets recognised by the OPCW. IPSAS require that inflow of resources from a non-exchange transaction are recognised as an asset and revenue, except to the extent that a present obligation exists in respect of the same inflow (a performance obligation), which is recognised as a liability (deferred revenue). As the OPCW satisfies this present obligation, it reduces the carrying amount of the liability and recognises revenue. Further information regarding the judgement required in determining performance obligations is included in note 4. For non-exchange revenue associated with special funds, from the financial statements of 2023 onwards, deferred revenue shall not be recognised in line with the substance over form principle of IPSAS which is informed by past experience that indicates the return clauses are not enforced for special funds. Note 22 has been updated to provide comparative figures for 2022 had this policy been applied in that year. The derecognition of the differed revenue is reflected in that Statement of Change in Net Assets.

3.32 For non-exchange revenue which has not yet been received by the OPCW, but where a donor agreement has been signed, 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. The measurement of goods in kind is based on the fair value of the goods received as determined by the OPCW as recipient services in kind are not recognised.

3.33 Balances in relation to these agreements are reported within voluntary contributions revenue (note 25) and/or deferred revenue (note 21), and voluntary contributions recoverable (note 9).

Revenue from exchange transactions

3.34 The OPCW's major category of exchange revenue is Article IV and Article V revenue, amounts that are invoiced to States Parties for various services (as described in note 26 "Article IV and Article V revenue") provided in the verification and destruction of chemical weapons.

3.35 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.

Expenses

3.36 The OPCW recognises expenses when goods and services are delivered or provided, and accepted.

Segment information

3.37 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. Assets and liabilities are not allocated to segments.

4. MATERIALITY, CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS

4.1 In accordance with IPSAS, the Financial Statements include amounts based on estimates and assumptions, based on the materiality of the relevant transactions and events. 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 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 18 (employee benefits).

4.5 As of the previous reporting period, the OPCW has discontinued the use of actuarial valuation to determine the value of home leave liability after reviewing the nature and value of the liability as well as the practice of other similar international organisations and United Nations entities.

Receivables: Determination of impairment

4.6 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

4.7 Revenue for non-exchange transactions is recognised by the OPCW in line with the policy set out in notes 3.29 to 3.33, 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 financial risk management programme is carried out by the Treasury Section under policies approved by the Investment Committee. 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. The OPCW holds cash in bank accounts denominated in euros and United States dollars.

5.3 The OPCW's cash inflows are predominantly denominated in euros, with some voluntary contributions denominated in United States dollars, pounds sterling, and Canadian dollars. Unless non-euro currencies are required for operational purposes, the OPCW seeks to minimise this risk by immediately converting most foreign currency denominated voluntary contributions into euros at the spot rate of the receiving bank.

5.4 The OPCW's cash outflows relate primarily to payments to employees and payments to vendors. Employee salaries for professional staff categories are denominated in United States dollars, however, are paid in euros. In 2023, 98% of payments to vendors were denominated in euros.

5.5 As at 31 December 2023, if the euro had weakened/strengthened by 10% against the United States dollar, net surplus/deficit for the year would have been EUR 931 thousand higher/lower, mainly as a result of foreign exchange gains/losses on translation of United States dollar denominated assets including cash, assessed contributions recoverable, and other receivables.

Market risk: Interest rate risk

5.6 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 mitigates interest rate risks by investing cash and cash equivalents in accounts with financial institutions for short-term maturities at fixed interest rates, in accordance with the investment policy established by the OPCW's Investment Committee. Further, the OPCW is not dependent on interest income as a revenue stream.

Credit risk

5.7 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 (note 13) and exposures to receivables from States Parties (notes 7 and 8).

5.8 The OPCW's Investment Committee meets at least quarterly to review the OPCW's investment policy for management of financial assets and reviews financial institutions 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 P-1. Furthermore, the OPCW investment policy limits the amount that the OPCW may routinely invest with a single financial institution.

(in EUR, thousands)

Moody's Investors Service Rating	**31-Dec-2023**	**31-Dec-2022**
P-1 rating [22]	45,606	47,644
Non-rated	-	-
Total cash and cash equivalents	**45,606**	**47,644**

Liquidity risk

5.9 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.

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

As at 31 December 2023:

(in EUR, thousands)	Less Than 1 Year	1 to 5 Years	5 to 10 Years	Beyond 10 Years	Undefined Maturity	Total
Working Capital Fund	-	-	-	-	8,140	**8,140**
Voluntary Fund for Assistance	-	-	-	-	-	**1,568**
Cash surplus eligible for distribution	12	6,873	-	-	-	**6,885**
Accounts payable	2,462		-	-	-	**2,462**
Total financial liabilities	**2,472**	**6,873**	**-**	**-**	**8,140**	**19,055**

As at 31 December 2022:

(in EUR, thousands)	Less Than 1 Year	1 to 5 Years	5 to 10 Years	Beyond 10 Years	Undefined Maturity	Total
Working Capital Fund	-	-	-	-	8,140	**8,140**
Voluntary Fund for Assistance	-	-	-	-	1,568	**1,568**
Cash surplus eligible for distribution	18	5,884	-	-	-	**5,902**
Accounts payable	4,562	-	-	-	-	**4,562**
Total financial liabilities	**4,580**	**5,884**	**-**	**-**	**9,708**	**20,172**

5.10 Liquidity risk is generally managed on an individual fund basis. For all funds except the General Fund, commitments can generally only be made once funds are available, and therefore liquidity risk is minimal. For the General Fund, the appropriation-based framework for expense authorisation ensures that expenses do not exceed revenue streams for any given year, while the WCF is a mechanism for providing liquidity should issues arise around the timing of cash outflows and cash inflows (relating primarily to State Party assessed contributions).

5.11 Regulation 6.4 of the OPCW Financial Regulations and Rules states that the WCF should not exceed two-twelfths of the budget provision for the financial period. The WCF provides a liquidity buffer for the OPCW's General Fund of approximately one month's (one-twelfth) cash flow. Furthermore, a contingency margin is applied to regular budget appropriations and managed in line with incoming cash flows to mitigate liquidity risk. In subparagraph 9(q) of the decision adopting the Programme and Budget of the OPCW for 2022–2023 (C-26/DEC.11), the Conference also reaffirmed that the WCF shall be maintained at a target level of EUR 8.0 million to 9.0 million in 2022 and 2023, including by proposing additional steps when necessary to maintain the target level.

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

Property, plant, and equipment

As at 31 December 2023:

(in EUR, thousands)	Land and Buildings	Inspection and Verification Equipment	Security and Health Equipment	Office Furniture and Equipment	Hardware Equipment	Vehicles	Leasehold Improvements	Assets Under Construction	Total
As at 1 January 2023:									
Cost	2,046	9,508	1,704	440	1,976	351	316	24,386	**40,727**
Accumulated depreciation and impairment	-	(6,559)	(1,212)	(347)	(1,274)	(230)	(211)	-	**(9,832)**
Net book amount	**2,046**	**2,949**	**491**	**94**	**702**	**121**	**106**	**24,386**	**30,895**
Year ended 31 December 2023:									
Opening net book amount	**2,046**	**2,949**	**491**	**94**	**702**	**121**	**106**	**24,386**	**30,895**
Activation date adjustment	-	310	-	-	-	-	-	(310)	**-**
Additions	105	228	1,234	86	44	35	194	1,853	**3,778**
Transfers	22,043	1,533	766	87	498	-	-	(24,928)	**0**
Disposals	-	(301)	(270)	(30)	(100)	-	-		**(702)**
Non-capitalised assets								(251)	**(251)**
Accumulated depreciation on disposed assets	-	286	268	30	100	-	-	-	**685**
Depreciation charge	(808)	(857)	(367)	(39)	(341)	(41)	(27)	-	**(2,481)**
Closing net book amount	**23,386**	**4,148**	**2,122**	**227**	**903**	**114**	**273**	**751**	**31,924**
As at 31 December 2023:									
Cost	24,194	11,278	3,433	583	2,418	386	511	751	**43,552**
Accumulated depreciation and impairment	(808)	(7,129)	(1,311)	(356)	(1,515)	(271)	(238)	-	**(11,628)**
Net book amount	**23,386**	**4,149**	**2,122**	**227**	**903**	**114**	**273**	**751**	**31,924**

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

6.2 Tangible assets included the final additional investment to the new ChemTech Centre construction project, with a total cost of EUR 1,853 thousand added to the “assets under construction”, to arrive at total asset under construction value of EUR 24,832 thousand. This has been subsequently transferred to active assets of the ChemTech Centre in 2023, with a total of EUR 22,091 thousand pertaining to the main building components of the ChemTech Centre, a further EUR 1,869 thousand capitalised in relation to the Security Installations at the Centre, and EUR 1,686 thousand in relation to the fit out of the laboratory installations.

6.3 Costs of EUR 57 thousand for the installation of access and control system elements for the Main Building were additionally capitalised in 2023.

As at 31 December 2022:

(in EUR, thousands)	Land and Buildings	Inspection and Verification Equipment	Security and Health Equipment	Office Furniture and Equipment	Hardware Equipment	Vehicles	Leasehold Improvements	Assets Under Construction	Total
As at 1 January 2022:									
Cost	2,046	9,066	1,272	451	1,473	351	209	7,727	**22,595**
Accumulated depreciation and impairment	-	(5,979)	(1,028)	(343)	(1,047)	(188)	(209)		**(8,794)**
Net book amount	**2,046**	**3,087**	**244**	**108**	**426**	**163**	**-**	**7,727**	**13,801**
Year ended 31 December 2022:									
Opening net book amount	**2,046**	**3,087**	**244**	**108**	**426**	**163**	**-**	**7,727**	**13,801**
Additions	-	593	432	6	503	-	108	16,659	**18,301**
Impairment	-	(3)							
Disposals	-	(137)	-	(17)	-	-	-	-	**(169)**
Accumulated depreciation on disposed assets	-	140	-	17	-	-	-	-	**157**
Depreciation charge	-	(720)	(184)	(20)	(227)	(42)	(2)	-	**1,195**
Closing net book amount	**2,046**	**2,948**	**492**	**94**	**702**	**121**	**106**	**24,386**	**30,895**
As at 31 December 2022:									
Cost	2,046	9,507	1,704	440	1,976	351	317	24,386	**40,727**
Accumulated depreciation and impairment	-	(6,559)	(1,212)	(346)	(1,274)	(230)	(211)	-	**(9,832)**
Net book amount	**2,046**	**2,948**	**492**	**94**	**702**	**121**	**106**	**24,386**	**30,895**

Intangible assets

As at 31 December 2023:

(in EUR, thousands)	Acquired Software	Internally Generated Software	Intangible Assets Under Construction	Total
Balance as at 1 January 2023:				
Cost	896	6,204	405	**7,504**
Accumulated amortisation and impairment	(825)	(2,191)	-	**(3,016)**
Net book amount	**71**	**4,013**	**405**	**4,488**
Year ended 31 December 2023:				
Opening net book value	**70**	**4,013**	**405**	**4,488**
Additions	76	-	181	**257**
Disposals	-	-	-	**-**
Transfers	-	308	(308)	**-**
Amortisation charge	(62)	(888)	-	**(950)**
Net book amount as at 31 December 2023	**85**	**3,433**	**277**	**3,795**
As at 31 December 2023:				
Cost	972	6,512	277	**7,761**
Accumulated amortisation and impairment	(887)	(3,078)	-	**(3,966)**
Net book amount as at 31 December 2023	**85**	**3,433**	**277**	**3,795**

As at 31 December 2022:

(in EUR, thousands)	Acquired Software	Internally Generated Software	Intangible Assets Under Construction	Total
Balance as at 1 January 2022:				
Cost	871	5,852	675	**7,398**
Accumulated amortisation and impairment	(779)	(1,268)	(22)	**(2,069)**
Net book amount	**92**	**4,584**	**653**	**5,329**
Year ended 31 December 2022:				
Opening net book value	**92**	**4,584**	**653**	**5,329**
Additions	25	-	103	**128**
Disposals	-	-	-	**-**
Transfers	-	352	(352)	**-**
Amortisation charge	(46)	(923)	-	**(969)**
Net book amount as at 31 December 2022	**71**	**4,013**	**404**	**4,488**
As at 31 December 2022:				
Cost	896	6,204	426	**7,526**
Accumulated amortisation and impairment	(825)	(2,191)	(22)	**(3,038)**
Net book amount as at 31 December 2022	**71**	**4,013**	**404**	**4,488**

6.4 In 2023, the development of the Enterprise Content Management (ECM) System was completed, with full deployment in July 2023. Costs related to this system were transferred from intangible assets under construction to internally generated software.

6.5 Other intangible assets under construction also include investment totalling EUR 88.9 thousand relating to the development of the ECM system, and Verification Industry System (VIS) modernisation.

7. ASSESSED CONTRIBUTIONS RECOVERABLE

(in EUR, thousands)	2023	2022
Assessed contributions	7,150	11,610
Less: allowance for impairment of assessed contributions	(4,655)	(4,308)
Total assessed contributions – net	**2,495**	**7,302**

7.1 Every State Party is assessed an annual contribution due to the OPCW. 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.

7.2 As at 31 December 2023, assessed contributions of EUR 2,495 thousand were past due but not impaired (2022: EUR 7,302 thousand). These include assessed contributions recoverable of States Parties which are deemed recoverable based on an evaluation of outstanding balances using the forward-looking Estimated Credit Loss (ECL) model. The model takes into consideration historical payment, macroeconomic and political factors in determine the value of impaired assessed contributions.

7.3 The table below summarises the timing of the payments of contributions for the last five years (including 2019 contributions up to 31 December 2023):

Assessed Contributions Due vs Payments	**2019 Contributions**		**2020 Contributions**		**2021 Contributions**		**2022 Contributions**		**2023 Contributions**	
	Amount in EUR	**%**	**Amount in EUR**	**%**	**Amount in EUR**	**%**	**Amount in EUR**	**%**	**Amount in EUR**	**%**
Due Amount	67,120	100.0%	67,120	100.0%	67,120	100.0%	68,422	100.0%	69,886.66	100.0%
Prepayments	1,297	1.9%	4,917	7.3%	6,876	10.2%	1,509	2.2%	3,430.55	4.9%
Paid within the year (< 12 months)	60,873	90.7%	57,066	85.0%	55,433	82.6%	63,155	92.3%	63,759.29	91.2%
Paid later than 1 year and not later than 2 years)	1,218	1.8%	1,465	2.2%	1,321	2.0%	2,332	3.4%		
Paid later than 2 years and not later than 3 years)	2,873	4.3%	1,074	1.6%	2,669	4.0%				
Paid later than 3 years and not later than 4 years)	235	0.4%	1,938	2.9%						
Paid later than 4 years and not later than 5 years)	15	0.0%								
Not paid at 31.12.23	608	0.9%	659	1.0%	820	1.2%	1,426	2.1%	2,696,824	3.9%

7.4 The pattern of payments indicates that the unpaid balances four years after the year of contribution are not significant. It is also to be noted that when seen at specific State Party level, the likelihood of a State Party that has assessed contributions for at least the full value of the last three years, the likelihood of making a payment within the following 12 months is very low. This pattern can also be analysed as a percentage of total contributions receivable each year as shown in the following table as well as the proportion of State Parties that were able to settle their assessed contribution arears:

Year	**Within 12 Months**	**Within 24 Months**	**Within 36 Months**	**Within 48 Months**	**Within 60 Months**
2018 contributions paid %	1.62%	0.97%	0.01%	0.00%	0.01%
2019 contributions paid %	1.82%	4.28%	0.35%	0.02%	
2020 contributions paid %	2.18%	1.60%	2.89%		
2021 contributions paid %	1.97%	3.98%			
2022 contributions paid %	3.41%				

7.5 As at 31 December 2023, assessed contributions of EUR 4,655 thousand (2022: EUR 4,308 thousand) were deemed to be impaired. The assessed contributions recoverable in the statement of financial position are shown net of an allowance for impairment. This, however, does not constitute legal discharges of concerned States Parties from their obligations to make these payments to the OPCW. The ageing analysis of these assessed contributions and the details of the impairment calculated according to the ECL model is as follows:

	2018 and Prior Periods	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
Assessed contribution (AC)		67,120	67,120	67,120	68,422	69,887	
Outstanding AC	940	609	659	820	1,426	2,697	**7,150**
Impairment on outstanding AC subject to the core ECL Model **(A)**	940	537	516	516	526	520	**3,556**
Impairments subject to specific conditions AC **(B)**							**1,017**
Total Impairment (C) = (A) + (B)							**4,573**
Time value of Money **(D)**		11	16	23	33	-	**82**
Total Impairment + Discount for time value of Money (C) + (D)							**4,655**
Amount impaired (written-down) as at 31 December 2022							**4,308**
Net Increase in Impairment Proposed for Additional Write-Down							**347**

7.6 It is to be noted that the above calculation is based on the application of IPSAS 41 which came into effect as of 1 January 2023. The 2022 impairment value presented is based on the IPSAS 29 which was in effect at the time. The OPCW has opted not to retroactively restate the prior period figure considering the impact of the change of the standard does not impact comparability significantly. Had the prior period figures been restated the value of impairment as at 31 December 2022 would have been EUR 4,177 thousand as compared to EUR 4,308 a decrease of 3%. The ageing analysis of the outstanding assessed contributions as at 31 December 2022 and the details of the impairment calculated according to the ECL model would have been as follows:

	2017 and prior periods	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
Assessed contribution (AC)		65,530	67,120	67,120	67,120	68,422	-
Outstanding AC	690	451	623	2,597	3,489	3,758	**11,608**
Impairment on outstanding AC subject to the core ECL Model **(A)**	690	451	537	516	516	526	**3,236**
Impairments subject to specific conditions AC **(B)**		810					**810**
Total Impairment (C) = (A) + (B)							**4,046**
Time value of Money **(D)**		-	5	74	53	-	**131**
Total Impairment + Discount for time value of Money (C) + (D)							**4,177**

8. ARTICLE IV AND ARTICLE V RECEIVABLES

(in EUR, thousands)	2023	2022
Article IV and Article V receivables	7,506	8,160
Less: allowance for impairment of Article IV and Article V receivables (write-down)	(6,000)	(6,000)
Total Article IV and Article V receivables – net	**1,506**	**2,160**

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 OPCW 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 As at 31 December 2023, Article IV and Article V receivables were EUR 1,506 thousand (2022: EUR 2,160 thousand).

8.3 The ageing analysis of net Article IV and Article V receivables is as follows:

(in EUR, thousands)	2023	%	2022	%
Up to 3 months old	1,056	70%	1,727	80%
Older than 3 months and up to 6 months old	450	30%	433	20%
Older than 6 months and up to 1 year old	-	0%	-	0%
Older than 1 year and up to 2 years old	-	0%	-	0%
Older than 2 years and up to 3 years old	-	0%	-	0%
Total	**1,506**	**100%**	**2,160**	**100%**

8.4 As at 31 December 2023, Article IV and Article V receivables of EUR 6,000 thousand (2022: EUR 6,000 thousand) were deemed to be impaired, without legally discharging the concerned States Parties of their obligations to make payments to the OPCW. The Article IV and Article V receivables in the statement of financial position are shown net of this allowance. The ageing analysis of impaired Article IV and Article V receivables is as follows:

(in EUR, thousands)	2023	%	2022	%
Up to 3 months old	0	0%	0	0%
Older than 3 months and up to 6 months old	0	0%	0	0%
6 months to 1 year old	0	0%	0	0%
Older than 1 year and up to 2 years old	0	0%	77	1%
Older than 2 years and up to 3 years old	77	1%	46	1%
Older than 3 years and up to 10 years old	5,923	99%	5,877	98%
Total	**6,000**	**100%**	**6,000**	**100%**

8.5 Movements in the OPCW's allowance for impairment of Article IV and Article V receivables are as follows:

(in EUR, thousands)	2023	2022
As at 1 January	**6,000**	**6,000**
Increase in allowance for impairment of Article IV and Article V receivables	-	-
Reversal of allowance for impairment of Article IV and Article V receivables	-	-
As at 31 December	**6,000**	**6,000**

9. VOLUNTARY CONTRIBUTIONS RECOVERABLE

(in EUR, thousands)	2023	2022
Trust Fund for EU Council Decision 2019/2023	2,290	224
Trust Fund(s) for Syria	234	389
Trust Fund for Training	227	337
Trust Fund for Security and Business Continuity	199	200
Trust Fund for OPCW Conference of the States Parties and Special Sessions Meetings	150	611
Trust Fund for a Centre for Chemistry and Technology	0	192
Other trust funds	46	36
Voluntary contributions recoverable	**3,146**	**1,989**

Voluntary contributions recoverable represent balances due to the OPCW under signed contribution agreements. Voluntary contributions receivable for the Trust Fund for EU Council Decision 2023 include amounts for the Syria missions.

10. OTHER ASSETS – CURRENT

(in EUR, thousands)	2023	2022
Receivables from staff members	1,104	1,354
Value-added tax and other recoverable taxes	809	718
Interest receivable	101	2
Receivables from vendors	83	86
Working Capital Fund contributions receivable	2	4
Miscellaneous	40	28
Other assets	**2,139**	**2,192**

10.1 Value-added tax and other recoverable taxes include refundable taxes primarily relating to environmental taxes, energy taxes, and United States income taxes in addition to value-added tax. These receivables arise as a result of the OPCW's tax-exempt status.

10.2 Receivables from staff members comprise receivables due for advances made relating to travel expenses and employee benefit advances.

11. PREPAYMENTS

(in EUR, thousands)	**2023**	**2022**
Prepayments – vendors	1,873	1,614
Prepayments – UNOPS	231	589
Prepayments – other	4	0
Total prepayments	**2,108**	**2,203**

Prepayments to vendors primarily comprise prepaid rent for the Main building. Prepayments to the United Nations Office for Project Services (UNOPS) primarily comprise advances for the provision of services to support OPCW operations in the Syrian Arab Republic.

12. INVENTORIES

	2023		
(in EUR, thousands)	**Primary**	**Secondary**	**Total**
As at 1 January 2023	**226**	**374**	**600**
Purchases	52	47	99
Inventory consumed	(42)	(34)	(76)
Other adjustments	(3)	11	8
As at 31 December 2023	**233**	**398**	**631**

	2022		
(in EUR, thousands)	**Primary**	**Secondary**	**Total**
As at 1 January 2022	**262**	**410**	**672**
Purchases	64	41	**105**
Inventory consumed	(104)	(103)	**(207)**
Other adjustments	4	26	**30**
As at 31 December 2022	**226**	**374**	**600**

12.1 The OPCW's inventories relate primarily to its inspection and verification activities and are located in the OPCW Technology and Training Hub (TTH) in 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.

12.2 The physical stock count of primary and secondary consumables was carried out as at 31 December 2023. The carrying amount of inventories is shown at lower of cost or current replacement cost as at 31 December 2023.

13. CASH AND CASH EQUIVALENTS

(in EUR, thousands)	2023	2022
Unrestricted		
Cash in bank and on hand	6,559	43,046
Money market funds	29,348	-
Total unrestricted	**35,907**	**43,046**
Restricted		
Cash in bank and on hand	89	4,722
Money market funds	9,659	
Total restricted	**9,748**	**4,722**
Total cash and cash equivalents	**45,655**	**47,768**

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

(in EUR, thousands)	2023	2022
Restricted cash and cash equivalents		
Working Capital Fund	8,143	3,139
Voluntary Fund for Assistance	1,605	1,583
Total restricted cash and cash equivalents	**9,748**	**4,722**

14. CONTINGENT ASSETS

There were no contingent assets as at 31 December 2023.

15. WORKING CAPITAL FUND

15.1 The WCF has been established to meet short-term liquidity problems, including temporarily funding appropriated budgetary expenditures pending the receipt of contributions. The WCF is financed from advances by all States Parties in accordance with the scale of assessments determined by the Conference.

15.2 Any new States Parties joining the OPCW make an advance to the WCF in accordance with the scale of assessments applicable to the budget of the year of their ratification of, or accession to, the Convention. In 2023, no new State Party joined the OPCW and therefore no new contributions were made to the WCF (2022: none).

15.3 The movement in the approved level of the WCF during the reporting period, and the amount held in it, is explained as follows:

(in EUR, thousands)	**2023**	**2022**
Movement in the WCF liability		
As at 1 January	8,140	8,140
Total WCF as at 31 December	**8,140**	**8,140**
Of which:		
Non-current portion of WCF liability	8,140	8,140
Current portion of WCF liability	-	-
Total WCF as at 31 December	**8,140**	**8,140**

16. VOLUNTARY FUND FOR ASSISTANCE

16.1 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 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.

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

(in EUR, thousands)	**2023**	**2022**
Balance as at 1 January	**1,568**	**1,568**
Contributions received/disbursement from States Parties	-	-
Net proceeds received for Voluntary Fund for Assistance	**-**	**-**
Total Voluntary Fund for Assistance as at 31 December	**1,568**	**1,568**
Of which:		
Non-current portion	1,568	1,568
Current portion	-	-
Total Voluntary Fund for Assistance as at 31 December	**1,568**	**1,568**

17. CASH SURPLUS

17.1 In accordance with the OPCW's Financial Regulations and Rules, 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 eligible for distribution to States Parties in line with Financial Regulation 6.3 proportional to the assessed contributions in the year in which the surplus arose, by means of an adjustment to the assessed contributions, unless otherwise decided by the Conference.

17.2 Current liabilities as at 31 December 2023 of EUR 12 thousand (2022: EUR 18 thousand) represent cash surpluses from 2013 and prior years withheld from the States Parties because of the non-payment of assessed contributions to the OPCW.

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

(in EUR, thousands)	**2023**	
	Non-current	**Current**
Balance as at 1 January 2023	**5,884**	**18**
Distributed cash surplus	-	(6)
Transfers	(5,884)	-
Final cash surplus for 2022	6,873	-
Balance as at 31 December 2023	**6,873**	**12**

(in EUR, thousands)	**2022**	
	Non-current	**Current**
Balance as at 1 January 2022	**4,545**	**18**
Distributed cash surplus		-
Transfers	(4,545)	-
Final cash surplus for 2021	5,884	-
Balance as at 31 December 2022	**5,884**	**18**

17.4 Further details regarding the calculation of the cash surplus are presented in the Appendix.

18. EMPLOYEE BENEFITS

18.1 Employee benefit liabilities comprise the following items:

(in EUR, thousands)	**Note**	**2023**			**2022**		
Employee Benefit		**Non-current**	**Current**	**Total**	**Non-current**	**Current**	**Total**
Long-term employee benefits							
Post-employment benefits							
Repatriation grant	18.6	1,635	1,316	2,951	1,374	1,689	**3,063**
Removal	18.6	310	259	569	272	414	**686**
Repatriation travel	18.6	140	118	258	123	210	**333**
Death benefit	18.6	374	46	420	390	48	**438**
Total post-employment benefits		**2,459**	**1,739**	**4,198**	**2,159**	**2,361**	**4,520**
Other long-term employee benefits							
Home leave	18.12	92	335	427	64	548	**612**
Total long-term employee benefits		**2,551**	**2,074**	**4,625**	**2,223**	**2,909**	**5,132**
Short-term employee benefits							
Annual leave	18.2	-	2,556	2,556	0	3,109	**3,109**
Other short-term employee benefits	18.2	-	203	203	0	302	**302**
Total short-term employee benefits		**-**	**2,759**	**2,759**	**0**	**3,411**	**3,411**
Total employee benefits		**2,551**	**4,833**	**7,384**	**2,223**	**6,320**	**8,543**

Short-term employee benefits

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

18.3 Further disclosure of these items is provided in notes 28 (employee benefit expenses) and 38 (key management remuneration).

Post-employment benefits

18.4 Liabilities relating to post-employment are calculated by a qualified and independent actuary. The actuarial valuation as at 31 December 2023 was finalised in March 2024.

Defined contribution plans

18.5 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. For the period ended 31 December 2023, a Provident Fund contribution of EUR 8,265 thousand (2022: EUR 8,160 thousand) has been recognised in the employee benefit expenses line of the statement of financial performance (note 28), representing the OPCW's contribution to the Provident Fund "B" accounts for 2023.

Defined benefit plans

18.6 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:

(in EUR, thousands)	**Per Actuarial Valuation**	
	2023	**2022**
Balance as at 1 January	**4,520**	**4,879**
Adjustment adopting new actuarial methodology	820	-
Current service cost	569	919
Interest cost	122	(21)
Actuarial (gains)/losses	(455)	(324)
Benefits paid	(1,378)	(933)
Balance as at 31 December	**4,198**	**4,520**

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

(in EUR, thousands)	2023	2022
Balance as at 31 December		
Present value of defined benefit obligation	4,198	4,520
Fair value of plan assets		-
Deficit/(surplus) in the plan	**4,198**	**4,520**

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

(in EUR, thousands)	2023	2022	2021	2020	2019
Present value of unfunded obligations	4,198	4,520	4,879	5,674	5,763
Liability in the statement of financial position	**4,198**	**4,520**	**4,879**	**5,674**	**5,763**

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

(in EUR, thousands)	2023	2022
Current service cost	569	919
Interest cost	122	(21)
Total expense recognised in the statement of financial performance	**691**	**898**

18.10 The statement of changes in net assets includes a positive change of EUR 455 thousand relating to actuarial gains in 2023 (2022: actuarial gains of EUR 324 thousand). Post-employment benefits are not funded, and hence there is a net defined benefit liability.

18.11 The expected total contribution to post-employment benefit plans (expected benefit payment to beneficiaries) for the year ended 31 December 2024 is EUR 1,739 thousand (2023: EUR 2,361 thousand).

<u>Other long-term employee benefits</u>

18.12 The movement in other long-term employee benefit liabilities over the year is as follows:

(in EUR, thousands)	2023	2022
Current liability	335	548
Non-current liability	92	64
Balance as at 31 December	**427**	**612**

18.13 In 2023, there was EUR 322 thousand paid in respect of home leave benefit entitlements, compared to EUR 429 thousand in 2022.

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

(in EUR, thousands)	2023	2022
Balance as at 31 December		
Present value of defined benefit obligation	427	612
Fair value of plan assets	-	-
Deficit/(surplus) in the plan	**427**	**612**

18.15 The principal assumptions used for post-employment benefits and other long-term employee benefits as at 31 December 2023 are the following:

Long-term employee benefits	2023	2022
Discount rate: Death benefits	3.20%	3.60%
Discount rate: Repatriation grant, removal costs, travel costs	3.10%	2.95%
Inflation	2.00%	2.00%
Indexation: Travel and removal costs	2.00%	2.00%
Turnover rate	8.00%	8.00%
Mortality tables: Dutch generational tables "AG prognosis table"	2022 table	2022 table
Future salary increases	Based on United Nations salary scales and inflation	

18.16 If the discount rates used in the determination of the employee benefit expense and liability for active participants were higher or lower by 0.25% from the management's estimate, the carrying amount of the benefit liability would be an estimated EUR 26 thousand lower (2022: EUR 24 thousand lower) or EUR 25 thousand higher (2022: EUR 23 thousand higher), respectively.

19. ACCOUNTS PAYABLE

(in EUR, thousands)	2023	2022
Accounts payable – vendors	2,162	4,260
Accounts payable – staff	300	302
Total accounts payable	**2,462**	**4,562**

20. OTHER NON-CURRENT LIABILITIES

(in EUR, thousands)	**2023**	**2022**
Assessed contributions with performance obligations	3,821	2,406
Headquarters lease incentive liability	420	700
Total other non-current liabilities	**4,241**	**3,106**

Assessed contributions with performance obligations

20.1 Assessed contributions with performance obligations represent the estimated cash surplus for 2023, which will be determined in 2024. 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 2023 with respect to assessed contributions received or receivable requiring recognition of a corresponding liability. The EUR 2.4 million assessed contributions with performance obligation reported in 2022 is now reversed and the adjusted final cash surplus is reclassified to cash surplus reimbursable to States Parties.

20.2 The cash surplus for 2022 was determined in 2023 as described in note 17 and paragraph 3.2 of the Appendix.

Headquarters lease incentive liability

20.3 A liability is recognised for the Headquarters operating lease incentive in line with IPSAS 13 and IFRS (SIC-15[5]). The non-current portion of the Headquarters lease incentive liability is EUR 420 thousand at the reporting date (2022: EUR 700 thousand). The Headquarters lease incentive liability is offset against operating lease expenses over the ten-year lease term from 2019, on a straight-line basis. The current portion of this liability is detailed in note 22.

21. DEFERRED REVENUE

(in EUR, thousands)	2023	2022
Deferred voluntary contributions		
Trust Fund for EU	4,741	342
Trust Fund for Syria	2,203	2,757
Trust Fund for Security and Business Continuity	1,894	3,337
Trust Fund for Training	1,698	1,097
Trust Fund for the Implementation of Article X	1,049	1,041
Trust Fund for a Centre for Chemistry and Technology	714	1,889
Other trust funds	467	434
Total deferred voluntary contributions	**12,766**	**10,897**
Deferred assessed contributions	2,185	3,470
Total deferred revenue	**14,951**	**14,367**

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.

22. OTHER CURRENT LIABILITIES

(in EUR, thousands)	2023	2022 (Comparable Basis)	2022
Special funds with conditions	-	-	1,607
Voluntary contributions received in advance	118	1,745	1,745
Headquarters lease incentive liability	140	140	140
Other liabilities	44	43	43
Total other liabilities	**302**	**1,928**	**3,535**

Voluntary contributions received in advance represent cash amounts received where the relevant contribution agreement has not been finalised as at the reporting date. This differs to deferred revenue, where the purpose of the funding has been determined as at the reporting date.

23. PROVISIONS

(in EUR, thousands)	2023	2022
As at 1 January	**250**	**200**
Increase /(decrease) of provisions	(200)	50
As at 31 December	**50**	**250**

Provisions raised in 2020 relate to the anticipated costs associated with the move from the Rijswijk Laboratory and Equipment Store premises in 2023 (upon completion of the construction of the ChemTech Centre), has been utilised in 2023 and the remaining balance has been reversed, in line with IPSAS 19 (note 3.25). Similarly for the

EUR 50 thousand provision established in relation to interest on a legal claim—that may not be covered by the insurance service provider—in the amount of EUR 28.2 thousand, as well as the potential outflows related to the outcome of medical evaluations requested to be undertaken by the Health and Safety Branch which were also utilised in 2023 with the balance being reversed. A new provision in the amount of EUR 50 thousand has been raised in 2023 in connection to costs rejected by a donor under a voluntary contribution agreement.

24. ASSESSED CONTRIBUTIONS REVENUE

Every State Party is assessed a contribution due to the OPCW each year. The amounts of assessed contributions approved by the Conference for 2023 are EUR 69,877 thousand (2022: EUR 68,422 thousand). The amount recognised as revenue in 2023 with respect to inflow of resources in assessed contributions as well as the increase of previously recognised liabilities relating to satisfied obligations is EUR 61,598 thousand (2022: EUR 65,729 thousand). Amounts for which the OPCW does not satisfy the obligations are eligible for distribution as cash surplus that is determined in the budgetary accounts (see Appendix, paragraph 3.2).

25. VOLUNTARY CONTRIBUTIONS REVENUE

(in EUR, thousands)	**2023**	**2022**
Trust Fund for Syria Missions	2,551	4,363
Trust Fund for a Centre for Chemistry and Technology	2,256	1,985
Trust Fund for the Implementation of Article X	1,596	2,050
Trust Fund for Security and Business Continuity	1,379	1,941
Other trust funds and special funds	3,170	1,400
Total voluntary contributions revenue	**10,922**	**13,973**

Refer to note 21 "Deferred revenue" for additional information regarding liabilities recognised in regard to voluntary contributions with conditions.

26. ARTICLE IV AND ARTICLE V REVENUE

26.1 The OPCW charges States Parties for its services provided in the verification and destruction of chemical weapons.

26.2 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.

27. OTHER REVENUE

(in EUR, thousands)	**2023**	**2022**
Other exchange revenue	153	60
Other non-exchange revenue	690	1,257
Total other operating revenue	**843**	**1,317**

28. EMPLOYEE BENEFIT EXPENSES

(in EUR, thousands)	**2023**	**2022**
Short-term employee benefit expenses		
Salaries and post-adjustment expenses	36,064	34,082
Common staff costs	6,029	7,378
Total short-term employee benefit expenses	**42,093**	**41,460**
Post-employment benefit expenses		
Provident Fund pension expense (defined contribution plan)	8,292	8,160
Other post-employment benefits	824	922
Total post-employment benefit expenses	**9,116**	**9,082**
Other long-term employee benefit expenses		
Home leave expense	127	464
Total other long-term employee benefit expenses	**127**	**464**
Total – Employee benefit expenses	**51,336**	**51,006**
Less: Capitalised employee benefit expenses – intangible assets under construction by OPCW staff	-	(63)
Net employee benefit expenses	**51,336**	**50,943**

28.1 Employee benefit expenses include salaries and post-adjustment expenses, and common staff costs: dependency allowances, rental subsidies, medical insurance subsidies, death and disability insurances, annual leave expenses, childcare allowance, employee onboarding expenses, educational grant/travel expenses, and other expenses.

28.2 Other post-employment benefits include Provident Fund pension expenses (defined contribution plan), death benefit expenses, repatriation grant expenses, travel costs upon separation from the OPCW, and removal costs upon separation from the OPCW.

28.3 Capitalised employee benefit expenses include work by staff members on internally developed intangible assets.

29. CONSULTANCY AND CONTRACTUAL SERVICES

(in EUR, thousands)	**2023**	**2022**
Consultancy and special service agreements	4,882	4,889
ICT services	1,775	1,690
UNOPS contractual services	1,588	3,128
Translation and interpretation	709	672
Training fees	472	758
Other contractual services	2,908	1,857
Total consultancy and contractual services	**12,334**	**12,994**

30. TRAVEL EXPENSES

(in EUR, thousands)	2023	2022
Official travel – non-staff	3,673	4,094
Inspection travel	2,582	2,835
Official travel – staff	677	644
Training travel	175	397
Total travel expenses	**7,107**	**7,970**

Travel expenses represent costs incurred in relation to official inspection and training travel for staff and contractors. Costs include expenses incurred for transportation, daily subsistence allowance, and other travel costs.

31. GENERAL OPERATING EXPENSES

(in EUR, thousands)	2023	2022
Operating lease rental expense	3,250	3,833
Maintenance and utilities	2,493	1,256
Supplies and materials	424	420
Impairment of assessed contributions receivable	347	690
Inventories	69	176
Impairment of Article IV and Article V receivables	-	-
Other general operating expenses	427	481
Total general operating expenses	**7,010**	**6,856**
Less: capitalised general operating expenses – intangible assets under construction	-	-
Total general operating expenses	**7,010**	**6,856**

General operating expenses include rental expenses for premises used by the OPCW, including the rental of the Headquarters Main building.

32. OTHER OPERATING EXPENSES

(in EUR, thousands)	2023	2022
Purchases of furniture and equipment	3,059	1,305
Internships, grants, contributions to seminars, and workshops	414	584
Other staff costs	142	288
Loss on disposal of property, plant, and equipment	17	160
Total other expenses	**3,632**	**2,337**

Other operating expenses include the purchase costs of equipment which does not qualify as property, plant, and equipment (note 6), which has increased in 2023 mainly associated with the ChemTech Centre assets that were below the capitalisation threshold.

33. FINANCE INCOME AND COSTS

(in EUR, thousands)	2023	2022
Unrealised foreign currency gains / (Losses)	(113)	192
Realised foreign currency gains / (Losses)	(11)	34
Interest income/(charges) on cash and cash equivalents	755	(51)
Net finance income/(costs)	**631**	**175**

Finance income and costs include gains and losses associated with foreign currency transactions where the UNORE differs to the exchange rate offered by the bank(s) party to the transaction. Foreign currency losses in 2023 also included losses on United States dollar-denominated cash and receivables due to the weakening of the United States dollar against the euro.

34. SERVICES IN KIND

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

Accommodation and transportation services

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

Security services

34.3 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

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

Usage of facilities

34.5 For various OPCW activities such as training seminars and international meetings, facilities are provided (such as use of meeting facilities, break facilities, and the like). Elements of the rental of the World Forum Convention Centre, The Hague, by the OPCW were funded directly by the Host Country.

Other services

34.6 Other services provided to the OPCW include the transportation of chemical samples, specialised employees for the delivery of training courses, catering, translation services, consultancy regarding website design, and printing services.

35. CONTINGENT LIABILITIES

35.1 As at the reporting date the OPCW had contingent liabilities amounting to EUR 57 thousand in connection with claims currently under review.

35.2 The OPCW has contingent liabilities in respect of claims arising in the course of business for which estimates cannot be made at present.

36. COMMITMENTS

Capital commitments

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

(in EUR, thousands)	**2023**	**2022**
Property, plant, and equipment	2,052	4,919
Intangible assets	543	624
Total	**2,595**	**5,543**

Operating lease commitments

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

(in EUR, thousands)	**2023**	**2022**
No later than 1 year	3,316	3,260
Later than 1 year and no later than 5 years	10,187	12,306
Later than 5 years	-	387
Total	**13,503**	**15,953**

36.3 The OPCW leases various buildings (including its Headquarters Main Building 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 10 years. The OPCW is typically required to provide a notice period in order to cancel any of these operating lease agreements. In 2023, the OPCW ceased the operating lease agreement for the Laboratory and Equipment Store as these were transferred to the new ChemTech Centre building.

36.4 Operating lease payments that are recognised in the statement of financial performance amount to EUR 3,390 thousand (2022: EUR 3,833 thousand) and are disclosed in note 31.

37. RELATED PARTY TRANSACTIONS

37.1 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.

37.2 The OPCW provides administrative support to the Provident Fund free of charge. All other transactions between the OPCW and the Provident Fund are conducted at arm's length. As at 31 December 2023, there were no amounts payable from the OPCW to the Provident Fund (2022: EUR 4.0 thousand), and EUR 0.2 thousand amount was due from the Provident Fund to the OPCW (2022: EUR 0).

37.3 The OPCW is not party to any further arrangements that could be considered as related parties.

38. KEY MANAGEMENT REMUNERATION

38.1 Key management personnel for the OPCW are the Director-General and the Deputy Director-General. No close family member of the key management personnel was employed by the OPCW during the year.

38.2 The remuneration paid to key management for employee services is shown below and includes benefits available in line with the OPCW Staff Regulations (for example, base salary, post adjustment, provident fund contributions, education grant, home leave, and repatriation costs).

(in EUR, thousands)	**2023**	
	Number of Posts	**Aggregate Remuneration**
Director-General and Deputy Director-General	2	742

(in EUR, thousands)	**2022**	
	Number of Posts	**Aggregate Remuneration**
Director-General and Deputy Director-General	2	693

38.3 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.

39. SEGMENT INFORMATION

39.1 The OPCW's segment reporting is based on the structure of the OPCW's Programme and 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 as follows:

General Fund

(a) Verification;

(b) Inspections;

(c) International Cooperation and Assistance;

(d) Support to the Policy-Making Organs;

(e) External Relations;

(f) Executive Management; and

(g) Administration.

Special funds and Voluntary Fund for Assistance

(a) Special Account for the OPCW Equipment Store;

(b) Special Account for Activities Related to Designated Laboratories;

(c) Special Account for the New ERP System;

(d) Special Fund for OPCW Special Missions;

(e) Special Fund for Cybersecurity, Business Continuity, and Physical Infrastructure Security;

(f) Special Fund for IT Infrastructure to Support the Implementation of Decision C-SS-4/DEC.3;[23]

(g) Special Fund for Capacity Building for Laboratories;

(h) Special Fund for Major Capital Investments;

(i) COVID-19 Variability Impact Fund; and

(j) Voluntary Fund for Assistance.

Trust funds

(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;

(d) United States Voluntary Trust Fund;

(e) Trust Fund for the Associate Programme;

(f) Trust Fund for the Procurement of GC-MS[24] Systems;

(g) Trust Fund for the Implementation of Article VII Obligations;

(h) Trust Fund for the Internship Support Programme;

(i) Trust Fund for the Scientific Advisory Board;

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23 C-SS-4/DEC.3 (dated 27 June 2018).

24 GC-MS = gas chromatography-mass spectrometry.

(j) Trust Fund for OPCW Events;

(k) Trust Fund for the Conference on International Cooperation and Chemical Safety and Security;

(l) Trust Fund for Training;

(m) Trust Fund for the International Support Network for Victims of Chemical Weapons

(n) Syria Trust Fund for the Destruction of Chemical Weapons;

(o) OPCW Nobel Peace Prize Trust Fund;

(p) Trust Fund for Programme Support Costs;

(q) Trust Fund for Syria Missions;

(r) Trust Fund for Support to Libya;

(s) Trust Fund for a Centre for Chemistry and Technology;

(t) Trust Fund for Security and Business Continuity;

(u) Trust Fund for the Junior Professional Officers Programme;

(v) Trust Fund for EU; and

(w) Trust Fund for OPCW Conference of the States Parties and Special Sessions Meetings.

39.2 Further details regarding OPCW segments are provided in the Appendix.

Segment information*

For the period ended 31 December 2023

(in EUR, thousands)	Verification	Inspections	International Cooperation and Assistance	Support to the Policy Making Organs	External Relations	Executive Management	Administration	Trust Funds and Special Funds	Unallocated[25]	Total
Total segment revenue/income	**8,122**	**20,060**	**6,135**	**5,096**	**1,869**	**9,270**	**13,287**	**11,208**	**2**	**75,049**
Segment revenue from budget allocation:										
Assessed contributions	8,081	18,187	6,083	5,096	1,843	9,176	13,132	0	0	**61,598**
Article IV and Article V revenue	0	1,686	0	0	0	0	0	0	0	**1,686**
Segment revenue from external sources:										
Voluntary contributions	-	-	-	-	-	-	-	10,922	-	**10,922**
Other income /revenue	41	187	52	0	26	94	155	286	2	**843**
Total segment expense	**11,602**	**21,205**	**6,907**	**6,081**	**2,270**	**11,165**	**15,787**	**10,917**	**-1,084**	**84,850**
Employee benefit expenses	8,029	16,263	3,453	4,756	1,996	9,181	7,849	893	-1,084	**51,336**
Consultancy and contractual services	601	1,207	377	934	175	959	2,094	5,987	0	**12,334**
Travel expenses	108	2,498	2,407	258	26	332	32	1,446	0	**7,107**
Depreciation, amortisation, and impairment	1,941	297	133	7	0	481	572	0	0	**3,431**
General operating expenses	522	402	163	117	63	177	4,636	930	0	**7,010**
Other operating expenses	401	538	374	9	10	35	604	1,661	0	**3,632**

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

25 Unallocated revenue and expenses represent revenue and expenses that cannot be directly attributed, or allocated on a reasonable basis, to individual segments.

Segment information*

For the period ended 31 December 2022

(in EUR, thousands)	Verification	Inspections	International Cooperation and Assistance	Support to the Policy-Making Organs	External Relations	Executive Management	Administration	Trust Funds and Special Funds	Unallocated[26]	Total
Total segment revenue/income	**9,350**	**21,445**	**7,206**	**5,031**	**2,045**	**9,561**	**14,336**	**13,973**	**60**	**83,005**
Segment revenue from budget allocation:										
Assessed contributions	9,177	19,099	7,073	4,938	2,007	9,364	14,071	0	0	**65,729**
Article IV and Article V revenue	-	1,987	-	-	-	-	-	-	-	**1,987**
Segment revenue from external sources:										
Voluntary contributions		-	-	-	-	-	-	13,973	-	**13,973**
Other income /revenue	173	359	133	93	38	197	265	-	60	**1,318**
Total segment expense	**9,301**	**21,582**	**6,990**	**5,347**	**2,146**	**10,441**	**15,766**	**11,473**	**218**	**83,264**
Employee benefit expenses	7,258	16,416	3,323	4,450	1,885	8,616	7,863	914	218	**50,943**
Consultancy and contractual services	537	1,088	284	549	139	735	2,139	7,523	-	**12,994**
Travel expenses	56	2,969	2,733	197	21	319	24	1,651	-	**7,970**
Depreciation, amortisation, and impairment	821	341	59	7	-	294	642	-	-	**2,164**
General operating expenses	528	555	251	141	76	216	4,567	522		**6,856**
Other operating expenses	101	213	340	3	25	261	531	863	-	**2,337**

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

26 Unallocated revenue and expenses represent revenue and expenses that cannot be directly attributed, or allocated on a reasonable basis, to individual segments.

40. BUDGETARY INFORMATION

40.1 The approved Programme and Budget covers the period 1 January 2023 to 31 December 2023. No additional entities are included. The Budget is prepared using a combination of cash and commitment-based accounting while 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

40.2 The following is an overview of the significant differences that have arisen between the OPCW's revised budget and actual amounts, presented in Statement V (Statement of Comparison of Budget and Actual Amounts for 2023) of these Financial Statements.

40.3 There was no change between the overall original and final budgets during 2023, which totalled EUR 73,745 thousand for Chapter 1 and Chapter 2 programmes.

40.4 The higher budget implementation partly reflects the increasing normalisation of programmatic activities following the COVID-19 pandemic, particularly those relying heavily on official travel for their execution. However, the impact of unprecedented inflation was the most significant component of the increased implementation rate, with both staff costs and non-staff costs rising far beyond those anticipated when the Programme and Budget for 2022–2023 was approved.

40.5 The level of expenditure for 2023 reflects an overall budget utilisation rate of 97% for Chapter 1 and Chapter 2 programmes. The Chapter 1 utilisation rate was 96%; the Chapter 2 rate was 98%.

40.6 Factors influencing the budget utilisation will be detailed in the 2023 Programme Performance Report and have been taken into consideration when formulating the biennial Programme and Budget of the OPCW for 2024–2025.

40.7 Transfers were made between programmes and subprogrammes in accordance with Financial Regulation 4.6.

Reconciliation of actual amounts from a budgetary basis to a financial statement basis

40.8 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 2023:

(in EUR, thousands)	Operating	Financing	Investing	Total
Actual net surplus amount on budgetary basis (Statement of comparison of budget and actual amounts)	1,487	**-**	**-**	**1,487**
Basis differences	(10,605)	5,123		**(5,482)**
Presentation differences	3,784	-	(3,784)	**-**
Entity differences				
Trust funds and special funds	(373)	762	**-**	**389**
Actual amount in the IPSAS cash flow statement	**(5,707)**	**5,884**	**(3,784)**	

For the year ended 31 December 2022:

(in EUR, thousands)	Operating	Financing	Investing	Total
Actual net surplus amount on budgetary basis (Statement of comparison of budget and actual amounts)	2,076	**-**	**-**	**2,076**
Basis differences	6,056	2,349	-	**8,405**
Presentation differences	18,577	-	(18,577)	**-**
Entity differences				
Trust funds and special funds	(22,288)	959	-	**(21,329)**
Actual amount in the IPSAS cash flow statement	**4,421**	**3,308**	**(18,577)**	**(10,848)**

40.9 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.

41. EVENTS AFTER THE REPORTING PERIOD

No 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 OPCW 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, according to 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 of the States Parties (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, according to 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 year, according to Financial Regulation 11.1(d); and

(d) a statement of all losses, according to Financial Regulation 11.1(e).

1.2 Furthermore, Financial Rule 10.4.01 requires the disclosure of any ex gratia payments authorised by the Director-General and paid during the financial year.

1.3 Accordingly, such information for items 1.1(a) and 1.1(b) above is provided in the IPSAS Financial Statements and supporting note disclosures. This Appendix presents information relating to items 1.1(c), 1.1(d), and 1.2 above, and also further statements and schedules based on financial information derived within the OPCW's budgetary accounting.

1.4 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. This budgetary account differs in nature to the IPSAS basis of reporting, as set out in note 40 to the IPSAS Financial Statements.

1.5 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 of cash and investments (paragraphs 2.1 and 2.2);

(b) Statement of provisional cash surplus for 2023 – General Fund – as at 31 December 2023 (paragraph 3.1);

(c) Statement of cash surplus for 2022 – General Fund – as at 31 December 2023 (paragraph 3.2);

(d) Statement of savings on prior year's obligations – General Fund (paragraph 3.3);

(e) Statement of cash surpluses credited to States Parties – General Fund –Special Funds during the period ended 31 December 2023 (paragraph 3.4);

(f) Statement of expenditure by funding programme and major expenditure category – General Fund (paragraph 3.5);

(g) Trust funds – voluntary contributions by donors in 2023 (paragraph 3.6);

(h) Ex gratia payments (paragraph 4);

(i) Statement of losses (paragraphs 5.1 and 5.2); and

(j) Overview of OPCW programmes, special funds, and trust funds (paragraphs 6.1 – 6.4).

2. STATEMENT OF CASH AND INVESTMENTS (INCLUDING TERM DEPOSITS[27]) – ALL FUNDS (FINANCIAL REGULATION 11.1(C))

2.1 Statement of cash and investments (term deposits) – all funds as at 31 December 2023.

(in EUR, thousands)

Fund	Cash	Investments	Total
General Fund	2,014	7,150	**9,164**
Working Capital Fund	(11)	8,155	**8,144**
Voluntary Fund for Assistance	101	1,505	**1,606**
Trust funds	3,966	18,796	**22,762**
Special funds	578	3,401	**3,979**
Total cash and investments	**6,648**	**39,007**	**45,655**

2.2 Statement of cash and investments (term deposits) – all funds as at 31 December 2022.

(in EUR, thousands)

Fund	Cash	Investments	Total
General Fund	13,154	-	**13,154**
Working Capital Fund	3,139	-	**3,139**
Voluntary Fund for Assistance	1,583	-	**1,583**
Trust funds	26,731	-	**26,731**
Special funds	3,161	-	**3,161**
Total cash and investments	**47,768**	**-**	**47,768**

27 No term deposit investments were held at the reporting dates, owing to negative interest rates charged on such deposits.

3. OTHER STATEMENTS (FINANCIAL REGULATION 11.1(D))

3.1 Budgetary accounts: Statement of cash surplus for 2023 – General Fund – as at 31 December 2023 (in EUR)

The provisional cash surplus for 2023 was determined in 2023:

(in EUR, thousands)

PROVISIONAL CASH SURPLUS / (DEFICIT) FOR 2023	2023
Receipts	68,151
Disbursements	(69,234)
EXCESS / (SHORTFALL) OF RECEIPTS OVER DISBURSEMENTS	**(1,083)**
Unliquidated obligations	(2,475)
Transfers to/from other funds	1,179
PROVISIONAL SURPLUS / (DEFICIT) AS AT END OF 2023	**(2,379)**

The final cash surplus for 2023 will be determined in 2024.

3.2 Budgetary accounts: Statement of cash surplus for 2022 – General Fund – as at 31 December 2023 (in EUR)

The provisional cash surplus for 2022 was determined in 2022. The final cash surplus for 2022 was determined in 2023:

(in EUR, thousands)

PROVISIONAL CASH SURPLUS / (DEFICIT) FOR 2022	2022
Receipts	64,664
Disbursements	(66,053)
EXCESS / (SHORTFALL) OF RECEIPTS OVER DISBURSEMENTS	**(1,389)**
Unliquidated obligations	(2,259)
Transfers to/from other funds	
PROVISIONAL SURPLUS / (DEFICIT) AS AT END OF 2022	**(3,648)**
FINAL CASH SURPLUS / (DEFICIT) FOR 2022 (determined in 2023)	**2022**
PROVISIONAL SURPLUS/(DEFICIT)	**(3,648)**
Receipt of:	
Arrears from prior years' annual contributions	7,155
Miscellaneous income from prior years	2,344
Savings on prior period's obligations (paragraph 5.11)	971
PRIOR YEAR CASH SURPLUS/(DEFICIT)	**6,822**
Prior period adjustment	51
2022 FINAL CASH SURPLUS[28]/(DEFICIT) (determined in 2023)	**6,873**
PROVISIONAL SURPLUS/(DEFICIT)	**(3,648)**

28 Final cash surpluses identified for any past period eligible for distribution to States Parties in accordance with Financial Regulation 6.3 and the scale of assessments for the period to which the cash surplus relates, unless otherwise decided by the Conference. 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.

3.3 Budgetary accounts: Statement of savings on prior year's obligations – General Fund (in EUR)

(a) For the period ended 31 December 2023:

(in EUR, thousands)

Funding Programme	Unliquidated Obligations as at End of 2022	Disbursements During 2023	Savings on Prior Year's Obligations
Programme 1. Verification	343	262	81
Programme 2. Inspections	527	264	263
Total verification costs (Chapter 1)	**870**	**526**	**344**
Programme 3. International Cooperation and Assistance	622	394	228
Programme 4. Support to the Policy-Making Organs	106	9	97
Programme 5. External Relations	29	2	27
Programme 6. Executive Management	117	44	73
Programme 7. Administration	515	313	202
Total administrative and other costs (Chapter 2)	**1,389**	**762**	**627**
TOTAL	**2,259**	**1,288**	**971**

(b) For the period ended 31 December 2022:

(in EUR, thousands)

Funding Programme	Unliquidated Obligations as at End of 2021	Disbursements During 2022	Savings on Prior Year's Obligations
Programme 1. Verification	632	346	286
Programme 2. Inspections	1,402	398	1,004
Total verification costs (Chapter 1)	**2,034**	**744**	**1,290**
Programme 3. International Cooperation and Assistance	389	200	189
Programme 4. Support to the Policy-Making Organs	204	56	148
Programme 5. External Relations	113	62	51
Programme 6. Executive Management	285	82	203
Programme 7. Administration	560	260	300
Total administrative and other costs (Chapter 2)	**1,551**	**660**	**891**
TOTAL	**3,585**	**1,404**	**2,181**

3.4 Budgetary accounts: Statement of expenditure by funding programme and major expenditure category – General Fund (in EUR)

(a) For the period ended 31 December 2023:

(in EUR, thousands)

Funding Programme	Staff Costs	Travel Costs	Contractual Services	Workshops, Seminars, and Meetings	General Operating Expenses	Furniture and Equipment	Total Expenditure	of Which: Budgetary Obligations
Programme 1. Verification	6,791	114	645	3	338	669	**8,560**	**588**
Programme 2. Inspections	16,823	2,666	1,339	12	231	581	**21,652**	**560**
Total verification costs (Chapter 1)	**23,614**	**2,780**	**1,984**	**15**	**569**	**1,250**	**30,212**	**1,148**
Programme 3. International Cooperation and Assistance	2,841	2,656	400	366	124	128	**6,515**	**565**
Programme 4. Support to the Policy-Making Organs	4,784	260	941	9	85	17	**6,096**	**44**
Programme 5. External Relations	1,930	26	162	19	42	18	**2,197**	**22**
Programme 6. Executive Management	9,230	341	988	42	65	310	**10,976**	**198**
Programme 7. Administration	7,830	37	2,232	16	4,929	669	**15,713**	**499**
Total administrative and other costs (Chapter 2)	**26,615**	**3,320**	**4,723**	**452**	**5,245**	**1,142**	**41,497**	**1,328**
TOTAL EXPENDITURE	**50,229**	**6,100**	**6,707**	**467**	**5,814**	**2,392**	**71,709**	**2,476**

(b) For the period ended 31 December 2022:

(in EUR, thousands)

Funding Programme	Staff Costs	Travel Costs	Contractual Services	Workshops, Seminars, and Meetings	General Operating Expenses	Furniture and Equipment	Total Expenditure	of Which: Budgetary Obligations
Programme 1. Verification	7,275	178	463	40	333	265	**8,554**	**343**
Programme 2. Inspections	15,830	2,914	919	243	334	131	**20,371**	**527**
Total verification costs (Chapter 1)	**23,105**	**3,092**	**1,382**	**283**	**667**	**396**	**28,925**	**871**
Programme 3. International Cooperation and Assistance	3,247	2,921	565	12	180	30	**6,955**	**622**
Programme 4. Support to the Policy-Making Organs	4,360	206	632	10	82	-	**5,290**	**106**
Programme 5. External Relations	1,810	21	166	6	62	18	**2,083**	**29**
Programme 6. Executive Management	8,699	319	731	42	131	61	**9,983**	**116**
Programme 7. Administration	7,948	46	2,078	74	4,345	585	**15,076**	**515**
Total administrative and other costs (Chapter 2)	**26,064**	**3,513**	**4,172**	**144**	**4,800**	**694**	**39,387**	**1,388**
TOTAL EXPENDITURE	**49,169**	**6,605**	**5,554**	**427**	**5,467**	**1,090**	**68,312**	**2,259**

3.5 Voluntary contributions by donors in 2023 (in EUR, thousands)[29]

Donor	2023[30]
Trust Fund for EU	
European Union	3,251
Subtotal	**3,251**
Trust Fund for the Implementation of Article X	
Netherlands	500
Germany	420
United Kingdom of Great Britain and Northern Ireland	379
France	300
Sweden	256
Finland	50
Ireland	50
Czech Republic	23
Subtotal	**1,978**
Trust Fund for Syria Missions	
France	1,000
United Kingdom of Great Britain and Northern Ireland	376
Sweden	171
Finland	100
New Zealand	86
Australia	61
Slovakia	20
Lithuania	10
Monaco	10
Subtotal	**1,834**
Trust Fund for Training	
United Kingdom of Great Britain and Northern Ireland	806
France	400
Spain	150
China	75
Azerbaijan	10
Andorra	5
Subtotal	**1,446**

29 Voluntary contributions are reported on a cash basis, representing contributions received in cash in the reporting period. Amounts relating to contribution agreements signed but not yet received as at the reporting date will be reported in the financial year of the receipt.

30 The following contributions were received in advance (in EUR, thousands):

Türkiye	EUR	2
Mexico	EUR	5
Netherlands	EUR	5
China	EUR	8
Czech Republic	EUR	11
Qatar	EUR	18
Republic of Korea	EUR	63

Donor	2023[30]
Trust Fund for the Junior Professional Officers Programme	
France	178
China	125
Japan	125
Republic of Korea	106
Subtotal	**534**
Trust Fund for a Centre for Chemistry and Technology	
Spain	260
Qatar	100
Brazil	49
Republic of Korea	31
Croatia	10
Private donor	5
San Marino	1
Subtotal	**457**
Trust Fund for OPCW Conference of the States Parties and Special Sessions Meetings	
Netherlands	461
Subtotal	**461**
Regional seminars	
Qatar	177
New Zealand	74
Republic of Korea	52
Subtotal	**303**
Trust Fund for OPCW Events (Formerly NGOs)	
Germany	76
Subtotal	**76**
Trust Fund for the Scientific Advisory Board	
Kuwait	70
Subtotal	**70**
Trust Fund for Security and Business Continuity	
Spain	60
Subtotal	**60**
OPCW Nobel Peace Prize Trust Fund	
Municipality of The Hague	40
Subtotal	**40**
Trust Fund for the International Support Network for Victims of Chemical Weapons	
Austria	20
Andorra	5
Subtotal	**25**
TOTAL TRUST FUNDS	**10,535**

4. EX GRATIA PAYMENTS

During the reporting period, EUR 18,223 in ex gratia payments were made by the OPCW in 2023 (none in 2022).

5. STATEMENT OF LOSSES (FINANCIAL REGULATION 11.1(E))

5.1 During the 2023 financial year, no items required approval for write-off by the Conference in line with Financial Regulation 10.5 and relevant administrative directives. The Director-General approved an amount of EUR 2,659 in irrecoverable foreign VAT for write-off in the 2023 financial year.

5.2 In addition, the OPCW Property Survey Board recommended the write-off of further assets as losses in 2023.

6. OVERVIEW OF OPCW PROGRAMMES, SPECIAL FUNDS, AND TRUST FUNDS

General Fund programmes

6.1 General Fund programmes are funded through the regular budget of the Organisation, according to the Biennial Programme and Budget of the OPCW:

Verification

(a) 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.

(b) The following subprogrammes are included: Office of the Director, Chemical Demilitarisation Branch, Declarations Branch, Industry Verification Branch, the OPCW Laboratory, and the Investigation and Identification Team.

Inspections

(c) 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.

(d) The following subprogrammes are included: Office of the Director, Operations and Administration Branch, Capacity-Building and Contingency-Planning Cell, Demilitarisation Inspection Cell, Industry Inspection Cell, and Safety and Analytical Chemistry Cell.

International Cooperation and Assistance

(e) 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.

(f) 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

(g) The main activities are related to facilitating meetings and wider consultations between States Parties and with the OPCW 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.

(h) The following subprogrammes are included: Office of the Director and Language Services Branch.

External Relations

(i) 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.

(j) The following subprogrammes are included: Office of the Director, Political Affairs and Protocol Branch, and Public Affairs Branch.

Executive Management

(k) The main activities are related to providing strategic guidance and direction, effective governance and accountability, and organisational management and leadership within the Secretariat.

(l) 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

(m) The main activities are related to providing support for budget, finance, human resources, information services, procurement and infrastructure support, and training.

(n) The following subprogrammes are included: Office of the Director (including Procurement Section, General Services Section, and Knowledge Management

Section), Budget and Finance Branch, Human Resources Branch, and Information Services Branch.

Special funds and Voluntary Fund for Assistance

6.2 Special funds are established for specific purposes, with funding derived from the General Fund through the transfer of cash surpluses and/or budgetary surpluses in specific programmes. They include:

(a) Special Fund for the OPCW Equipment Store: The purposes of this special fund are to provide:

(i) 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; and

(ii) an account from which to make payments for reimbursements to States Parties for costs incurred in disposing of or decontaminating equipment on site.

(b) Special Fund for Activities Related to Designated Laboratories: The purpose of this special fund is to provide resources for paying designated laboratories for the analysis of samples taken during on-site inspections.

(c) Special Fund for Implementation of a New ERP System: The purpose of this special fund is to provide resources to meet the financial requirements of implementing the new ERP system, as set out in Conference decision C-19/DEC.7 (dated 3 December 2014).

(d) 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 (dated 3 December 2015).

(e) Special Fund for Cybersecurity, Business Continuity, and Physical Infrastructure Security: The purpose of this fund is to ensure priority investment in the areas of high organisational risk relating to cybersecurity, business continuity, and physical infrastructure security as set out in Conference decision C-23/DEC.12 (dated 20 November 2018).

(f) Special Fund for IT Infrastructure to Support the Implementation of Decision C-SS-4/DEC.3: The purpose of this fund is to support investment in IT infrastructure in order to support the implementation of decision C-SS-4/DEC.3, as set out in Conference decision C-23/DEC.13 (dated 20 November 2018).

(g) Special Fund for Capacity Building for Laboratories: The purpose of this fund is to augment the Organisation's capacity-building activities, with a focus on assistance and protection, chemical safety and security management, and support for laboratories in developing countries or in countries with economies in transition.

(h) Special Fund for Major Capital Investments: The purpose of this fund is to provide funding for major capital investments for property, plant, equipment, and intangible assets.

6.3 The objective of the Voluntary Fund for Assistance is to coordinate and deliver assistance, in terms of Article X of the Convention, to a State Party when requested.

Trust funds

6.4 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: 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 for OPCW Events: established in 2008 and revised in 2017 in order to accommodate more general activities related to OPCW events. The fund will also be used for commemorative events, public events, and other OPCW events not fully supported by the regular budget of the OPCW;

(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 for the International Support Network for Victims of Chemical Weapons;

(n) Syria Trust Fund for the Destruction of Chemical Weapons: pursuant to Council decision EC-M-34/DEC.1 (dated 15 November 2013);

(o) OPCW Nobel Peace 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;

(p) Trust Fund for Programme Support Costs: established in September 2014 to recover indirect support costs associated with the implementation and administration of programmatic activities funded by voluntary contributions;

(q) 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;

(r) 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;

(s) Trust Fund for a Centre for Chemistry and Technology: established in October 2017 to enhance the capability of leading the network of partner laboratories, as well as to assist States Parties in research and capacity building;

(t) Trust Fund for Security and Business Continuity: established in September 2018 to strengthen the physical and cybersecurity of the OPCW infrastructure, provide a safe working environment for personnel, and support OPCW business continuity management processes;

(u) Trust Fund for the Junior Professional Officers Programme: established in November 2018 to provide opportunities for States Parties to sponsor young professionals to work at the OPCW in a professional capacity; and

(v) Trust Fund for EU: established in May 2019 to support OPCW activities in the framework of the implementation of the European Union Strategy Against Proliferation of Weapons of Mass Destruction.

(w) Trust Fund for OPCW Conference of the States Parties and Special Sessions Meetings.

Annex 2

FINANCIAL STATEMENTS OF THE PROVIDENT FUND OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS FOR THE YEAR ENDED 31 DECEMBER 2023

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 Organisation for the Prohibition of Chemical Weapons (OPCW) for the year ended 31 December 2023 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 2023, financial performance, and cash flows for the year then ended.

[Signed]

Odette Melono

The Hague, 17 May 2024

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 2023

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THE PROVIDENT FUND OF THE OPCW

STATEMENT I
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023
(IN EUR, THOUSANDS)

	Notes	2023	2022
Assets			
Current assets			
Investments	6	213	274
Accounts receivable	7	12	12
Cash and cash equivalents	8	64,540	66,361
Total current assets		**64,764**	**66,647**
Total assets		**64,764**	**66,647**
Liabilities			
Current liabilities			
Accounts payable	9	2,435	3,442
Total current liabilities		**2,435**	**3,442**
Total liabilities		**2,435**	**3,442**
Net assets		**62,329**	**63,205**
Net assets/equity			
Participants’ capital accounts	10.1	62,242	63,118
Special reserves	10.2	83	83
Accumulated surplus/(deficit)	10.3	4	4
Total net assets/equity		**62,329**	**63,205**

THE PROVIDENT FUND OF THE OPCW

STATEMENT II
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2023
(IN EUR, THOUSANDS)

	Notes	2023	2022
Income			
Interest income on participants' capital accounts	11	667	197
Add: Gain on changes in fair value of investments	12	21	-
Less: Loss on changes in fair value of investments	12	-	62
Total revenue		**688**	**135**
Expenses			
General operating expenses	13	-	-
Total expenses		**-**	**-**
Net finance income/(cost)	14	**(4)**	**9**
Net surplus/(deficit) for the period		**684**	**144**
Net surplus/(deficit) for the period			
Attributable to participants of the Provident Fund		684	144
Attributable to special reserve		-	-
Accumulated surplus/(deficit)		-	-
		684	**144**

THE PROVIDENT FUND OF THE OPCW

STATEMENT III
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023
(IN EUR, THOUSANDS)

	Participants' Capital Accounts	Special Reserve	Accumulated Surplus/ (Deficit)	Total Net Assets/ Equity
Balance as at 1 January 2022	**61,731**	**80**	**5**	**61,816**
Changes recognised in net assets/equity:				
Current year contributions	12,295	-	-	12,295
Payouts	(11,454)	-	-	(11,454)
Other adjustments to net assets[31]	402	-	(1)	401
Leaver before 3 months	-	3	-	3
Subtotal	**1,243**	**83**	**4**	**1,245**
Surplus/(deficit) for the period	144	-	-	144
Balance as at 31 December 2022	**63,118**	**83**	**4**	**63,205**
Balance as at 1 January 2023	**63,118**	**83**	**4**	**63,205**
Changes recognised in net assets/equity:				
Current year contributions	12,237	-	-	12,237
Payouts	(14,804)	-	-	(14,804)
Other adjustments to net assets[32]	1,007	-	-	1,007
Leaver before 3 months	-	-	-	-
Subtotal	**(1,560)**	**-**	**-**	**(1,560)**
Surplus/(deficit) for the period	684	-	-	683
Balance as at 31 December 2023	**62,242**	**83**	**4**	**62,329**

[31] Other adjustments to net assets include payout requests outstanding as at 31 December and transfers to the United Nations Joint Staff Pension Fund (UNJSPF). In 2022, there were five transfers to the UNJSPF (2021: five).

[32] Other adjustments to net assets include payout requests outstanding as at 31 December and transfers to the United Nations Joint Staff Pension Fund (UNJSPF). In 2023, there were two transfers to the UNJSPF (2022: five).

THE PROVIDENT FUND OF THE OPCW

STATEMENT IV
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023
(IN EUR, THOUSANDS)

	Notes	2023	2022
Cash from operating activities			
Net surplus/(deficit) for the period		684	144
Non-cash movements			
(Increase) / decrease in accounts receivable	7	1	(2)
Increase / (decrease) in accounts payable	9	(1,007)	(402)
Reclassification of net assets/equity to liability	9	1,007	402
Unrealised currency exchange loss/(gain) on cash and cash equivalents	14	3	(9)
Currency exchange loss/(gain) on investments		-	-
(Gain)/loss on changes in fair value of investments	12	(21)	62
Net cash flows from operating activities		**667**	**195**
Cash flows from investing activities			
Proceeds from sale of investments		82	42
Net cash flows from investing activities		**82**	**42**
Cash flows from financing activities			
Participants' contributions		12,237	12,295
Payouts to separated participants		(14,804)	(11,454)
Net cash flows from financing activities		**(2,567)**	**841**
Net increase/(decrease) in cash and cash equivalents		**(1,818)**	**1,078**
Unrealised currency exchange (loss)/gain on cash and cash equivalents	14	(3)	9
Cash and cash equivalents at beginning of the period	8	66,361	65,274
Cash and cash equivalents at end of the period		**64,540**	**66,361**

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 2023

1. REPORTING ENTITY

1.1 The Provident Fund of the Organisation for the Prohibition of Chemical Weapons (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 seven 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 (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, its evolution and the availability of alternative mechanisms to provide social security benefits that are on par with other similar international organisations.

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.

1.6 Upon separation from the OPCW, or upon Participant request up to three months prior to separation, participants' accumulated Provident Fund balances become due for payment. Upon Participant request and approval of the Board, the Provident Fund balances of the separating participants may also be retained with the Provident Fund up to a period of one year after they leave the service of the OPCW, unless they join a United Nations Joint Staff Pension Fund (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. Although a transition to the UNJSPF is currently under negotiation and the current administrator of the funds will no longer be providing the service, the Provident Fund shall remain a going concern for the calendar year following the reporting date of these financial statements. Where IPSAS is silent concerning any specific standard, the appropriate International Financial Reporting Standards 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 2023.

Future accounting pronouncements

2.4 The following significant accounting pronouncements from the International Public Sector Accounting Standards Board have been issued as at 31 December 2023, but are not yet effective:

Standard	Objective of Standard	Effective Date	Estimated Impact on Provident Fund Financial Statements
IPSAS 43 Leases	To increase transparency related to assets and liabilities that arise from lease contracts, eliminate information asymmetry, and increase comparability between financial statements of lessees that buy assets from those that lease assets.	1 January 2025	Not applicable.
IPSAS 46 Measurement	To define measurement bases that assist in reflecting fairly the cost of services, operational capacity and financial capacity of assets and liabilities. The standard identifies approaches under those measurement bases to be applied through individual IPSAS to achieve the objectives of financial reporting.	1 January 2025	The Provident Fund of OPCW will review and consider the impact of the changes prescribed in this Standard during 2024.

Standard	Objective of Standard	Effective Date	Estimated Impact on Provident Fund Financial Statements
IPSAS 47 Revenue	To establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from revenue transactions.	1 January 2026	The Provident Fund of OPCW will review and consider the impact of the changes prescribed in this Standard during 2024 and 2025.
IPSAS 48 Transfer Expenses	To establish the principles that a transfer provider (an entity) shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of expenses and cash flows arising from transfer expense transactions.	1 January 2026	Not applicable.

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 Foreign currency balances (in USD) represent 0.06% of the total assets of the Provident Fund. The following exchange rates have been used in the preparation of these Financial Statements:

Period	USD/EUR
31 December 2023	0.901
Average 12 months	0.924

Period	USD/EUR
31 December 2022	0.939
Average 12 months	0.948

Functional and presentation currency

(a) 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 the euro. Assets held in US dollars are converted to euros at the exchange rate of 31 December 2023. 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.

Transactions and balances

(b) Foreign currency transactions are translated into the functional currency using the United Nations Operational Rate of Exchange prevailing at the dates of the transactions or valuation where items are remeasured. 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 2023.

Financial assets

Classification

3.3 The Provident Fund classifies its financial assets into the following categories: financial assets at fair value through surplus or deficit (such as investments in UBS units); and financial assets carried at amortised cost (cash and cash equivalents and receivables). The classification is based on the application of IPSAS 41 which came into effect as of 1 January 2023. The classification of the financial assets is determined at initial recognition and re-evaluated at each reporting date.

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

Recognition and measurement

3.5 Purchases and sales of financial assets at fair value through surplus or deficit are recognised on the trade date and are initially recognised at fair value (usually the transaction price). Transaction costs are expensed in the statement of financial performance. Receivables are initially recognised at fair value plus transaction costs.

Subsequent measurement

3.6 Financial assets at fair value through surplus or deficit are subsequently carried at fair value. Cash and Cash Equivalents which are held with a financial institution with a credit rating of P-1 are measured at amortised cost, however, they are not subject to amortisation in line with IPSAS 41 paragraph 40 as they have maturities of less than 12 months. Receivables are also measured at amortised cost and represent less than 0.02% of the balance sheet of the Provident Fund and as such do not warrant the establishment of Estimated Credit Loss (ECL) model under IPSAS 41.

3.7 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.

3.8 Translation differences arising on monetary items are recognised in the statement of financial performance.

Impairment

3.9 All financial assets except those measured at fair value through surplus or deficit are subject to review for impairment. If there is objective evidence of an impairment loss on receivables, the carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of financial performance.

Financial liabilities

3.10 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

3.11 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

3.12 The Provident Fund's major categories of exchange revenue are interest income and gains on changes in fair value of the UBS investments.

3.13 Revenue for interest income is recognised on a time-proportion basis using the effective interest method.

Revenue from non-exchange transactions

3.14 Non-exchange revenue represents transactions in which the Provident Fund receives value from another entity without providing approximate equal value to another entity in exchange, and is measured at the amount of the increase in net assets as recognised by the Provident Fund. Services in kind are not recognised (see note 15).

3.15 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 10.2).

Expenses

3.16 Expenses are recognised when the relevant goods or services are delivered.

4. MATERIALITY, CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS

4.1 In accordance with IPSAS the Financial Statements include amounts based on estimates and assumptions, based on the materiality of the relevant transactions and events. 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 irrecoverability. 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. Furthermore, the Provident Fund also considers the financial risk factors discussed in note 5, such as credit risk, to determine whether any significant issues may impact the carrying value of cash balances. No impairment has been recognised in the Financial Statements of the Provident Fund as at 31 December 2023.

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 ABN AMRO as the party designated to provide investment and administration services to the Provident Fund.

5.2 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 Meeting of Participants also receives 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

5.3 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 United States dollars. Therefore, exposure to foreign exchange risk exists to the extent of these United States 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.

5.4 United States dollar denominated balances represent a low proportion of total assets of the Provident Fund, and hence the foreign exchange risk is deemed to be low. As at 31 December 2023, if the euro had weakened/strengthened by 10% against the United States dollar, the net surplus for the year would have been EUR 7 thousand higher/lower mainly as a result of foreign exchange gains/losses on revaluation of participants' United States dollar denominated Provident Fund balances (including UBS units) and other United States dollars cash accounts of the Provident Fund.

Market risk: Interest rate risk

5.5 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.

5.6 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:

	2023		**2022**	
	For EUR Accounts	**For USD Accounts**	**For EUR Accounts**	**For USD Accounts**
Average interest rate	1.05%	5.06%	0.30%	0.10%
Interest rate as at 31 December	1.75%	5.38%	0.30%	0.05%

5.7 According to the Provident Fund policy issued in 2007, the target interest rate on contributions is set at the Internet Plus +0.4%, which was amended in 2010 to at least the savings rate +0.1%.

Market risk: Other price risk

5.8 Other price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. 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 and represent only 0.34% of the net assets of the Provident Fund. Market 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.

Credit risk

5.9 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 2023, ABN AMRO was 49.5% owned by the Dutch Government (2022: 56.3%). The Provident Fund and other account balances are covered by a 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 customers' 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[33]
Short-term credit rating	P-1

UBS AG

Moody's Investors Service Ratings	Rating[33]
Short-term issuer level rating	P-1

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

5.10 The Provident Fund Management Board is actively monitoring all ratings for the financial institutions with which it holds cash. The banks used by the Provident Fund continued to hold a P-1 rating as at the reporting date.

Liquidity risk

5.11 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 the 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.

5.12 As detailed in note 9, accounts payable represent mainly payouts requested by participants that remain unpaid as at the reporting date. Furthermore, payouts to the majority of Professional and higher staff who have not yet requested a payout will be made over a period of one to seven years, owing to the tenure policy of the OPCW. Payouts to General Services staff may be made over a longer time period.

6. INVESTMENTS

Participants' Provident Fund balances held in UBS units are as follows:

(in EUR, thousands)	**2023**	**2022**
USD units	5	39
EUR units	208	235
Total investments	**213**	**274**

7. ACCOUNTS RECEIVABLE

The receivable amount of EUR 12 thousand as at 31 December 2023 (2022: EUR 12 thousand) represents an amount due to the Provident Fund from separated participants, refund of bank charges from ABN AMRO, and amounts due from the OPCW to the Provident Fund.

8. CASH AND CASH EQUIVALENTS

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

(in EUR, thousands)	**2023**	**2022**
Unrestricted		
Current accounts in EUR	934	102
Current accounts in USD	35	1
Total unrestricted	**969**	**103**
Restricted		
Savings accounts in EUR	63,537	66,203
Savings accounts in USD	34	55
Total restricted	**63,571**	**66,258**
Total cash and cash equivalents	**64,540**	**66,361**

8.2 Participants’ capital represents accumulated Provident Fund balances of participants maintained in Provident Fund accounts designated as A, B, C and D for participants’ own contributions, OPCW matching contributions, participants’ voluntary contributions, and contributions made prior to 2007 respectively. These contributions are payable only to participants and are not available for use by the Provident Fund for any other purpose.

8.3 For the restricted euro portion of the participants’ capital, those held in A, B, and D accounts, payments are made to participants only upon their separation from the OPCW, while for participants’ capital held in C accounts, payments can be made only to participants in June and December upon their request except in exceptional circumstances when a payment at another time of year may be approved. The breakdown of cash and cash equivalents under these categories is presented as follows:

(in EUR, thousands)	**2023**	**2022**
Participants’ contributions (A accounts)	18,962	19,572
OPCW’s contributions (B accounts)	37,924	39,132
Participants’ contributions (A+B) before 17 December 2007 (D accounts)	1,079	6,090
Participants’ voluntary contributions (C accounts)	5,572	1,409
Total	**63,537**	**66,203**

9. ACCOUNTS PAYABLE

Participants may request a 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.

(in EUR, thousands)	**2023**	**2022**
Amounts payable to separating participants	2,435	3,442
Total	**2,435**	**3,442**

10. NET ASSETS/EQUITY

10.1 Participants' capital (EUR 62,242 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), contributions made prior to 2007 (D accounts), and accumulated income earned (or losses incurred) on these resources as at 31 December 2023 (2022: EUR 63,118 thousand).

10.2 Special reserves (EUR 83 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 paragraph 3.14 above (2022: EUR 83 thousand). There were no new such cases during 2023.

10.3 Accumulated surplus/(deficit) (EUR 4 thousand) represents the cumulative gain/(loss) that is not attributable to specific participants' accounts (2022: EUR 4 thousand). The Board will decide how to use the surplus.

11. INTEREST INCOME ON PARTICIPANTS' CAPITAL ACCOUNTS

Interest on participants' accounts with ABN AMRO for the year ended 31 December 2023 was as follows:

(in EUR, thousands)	**2023**	**2022**
Interest on participants' contributions (A accounts)	198	58
Interest on OPCW's contributions (B accounts)	396	115
Interest on contributions (A+B) before 17 December 2007 (D Accounts)	13	4
Interest on voluntary contributions (C accounts)	60	20
Total	**667**	**197**

12. GAIN / LOSS ON FINANCIAL ASSETS

In 2023, there is an amount of EUR 21 thousand gain due to changes in fair value of the UBS units (2022: EUR 62 thousand loss).

13. EXPENSES

General operating expenses

The Provident Fund incurred EUR 0.07 thousand operating expenses in the year 2023 (2022: EUR 0.2 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.

14. FINANCE INCOME AND FINANCE COST

Exchange gain and loss are recognised as finance income and finance cost, respectively.

(in EUR, thousands)	**2023**	**2022**
Unrealised Foreign currency gains/(losses)	(3)	8
Realised Foreign currency gains/(losses)	(1)	1
Net finance income/(costs)	**(4)**	**9**

15. SERVICES IN KIND

15.1 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

15.2 The Provident Fund Management Board's membership is composed of seven 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

15.3 The staff of the OPCW Budget and Finance 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.

16. CONTINGENT LIABILITIES

The Provident Fund does not have any contingent liabilities as at 31 December 2023.

17. RELATED PARTY TRANSACTIONS

17.1 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.

17.2 The OPCW provides administrative support to the Provident Fund free of charge (note 15.3). All other transactions between the Provident Fund and the OPCW are conducted at arm's length.

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

18. KEY MANAGEMENT REMUNERATION

18.1 Members of the Provident Fund Management Board play the key management role as regards to the Provident Fund. The seven members of the Board include the Deputy Director-General and Principal Financial Officer of the OPCW, Head of the Budget and Finance Branch of the OPCW and four members elected by Provident Fund participants.

18.2 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.

19. 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

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS (OPCW) FOR THE YEAR ENDED 31 DECEMBER 2023

Opinion

We have audited the financial statements of the Organisation for the Prohibition of Chemical Weapons (OPCW) for the year ended 31 December 2023, which comprise the statement of financial position (statement I), the statement of financial performance (statement II), the statement of changes in net assets/equity (statement III), the statement of cash flow (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Organisation for the Prohibition of Chemical Weapons (OPCW) as at 31 December 2023, and its financial performance, changes in net assets/equity, cash flow, and comparison of budget and actual amounts for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled "Auditor's responsibilities for the audit of the financial statements". We are independent of OPCW in accordance with the ethical requirements relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and the auditor's report thereon

Management is responsible for the other information, which comprises the information included in the Director General's Report for the year ended 31 December 2023, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of OPCW to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless the management intends either to liquidate OPCW or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of OPCW.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control;

(b) Obtain an understanding of internal control relevant to the audit 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 internal control of OPCW;

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;

(d) Draw conclusions as to the appropriateness of the management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of OPCW to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the OPCW to cease to continue as a going concern;

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of OPCW that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the OPCW Financial Regulations.

In accordance with the Article 13 of OPCW Financial Regulations, we will also issue a long-form report on our audit of the Organisation for the Prohibition of Chemical Weapons.

Signed

Girish Chandra Murmu
Comptroller and Auditor General of India

27 May 2024

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF THE PROVIDENT FUND OF THE ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS (THE PROVIDENT FUND) FOR THE YEAR ENDED 31 DECEMBER 2023

Opinion

We have audited the financial statements of the Provident Fund of the Organisation for the Prohibition of Chemical Weapons (the Provident Fund) for the year ended 31 December 2023,which comprise the statement of financial position (statement I), the statement of financial performance (statement II), the statement of changes in net assets/equity (statement III) and the statement of cash flow (statement IV) for the year then ended, as well as the notes to the financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Provident Fund as at 31 December 2023, and its financial performance, changes in net assets/equity and cash flow for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled "Auditor's responsibilities for the audit of the financial statements". We are independent of the Provident Fund in accordance with the ethical requirements relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and the auditor's report thereon

Management is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of the Provident Fund to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless the management intends either to liquidate the Provident Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Provident Fund.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control;

(b) Obtain an understanding of internal control relevant to the audit 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 internal control of the Provident Fund;

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;

(d) Draw conclusions as to the appropriateness of the management’s use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of the Provident Fund to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Provident Fund to cease to continue as a going concern;

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the Provident Fund that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Charter and Administrative Rules of the Provident Fund, Financial Regulations and Rules of OPCW.

Signed

Girish Chandra Murmu
Comptroller and Auditor General of India

27 May 2024

Office of the Comptroller and Auditor General of India

Our audit aims to provide independent assurance and to add value to the Organisation for the Prohibition of Chemical Weapons (OPCW) by making constructive recommendations.

For further information, please contact:

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Audit of the Organisation for the Prohibition of Chemical Weapons (OPCW) for the Financial Year ended 31 December 2023

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Executive Summary

1. The report comprises the results of the audit of the financial statements and operations of the Organisation for the Prohibition of Chemical Weapons (OPCW) for the financial year ended 31 December 2023 pursuant to Financial Regulations 13.1 to 13.10 of the OPCW and the Additional Terms of Reference governing external audit appended thereto.

2. This is the Third audit report by the Comptroller and Auditor General of India, under our mandate as the External Auditor of the OPCW from 2021 to 2023.

3. The general objectives of the audit are to provide independent assurance on the fairness of the presentation of the financial statements, to help increase transparency and accountability in the Organisation, and to support the Organisation's work through the external audit process.

Overall results of the audit

4. In line with our mandate, we audited the financial statements of OPCW in accordance with the Financial Regulations and in conformity with the International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB).

5. We concluded that the financial statements present fairly, in all material respects, the financial position of OPCW for the financial year ended 31 December 2023, and its financial performance, the changes in net assets/equity, the cash flows, and the comparison of budget and actual amounts are in accordance with the International Public Sector Accounting Standards (IPSAS). Based on our conclusion, we issued an unqualified audit opinion on the Organization's financial statements for the financial year ended 31 December 2023. We acknowledge the concerted efforts of the OPCW management and staff towards ensuring compliance with IPSAS.

6. We, however, identified issues that need to be addressed by the Secretariat to further improve recording and reporting of financial management. The report includes audit observations on the financial management of the Organization for the period ending December 2023.

7. In addition to the audit of the financial statements and compliance audit at OPCW headquarters, we conducted a performance audit on 'Contributions and Programme Budgeting' and an Information System Audit on implementation of ERP (areas that were not covered in previous audit), other legacy IT systems, and IT security infrastructure. We also followed up on the implementation of previous recommendations of the External Auditor (Annexure- 1).

1. Introduction

8. The Organisation for the Prohibition of Chemical Weapons (OPCW) is the implementing body of the Chemical Weapons Convention (Convention), which came into force in 1997. The Organisation consists of 193 Member States who share the collective goal of eliminating and preventing the re-emergence of chemical weapons, thereby strengthening international security, and facilitating international cooperation, as well as the Conference of the States Parties, the Executive Council, and the Technical Secretariat. The OPCW's mission is to implement the provisions of the Chemical Weapons Convention to achieve the vision of a world free of chemical weapons and the threat of their use; and where science is used for peace, progress, and prosperity.

2. Audit mandate, scope, and methodology

9. The Comptroller and Auditor General of India was appointed External Auditor of the Organisation for a period of three years commencing with the year 2021. External Audit draws its mandate from Article 13 of the Financial Regulations and Rules of the OPCW. This is the third year of our audit mandate and the third report to be issued on an annual basis by the Comptroller and Auditor General of India.

10. Our audit is an independent examination of the evidence supporting the amounts and disclosures in the financial statements. It includes the assessment of the accounting principles used and significant estimates made by the Organisation, as well as the overall presentation of the financial statements. It also includes performance audits and an assessment of compliance by OPCW with Financial Regulations and legislative authority.

11. We conducted our audit in accordance with the International Standards on Auditing (ISA). These standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free from material misstatements. We coordinated our planned audit areas with the Office of the Internal Oversight (OIO) to avoid unnecessary duplication of efforts and determine the extent of reliance that can be placed on the latter's work.

12. We reported the audit results to the OPCW management through audit observations and recommendations. The response of the OPCW management to our audit observations and recommendations have been incorporated, as appropriate, in the audit report.

3. Results of audit

13. This section presents the results of the audit for the financial year 2023. To ensure balanced reporting and to co-develop solutions, we afforded the management an opportunity to respond to our audit observations and recommendations. The recommendations made to the management are designed to support the objectives of OPCW's mandate, to reinforce accountability and transparency, and to improve financial management and governance in OPCW.

Financial commentary

14. Total Revenue for the financial period ended December 2023 (EUR 75.01 million) decreased by EUR 8 million as compared to the previous year (83.01 million). Total Expenses for the financial period ended December 2023 (EUR 84.85 million) increased by EUR 1.59 million over the previous year (EUR 83.26 million). The net deficit for 2023 was EUR 9.17 million, compared to net deficit of EUR 0.08 million in 2022. This increase in net deficit is largely due to reduction in voluntary contribution by EUR 3.05 million, increase in other operating expense by EUR 1.30 million, and increase in depreciation, amortisation and impairment expense by EUR 1.27 million.

15. The organisations total liabilities in 2023 (EUR 45.82 million) decreased by EUR 4.15 million over the year 2022 (EUR 49.97 million), mainly due to reduction in accounts payable by EUR 2.10 million and reduction in employee benefit liabilities by EUR 1.49 million. The total assets also decreased in 2023 (EUR 93.35 million) by EUR 6.25 million over the year 2022 (EUR 99.60 million)

16. We analysed the liquidity position of the organisation to assess its ability to meet its short-term commitments or operating needs The ratios suggest a relatively stable and consistent financial position

Table 1: Ratio analysis for 2021 to 2023

Financial Ratio	**2023**	**2022**	**2021**
Current ratio34 (current asset/current liability)	2.58	2.23	2.70
Total Asset/Total Liability 35	2.04	1.99	1.85
Cash ratio (cash/current liability)36	2.04	1.66	1.95

Source: Financial Statements 2023

4. Changes made in Financial Statements at the instance of Audit

17. The following observations were accepted by management and necessary adjusting entries/disclosures were made in the financial statements at the instance of audit.

OPCW Financial Statements

i. Note 6 in the financial statements had been updated taking into account the accumulated depreciation

34 A high current ratio indicates an entity’s ability to pay off its short-term liabilities.

35 A high asset to liability ratio is a good indicator of solvency.

36 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.

ii. Appendix to the Financial statements were updated regarding overstatement of Provisional cash deficit.

OPCW PF Financial Statements

i. Note 7 in the financial statements regarding receivables had been updated

5. Financial Audit Observation

5.1 Comment on Surplus/ Déficit

5.1.1 Impairment of Financial Assets- Receivables

18. Accounting policy[37] of OPCW states that the Provident Fund classifies its financial assets into the following categories: financial assets at fair value through surplus or deficit (such as investments in UBS units); and financial assets carried at amortised cost (cash and cash equivalents and receivables). The policy further states that all financial assets except those measured at fair value through surplus or deficit are subject to review for impairment. If there is objective evidence of an impairment loss on receivables, the carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of financial performance.

19. We observed that a receivable of EUR 12 thousand represented an amount due to the Provident Fund from three sources, i.e., separated participants, refund of bank charges from ABN AMRO, and amounts due from the OPCW to the Provident Fund. We noted that while ABN AMRO and OPCW had given a confirmation regarding repayment, there was no confirmation available from the separated participant for a due amount of EUR 3,267. Further no securities were also held by OPCW against the amount due.

20. Thus, the receivable of EUR 3,267 ought to have been impaired fully. This Non-impairment has resulted in overstatement of receivables with corresponding overstatement of Net surplus for the period.

21. The management while accepting that impairment was not done, further stated that for the next year, after undertaking further recovery efforts as part of its regular process, shall submit a proposal for any balance that remained outstanding as of 31 Dec 2024 to the Provident Fund Management Board for impairment or write-off.

Recommendation 1: The Secretariat may review and impair all financial assets which are unsecured after following due process.

5.1.2 Impairment of financial instruments

22. IPSAS-41[38], states that if the contractual cash flows on a financial asset have been renegotiated or otherwise modified, but the financial asset is not derecognised, that financial asset is not automatically considered to have a lower credit risk.

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[37] Accounting policy 3.3 of the Financial Statements of PF.

[38] Paragraph AG 191.

23. We noted that state parties that have lost their voting rights can submit a proposal for a multi-year payment plan demonstrating their commitment to regularise the payment of their outstanding advance to the Working Capital Fund and/ or annual Assessed Contributions in order to regain their voting rights.

24. We observed that the Conference of State Parties (CoSPs) approved the multi-year payment plan proposed by three State parties in November 2017, November 2019, and November 2023 respectively. Payments as agreed have not been made completely by these state parties leaving an outstanding of EUR 216,253 as on 31.12.2023. These outstanding dues of the State parties were to be impaired fully. However, we noted, that the outstanding assessed contribution of these three State parties during 2019-2023 was found impaired at the rate of 0.90 % (along with those countries which have made timely payments). This has resulted in overstatement of Assessed contributions recoverable to the extent of EURO 62,727.57 and understatement of (Net surplus) for the year 2023.

25. The Secretariat in its reply stated that opting for multiyear payment plan by State parties does not necessarily imply that it poses any additional risk than other States Parties that have outstanding balances for similar number of years but have not come forward to opt for this plan. As such it would be inappropriate to fully impair their outstanding assessed contribution where they have not explicitly stated that they refuse to pay their outstanding dues.

26. These three State Parties had defaulted on their dues and had themselves opted for the Multiyear payment plan. We are of the view that subsequent default by them even after this arrangement merits treatment under the provisions of IPSAS 41 (AG 191).

> **Recommendation 2: We recommend that the Secretariat may fully impair the outstanding dues in respect of dues outstanding beyond the approved time schedule under the multiyear plan.**

5.2 Comments on Disclosure

5.2.1 Application of Going concern concept

27. IPSAS states that, when preparing financial statements, an assessment of an entity’s ability to continue as a going concern shall be made by considering a wide range of factors relating to (a) current and expected performance (b) potential and announced restructurings of organisational units, (c) estimates of revenues or the likelihood of continued government funding and (d) potential sources of replacements financing.

28. We noted that the Executive Council of the OPCW in its 104th session recommended joining United Nations Joint Staff Pension Fund (UNJSPF) with effect from 1 January 2025, and asked the Technical Secretariat to begin preparatory work. Further, the Director General, OPCW has also approved a proposal, which would bring PF management directly under the control of the OPCW, after the exit of current Fund Administrator on 21st of November 2024.

29. We observed that there would be a considerable change in the management of the OPCW-PF that can be foreseen, for which no specific disclosure has been made.

30. The Secretariat stated that the date of joining the UNJSPF is not certain as negotiations and approval by the UNJSPF Board, the OPCW Conference of States Parties as well as the UN General Assembly are required before it can be stated with certainty, and disclosure had been made in Note 2 of the financial statements.

31. We noted that Note 2 of the financial statement does not state that the fund would be managed internally, and we are of the opinion that the change in management should be disclosed suitably.

Recommendation 3: We recommend that the Secretariat may make suitable disclosure in the Accounting Policy and Notes to inform the reader of the accounts about the change in management of OPCW-PF from November 2024 onwards.

6. Performance audit on Contributions and Programme Budgeting

32. The Technical Secretariat's (the Secretariat) Budget and Finance Branch is responsible for developing and managing the OPCW Programme and Budget, supporting the management and reporting of extra-budgetary funding, preparation of the OPCW Financial Statements, collecting assessed State Party contributions and other income, and administering all payments for the organisation. The Branch carries out its functions in accordance with the financial regulations and rules and decisions of the OPCW policy-making organs.

33. We reviewed the performance of the Secretariat about management of the contributions received and the programme and budgetary process, from 2019 to 2023, to obtain reasonable assurance that the aforesaid activities were being carried out in an efficient, effective, and non-discriminatory manner.

34. Our audit approach included receiving information through questionnaires, requisitions, audit queries, walkthroughs, and discussions with the concerned personnel. Our audit observations are based on the information and confirmations provided by the Secretariat. The audit findings are as follows:

6.1 Assessed Contributions

35. As per Article VIII of the Chemical Weapons Convention and Regulation 5.1 of the Financial Regulations Rule 2023, the costs of the Organization's activities shall be paid by States Parties (SPs) in accordance with the United Nations scale of assessment adjusted to consider differences in membership between the United Nations and the Organization, and subject to the provisions of Articles IV and V. The contributions from the SPs shall finance the appropriations approved by the Conference of State Parties (CSP).

36. The status of the assessed contributions, during the period under review (2019- 2023) is shown in Table 2 below.

Table 2: Status of Assessed Contributions

Amount in € millions

	2019		2020		2021		2022		2023	
	No of SPs	**Amount in Euro**	**No of SPs**	**Amount in Euro**	**No of SPs**	**Amount in Euro**	**No of SPs**	**Amount in Euro**	**No of SPs**	**Amount in Euro**
Assessment for the year	193	67,119,590	193	67,119,590	193	67,119,590	193	68,422,163	193	69,886,664
State Parties that have paid in full	112	52,436,671	113	51,953,249	118	51,916,697	117	53,390,463	126	54,238,444
State parties that have paid in part	24	9,741,042	16	10,030,572	17	10,392,858	16	11,273,350	14	12,951,396
State Parties that have made no payment	57	0	64	0	58	0	60	0	53	0
Assessed Contribution Received		62,177,713		61,983,821		62,309,555		64,663,813		67,189,840
Collection Rate in Per cent		92.64		92.35		92.83		94.51		96.14

(a) Lack of timely receipt of Assessed Contributions from the State Parties:

37. As per Regulation 5.4, the assessed contributions shall be due and payable in full within 30 days of the receipt of the communications or on the first day of the financial year to which they relate, whichever is later. As per the information provided by the Secretariat, SPs paying on time has varied from 11.4 % in 2019 to 6.74 % in 2023 as shown in the chart below.

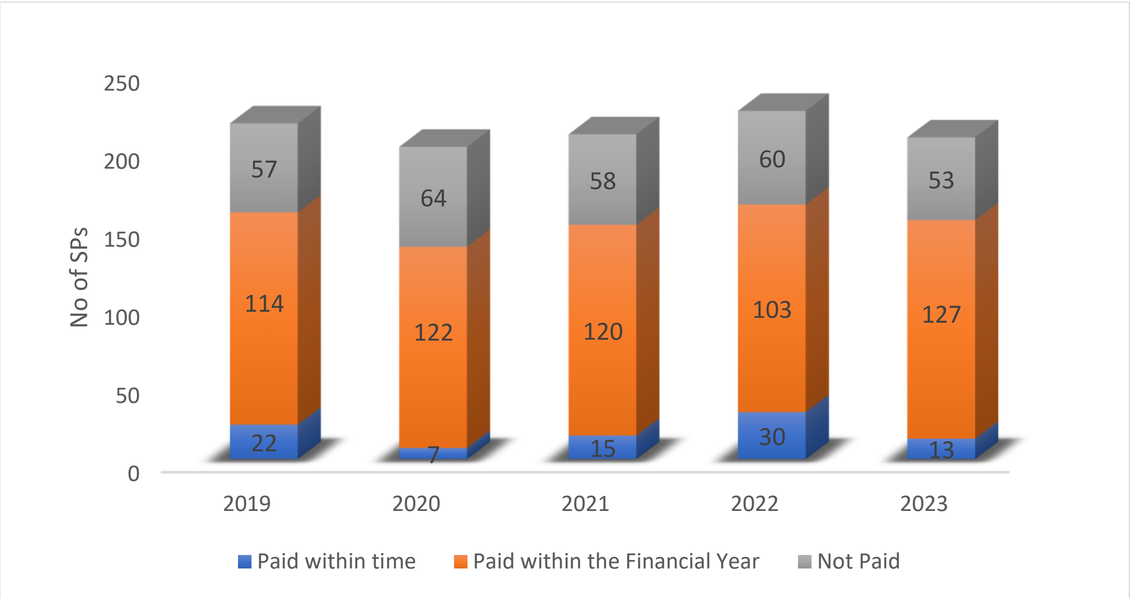

Chart 1- Timely payment of Assessed Contributions by the SPs

(b) Non-payment by SPs and increase in amount of assessed contributions impaired.

38. As can be seen from Table 1 above, number of SPs not paying their assessed contributions has varied from 57 in 2019 to 53 in 2023. Even though the collection rate increased from 92.35% (2020) to 96.14% (2023), the cumulative balance of assessed contributions receivable increased from € 3.85 million (1 January 2019) to € 11.6 million (31 December 2022) and ultimately reached € 7.15 million (31 December 2023).

Table 3: Status of cumulative outstanding Assessed Contributions

Amount in € thousands

S.No	Year	2019	2020	2021	2022	2023
1	Outstanding as on 1 January	3,585	7,120	10,096	10,564	11,610
2	Assessed Contribution for the year	67,120	67,120	67,120	68,422	69,887
3	Total outstanding (1 +2)	70,705	74,240	77,216	78,986	81,497
4	Receipts during the year (3-5)	63,585	64,144	66,652	67,376	74,347
5	Outstanding as on 31 December	7,120	10,096	10,564	11,610	7,150

39. Moreover, there were eight SPs who have not made any payment since becoming a member.

40. Thus, due to arrears in collection of assessed contributions from the SPs, the impairment of the same has increased from € 0.3 million (1 January 2019) to € 4.66 million (31 December 2023), as shown in Annexure 2.

41. Since the assessed contributions are the major source of funding the disbursements through the regular budget, non-timely receipt and shortfall in collection ultimately leads to the OPCW tapping into the Working Capital Fund (WCF) as well as the cash surplus to ensure that the planned activities are carried out during the financial year. The annual position of WCF balance from 2019 to 2023 is shown below.

Table 4 - WCF Balance from 2019-2023

Working Capital Fund	2019	2020	2021	2022	2023
Balance as on 1 January	8.1	8.1	0.6	8.1	3.1
Draw-down	2.5	7.5	0	5	0
Repayment	2.5	0	7.5	0	5
Balance as on 31 December	8.1	0.6	8.1	3.1	8.1

42. The Conference of the State Parties (CSP), while approving the budgets from 2019-2023, has continuously noted the reliance on WCF to address the cash flow shortages and encouraged the Secretariat and the SPs to work collectively to minimise the necessity of drawing upon this fund. Further, as communicated by the Secretariat, the corpus of WCF must be maintained between € 8-9 million. The balance in two of the years was below the prescribed level.

43. The Secretariat in its reply stated that the issue of the outstanding Assessed Contributions of SPs is regularly the subject of bilateral discussions at various level. In 2023, the Budget and Finance Branch wrote an additional reminder to SPs with arrears in advance of the Conference of State Parties. The Secretariat has also stated that it would review the approach and incentives adopted by comparable organisations to improve collection rates.

Recommendation 4: We recommend that increased efforts be made to encourage the State Parties (SPs), particularly those who have not paid since becoming member of OPCW, to pay their arrears on priority basis.

6.2 Reimbursement of Expenditure incurred Article IV & V

44. The Secretariat's Verification Division and Inspectorate Division work towards achieving chemical disarmament and preventing the re-emergence of chemical weapons through evaluation of States Parties' declarations; planning and conducting of inspections at both chemical weapons storage and destruction facilities; and chemical industry facilities. Article IV and V of the Chemical Weapons Convention stipulates that, each State Party shall meet the cost of destruction of Chemical Weapons and Chemical Weapons Production facilities it is obliged to destroy. It shall also meet the costs of the verification of storage, destruction of weapons and Chemical Weapons Production facilities.

(a) Delay in payment and non-payment of Article IV and V dues by the State Parties:

45. Rule 5.4.01 of OPCW Financial Regulations and Rules stipulates that, Contributions subject to the provisions of Articles IV and V of the Convention shall, where the State Party concerned concurs with the invoice in its entirety, be paid in full to the OPCW by the State Party within 90 days of receipt of the invoice. The details of invoices raised by OPCW, payment received from the SPs within the stipulated 90 days and within the year the invoice was raised, during the period from 2019 to 2023, is as detailed below.

Table 5 – Details of the reimbursement received under Article IV & V

Year	Number of invoices raised	Total Amount	Number of invoices paid by the State Parties within 90 days	Total Amount Paid	Number of invoices paid by State Parties beyond 90 days but within the Financial Year	Total Amount Paid	Percentage of recovery with reference to the invoices raised
2019	29	1,627,141	1	11,422	Nil	Nil	0.70
2020	24	1,783,043	Nil	Nil	8	411,033	23.05
2021	19	1,859,804	Nil	Nil	Nil	Nil	0.00
2022	39	1,909,546	Nil	Nil	8	414,666	21.72
2023	39	1,830,387	Nil	Nil	22	1,004,856	11.15
Total	150	9,009,921	1	11,422	38	1830555	20.44

46. During the period from 2019 to 2023, OPCW raised 150 invoices valuing € 9.01 million against which it received payment for only one invoice (€ 11,422) within the stipulated period of 90 days from date of receipt of invoice. During the year 2021, OPCW raised 19 invoices valuing € 1.09 million, against which no payment was received during the year on time. The percentage of timely recovery, with reference to the invoices raised, was very low and ranged from 0% (2021) to 23.05 % (2020).

47. Since the reimbursement of Article IV and V constitutes a part of the budgetary resources to fund the regular activity of OPCW, delay and non-payment of dues by the SPs poses a significant risk to the organization as has also been highlighted in the financial statements.

Recommendation 5: We recommend that concerted efforts be made with the State Parties (SPs) having amount outstanding for early payment of the dues.

6.3 Special Funds

48. As per Regulation 6.9 of the Financial Regulations of OPCW, Special Funds may be established by the Conference of the States Parties (CoSP) for clearly defined activities which are consistent with the objective and purpose of the OPCW as defined in the

Convention. Any special funds which are established shall be financed in a manner determined by the CoSP. Special funds shall be administered in accordance with the applicable Financial Regulations, unless otherwise provided for by the CoSP.

49. The summarized position of special funds operated during the five-year period from 2019 to 2023 is given below in the table.

Table 6: Status of Special Funds for the period 2019-23

Figs in €

Particulars	2019	2020	2021	2022	2023
No. of Special Funds	9#	8	8	8	8
Balance as on 1 January	3,702,932	4,312,812	4,580,297	2,139,024	3,782,065
Income	13	441	-	-	41,468
Refund / Transfers	2,186,235	2,340,729	-	958,134	762,358
Prior Years Adjustments	31,713	965,071	-	-	-
Expenditure	1,608,081	3,038,756	1,092,942	601,203	464,428
Balances as on 31 December	4,312,812	4,580,297	3,487,355	3,782,065	4,121,463

(a) Non utilization of Special Funds

50. As per the approval given by CSP for the establishment of the Special Funds, they can exist until the CSP decides to close the Fund, as it is the case for the Special Fund for the OPCW Equipment Store, the Special Fund for designated laboratories, and the Major Capital Investment Fund, or for a limited period, including for an initial period of 12 months from the same date, unless the Conference agrees with a recommendation of the Council to extend it beyond this initial period, taking due consideration of operational requirements. The Special Funds are funded as per the approval given by the CSP by authorising appropriations through the regular budget via assessed contributions or cash surplus, and through approved replenishment structures using general fund unutilised balance such as the ones specified for the Special Fund for OPCW Equipment and Special Fund for designated laboratories. This implies that specific actionable activities have to be planned before requesting the CSP for the allocation of cash surplus or assessed contributions towards the creation of Special Funds.

51. However, during the audit period, it was observed that there were instances wherein no or minimum activities have been carried out through the following funds:

i. No expenditure was incurred from the Special Fund for the Equipment Store from 2019 to 2021 despite the balance increasing from € 0.263 million (2019) to € 0.578 million (2021). The expenditure of € 0.48 million booked in 2023 contains actual disbursement of only € 158, rest were commitments.

Special Fund for the Fourth Review Conference was closed in 2019. Special Fund for Designated Laboratories, Equipment Store, Cybersecurity, Business Continuity, Physical Infrastructure Security, Major Capital Investment Fund.

ii. Similarly, expenditure of € 20 only was incurred from the Special Fund for Designated Laboratories in 2019 and 2020 despite the balance increasing from € 0.698 million (2019) to € 1.15 million (2020).

iii. As per paragraph 4 of the Note by the Technical Secretariat (RC-4/S/2 dated 21 November 2018), once approved, a biennial budget is reviewed in the first year of the biennium through an update process allowing for adjustments for the second year of the biennium, should budgetary assumptions and/or priorities significantly change. It was seen that the biennium budget for 2022-23 was passed in 2021. For the year 2023, a revised programme and budget was passed with new essential extraordinary provisions being made to the tune of € 2.24 million. These were for Special Funds for Cybersecurity, business continuity, and physical infrastructure security (€ 0.8 million), Major Capital Investment Fund (€ 0.71 million), Special Fund for the OPCW Equipment Store (€ 0.35 million) and Special fund for activities related to designated laboratories and equipment (€ 0.38 million).

52. Despite being new extraordinary provisions, no expenditure was incurred in 2023 thereby leading to non-achievement of the objectives set out against them and rendering the process of revised budgeting, for the second year of the biennium, unfruitful.

53. Moreover, despite non utilization of the allocated amount, sum of € 0.625 million and € 0.175 million has been provisioned for Special Fund for Cybersecurity, business continuity, and physical infrastructure security and Special Fund for the OPCW Equipment Store respectively for the year 2024.

54. In response the Secretariat replied that while there existed an implementation plan for Special Funds during the period 2020-2023, external factors impacted the ability of the Secretariat to implement planned activities and make purchases in those years. In particular, the COVID-19 Pandemic disrupted OPCW's operations and later global inflation posed challenges that impacted the planned utilisation of funds and especially the purchasing power of the programmes with respect to specific planned activities. Further, Special Funds are typically used for financing complex projects with the tendering processes for equipment/services that often last many months which frequently start in one financial year and in in another.

Recommendation 6: We recommend that clearly defined actionable items with timelines should be determined before transferring the funds to Special Funds every year.

55. The secretariat, in response, stated that subsequently the actionable items and its timeline have been included in the 2024-2025 Programme and Budget Document.

56. We will review the implementation during the next Audit.

7. Information System Audit

57. We examined the implementation of the UBW ERP system in relation to the other applications in use[39]. Our assessment encompassed scrutinizing contract management, General IT controls, data migration, and security measures within these applications. Additionally, we evaluated the legacy applications currently in use at OPCW, such as VIS-Industry, which are undergoing upgrades. Furthermore, we assessed the IT security infrastructure of OPCW, focusing on the CITADEL project. This project aims to enhance the existing Secure Critical Network by segregating various network functions into logically isolated compartments.

7.1 Implementation of ERP with respect to Asset and Travel Functionalities

58. A decision to implement an Enterprise-Resource-Planning (ERP) system and Establishment of a Special Fund for this purpose was made by the Conference of States Parties (CSP) upon the recommendation of the Executive Council at its Seventy-Seventh Session. This authorized the Technical Secretariat of OPCW to implement a new ERP system in the most cost-effective manner, in accordance with options set out in the ERP strategy document[40] distributed to the States Parties.

59. Accordingly, a contract was signed by the Technical Secretariat of the OPCW in June 2017 with the Unit4 Software Solutions B.V., Netherlands. The proposed architecture of the ERP solution was as below:

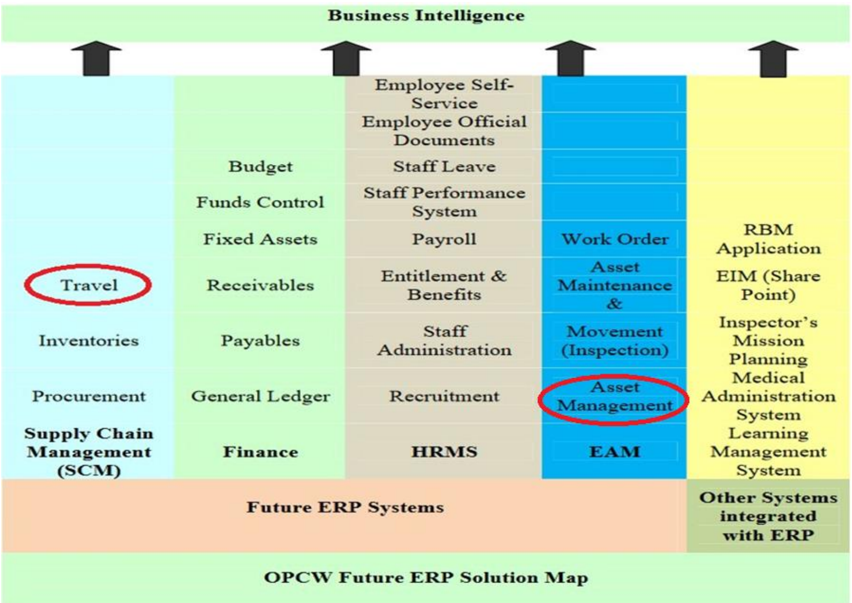

Fig 1. Extract of the Proposed Architecture of the New ERP Solution from the Note by the Director-General on the ERP Strategy of the OPCW, which highlighted "Travel" as a functionality.

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39 Travel expense module and Asset, an associated application, Tango and HardCat.

40 EC-77/DG.15, dated 12 September 2014.

60. We observed that two of the essential functionalities, Travel and expense module, and Asset management module were not completely implemented as envisaged in the proposed ERP architecture. Following are the details:

7.1.1 Travel and Expense Module

61. In the ERP system implemented in 2021, the module related to travel was not implemented and the legacy system "Tango" continues to be used for raising and processing travel requirements, whereas budgeting and payment is processed under the ERP system. Audit noted that there is no direct interface between Tango and UBW. Data extracted from Tango in excel format is sent to Budget for uploading the information in UBW.

62. We further observed that the travel module included in the contract did not have adequate detailing by way of proof of concept, and the contract was signed without the proof of concept, leading to the subsequent need for major customisation and related additional cost. Consultation with other users of the UBW ERP solutions at the planning stage could have prepared OPCW better in terms of travel module.

63. The replies of the secretariat were as detailed below:

i. The Secretariat informed that the OPCW's ERP tendering process did include requirements for licenses for a travel and expense module. They further stated that it could not be implemented due to the unique process and specialized travel requirements of OPCW travel, not well suited to the initial travel functionality of UBW,
ii. Further the effort required to utilize UBW after detailed customization, with the initial costs estimate of EUR 500,000, while annual running cost of EUR 54.893,63 did not present an attractive option, and the earlier delays in implementation led to the ERP Development Fund being nearly depleted.
iii. Consultations with ICAO, already using Unit 4 ERP solutions, revealed that many of the critically highlighted requirements were perhaps not as easily attainable in UBW platform and that the ICAO subsequently cancelled their development of that module.

64. While noting the replies, we are of the opinion that though it has been decided that the travel expense module of UBW is not to be used, payment of AMC charges[41] for the package continues.

65. We noted that the OPCW is currently working on a new in-house solution namely TANGO2 since November 2023 which is planned to be integrated with the ERP and OPCW processes. The timeline of completion of the new application is slated to be September 2024.

[41] Amount of EUR 923 per year.

Recommendation 7: The secretariat may ensure complete integration of the proposed standalone travel solution under development (TANGO 2), with UBW ERP system and discontinue payment of AMC for modules/packages not used.

7.1.2 Asset Management Module:

66. We noted that the Business Requirement Solution (BRS) for the ERP solution included the Asset Management Module, clearly listing that asset tracking and asset accounting both will be part of the module in UBW. The vendor, however recorded incapability for implementing the complete asset tracking functionality and need for a separate Barcode solution, as agreed upon in the Contract.

67. OPCW later decided not to implement the Asset Tracking Module in the UBW l, and decided on upgradation of the legacy system, “Hard Cat” application.

68. Asset management is presently carried out in a combination of ERP and Hard CAT, which is not integrated. Asset accounting and tracking is undertaken through two systems; assets accounting is undertaken through the ERP while asset tracking is done through Hardcat.

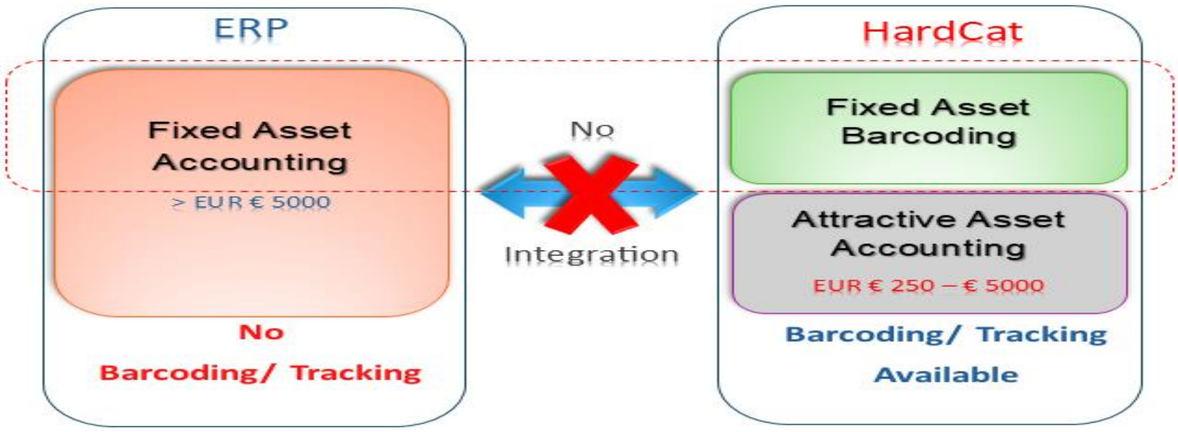

Fig 2. Fixed Asset Accounting is done in ERP while its Barcoding is done in HardCat.

69. The Secretariat stated it was always anticipated that building additional functionality to support assets (asset tracking) would involve additional investment and customization in UBW, and that no amount of Unit4 customization/configuration would bring barcoding support, and in any event an additional piece of software would be needed such as Hardcat or other solution.

70. We observed the following in this regard:

i. Prior to implementation of ERP, with Smartstream, the details of the (fixed) asset were pushed into Hardcat with a temporary barcode including cost centre and description, at the time of requisition. As such all assets were captured with cost at the time of receipt and invoice clearance.

ii. Compared to this, in the present system, the process of asset registration starts once a request is made by General Services to Finance for a monthly purchase report from UBW, as well as to other business units making procurements to initiate the asset. The GS, then, carries out the Fixed Asset Analysis/reconciliation, after which the asset can then be manually registered in both Hardcat and UBW separately.

iii. In the absence of an end-to-end solution in the present system, improvement over the previous system is not seen. Availability of an interface (between HARDCAT and UBW) is critical for ensuring data integrity with respect to reconciliation between the two systems.

71. The Asset Accounting User Interface in UBW does not have the essential parameter to capture PO number. Consequently, notes section in the asset module is being used for recording the PO number. Also, the Barcode box is not a mandatory feature, and can be skipped. Absence of PO number/barcode in the UBW can pose challenges during reconciliation later.

72. It is important for reconciliation between the two systems to have all asset holding units assigning a dedicated asset coordinator. This helps in accountability of assets at the time of the division wise verification.

Recommendations 8: We recommend that integration between the two systems i.e. HardCat and the UBW should be implemented to ensure a more efficient reconciliation and data integrity.

73. The Secretariat acknowledged this recommendation.

7.3 Other Legacy applications in OPCW

74. OPCW follows a federated IT strategy with each application under ownership of the division which uses them. These applications are hosted on various networks, segregated from each other on the basis of the criticality level and the confidentiality of information that they hold. Audit was provided with inventory of application in OPCW which has been categorized under four groups:

i. Upgraded and supported by vendor/ISB Support team/OEM : 12
ii. Supported by vendor/ISB Support team/OEM but no details of any upgrades provided/planned: 11
iii. Decommissioned: 5
iv. Not supported/support details not provided but operational: 20

75. As per OPCW IT Strategy, no unpatched/unsupported applications/ systems/servers should be part of the IT infrastructure. Audit reviewed the inventory of the applications as well as referred to the VITA and ITSAC minutes and noted that:

76. The business intelligence software application called Qlik Sense was introduced in OPCW to replace the older business intelligence software application called Cognos. OPCW has a perpetual license for Cognos which enables the organization to use the software without limitations, without active support from the vendor. However, Cognos support and maintenance was discontinued in 2018 whereas OPCW has not discontinued

use of Cognos which has 11 reports. We observed that migration of Cognos to CITADEL infrastructure is being planned.

77. Further, an enquiry was made on number of licenses of various analytics software being used in OPCW and details as follows were provided by ISB.

Table 7 – Number of licenses

Platform	Number of licenses	Under Support
Power BI	600	Yes, via E5
Qlik	130 Analyzer users (SNCN), 40 Analyzer users (SCN)	Yes via UNICC/ Qlik
IBM Cognos Analytics	384	No. (Only used on SCN)

78. VER informed us that there are 20 Professional licenses of Qlik which is used for development of reports. Audit noted that the organisation has 600 licenses of Power BI which are not being used actively.

79. The Secretariat acknowledged that COGNOS is out of support, and should be discontinued. However, it will impact migration of the same to CITADEL which is a strategic priority. UAT for migration of reports to Qliksense is being carried out with the help of available resources.

80. We noted the reply. However, we also take note of OPCW’s IT strategy and previous external audit reports wherein no out of support applications are recommended to be used in the organisation. Further, in VITA minutes it was noted that VER has 24 applications and 12 databases which are to be migrated to CITADEL.

Recommendation 9: We recommend that a revised schedule may be made and adhered to for the complete migration from COGNOS to NPrinting / Qliksense or PowerBI as feasible.

7.5 CITADEL and Security Infrastructure of OPCW

81. The Secure Critical Network (SCN) was designed as an air-gapped network42 using Ethernet connections to achieve logical and physical isolation from other OPCW networks, including the Secure Non-Critical Network (SNCN). The SCN was tasked with managing OPCW's most sensitive data categories, encompassing highly protected, protected, and restricted State Party information. The infrastructure of the SCN was confined to specifically authorized on-premises IT environments. However, the SCN continued to operate on unpatched Windows 7 systems, which contradicted OPCW's IT Strategy guidelines against using unsupported or unpatched systems.

42 A network security measure employed on one or more computers to ensure that a secure computer network is physically isolated from unsecured networks, such as the public Internet or an unsecured local area network.

82. OPCW initiated (2021) the CITADEL project to upgrade to a fiber-based network capable of supporting SECRET-level information with heightened controls. This initiative aimed to centralize critical IT applications and IT security management, thereby replacing the decentralized Islands networks to improve overall management and security.

83. The Information Services Branch (ISB) functions as the product owner of CITADEL infrastructure, while Head, Confidentiality and Information security role aligns with the role of the Chief Information Security Officer (CISO) in the organisation.

84. It was informed to audit that the scope of the CITADEL project did not encompass the migration of applications or changes to SCN applications. However, in the VITA minutes provided to audit, it was noted that 24 applications and 12 databases from DARQ need to migrate to CITADEL. Further, it has also been noted that migration of Cognos which is already out of support since 2017 has been planned to CITADEL.

85. We also noted that in a document of OCS (System specific requirement) provided in response to requisitions issued, “The new CITADEL network shall be in similar size with the existing Security Critical Network (SCN) and other non-Routine Mission (NRM) networks”. It will contain at least below compartments with different need-to-know requirements, which requires their own strategies for the migration from the existing separated networks43. We could not find any approved migration plan for these networks.

86. We identified several critical issues impacting the CITADEL project implementation:

a. Procurement and Execution Delays:

i. Even though the CITADEL was conceptualised in 2021, no specific milestone and timelines for the project were outlined. However, audit was informed that though the project was expected to be completed by 2023, now it is slated for completion not before Quarter 2 of 2024 with further delays expected after evaluation from OCS. Audit also noticed delays in the implementation due to delayed preparatory work such as inadequate cooling and power supply in the secure server room.

ii. Delays in the procurement and execution of purchase/work orders related to CITADEL were also noticed.

b. Scope Limitations: The CITADEL project focused solely on network and security measures, without factoring in the application migration and support for federated IT teams' applications. However, there is no firm plan in place to be followed by different divisions for onboarding of respective applications to the CITADEL. This will potentially impact the utilization of the infrastructure.

c. Feasibility Study: We noted that the secretariat engaged a consultant for architecture design of CITADEL. However, no dedicated feasibility study was conducted before implementing the architecture design for CITADEL. We observed that there were

[43] New SCN, IIT, FFM, DAT, Test and Development, Common Systems Compartment to host central management and security related IT systems.

inadequacies in cooling system and power requirements, which triggered nearly a year-long delay in the project implementation.

d. **Security Audit Deficiency**: The Head of the Confidentiality and Information Security section (CIS) is responsible for coordinating ICT audit activities with external teams. A regular third-party assessment of security posture is a standard industry best practice. However, we noted that no security audit was conducted on CITADEL after 2019.

e. **Outdated Infrastructure:** The Secure Critical Network (SCN) continues to operate on outdated, unpatched servers and clients (primarily Windows 7), posing security risks and non-compliance with OPCW's IT Strategy.

f. **Lack of network Migration Timeline**: There is an absence of an approved migration timeline by competent authority for networks apart from SCN operations within OPCW, hindering structured migration planning.

87. The secretariat acknowledged the observations and stated that security audits on CITADEL, in addition to those already conducted regularly on other IT systems (i.e., SIX), will be effective.

Recommendation 10: Implement scheduled independent security audits to assess and enhance the organization's security posture for securing high-value assets and sensitive information. The secretariat may consider including this as part of their policy document.

8. Compliance Audit of Chemistry and Technology Centre

88. The Organisation for the Prohibition of Chemical Weapons (OPCW) established (1996) a Laboratory and Equipment Store (LES) at Rijswijk which focused primarily on supporting the demilitarisation activities & missions, routine inspections, international cooperation etc. Later, the work of the LES changed and has grown significantly to reflect the changing and growing requirements of the States Parties. To meet the future needs of the LES, the Technical Secretariat (TS) prepared a report (December 2017) describing the need, estimated cost and estimated timeline for a project to construct a new facility for LES. The Needs Statement was distributed to State Parties in December 2017, and the project to construct the new Centre for Chemistry and Technology (Chemtech Centre) began.

89. We reviewed the project management, compliance to Project Initiation Document (28 June 2019) for ChemTech Centre project and Programme & Budget[44] of OPCW for the period 2022–2023. Our observations on these issues are discussed in subsequent paragraphs.

[44] Issued during December 2021.

8.1 Project Management

90. Project execution of the ChemTech Centre involved three major contracts namely construction contract, security contract and laboratory equipment contract.

8.1.1 Compliance with the Project Initiation Document and Programme and Budget OPCW 2022–2023

91. The Project Initiation Document[45] (PID) for ChemTech Centre dated 28 June 2019 comprises the proposal and roadmap for the augmented facilities in the ChemTech Centre with respect to analytical, research and training capabilities. After the completion (December 2022) of major construction works, the building was formally accepted (27 January 2023) and inaugurated on 12 May 2023. The project closure including the decommissioning of the Rijswijk facility was planned[46] to be completed by the fourth quarter of 2023. All the facilities detailed in the PID should have been complete and operational by Q2 of 2024.

92. We noted that the deliverable of the seventh phase of the project was the closure of the project which was scheduled by 4th quarter of 2023[47]. The closure of the project could not be achieved even during the second quarter of 2024 as the infrastructure such as new engineering/electronics workshop, computer-based modelling/simulation laboratory, unmanned system, remote inspection equipment etc. were not yet developed/procured.

93. The Secretariat replied (May 2024) that a number of planned operational facilities would take more time to achieve. It was also stated that deliverables of each phase described in the PID and expected benefits were not envisaged to be achieved before the closure of the project. Instead, the PID focuses on infrastructure which will enable the mid- to long-term benefits be realised after the project closure. Further, a review plan for these post-project benefits is currently being drafted and will be included in the end-project report.

8.1.2 Augmented analytical capabilities

94. As per para 4.3.2 of the PID, the ChemTech Centre shall have the capability of a micro synthesis facility (MSF) and a new engineering/electronics workshop. We observed that these facilities have not yet been completed and are delayed.

95. The Secretariat replied (May 2024) that the process of bringing the MSF to full operational capability has commenced whereas the completion was targeted by 4th quarter of 2025 for want of fulfilment of basic health, safety and security requirements.

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45 The PID forms the basis for planning, management, and implementation ChemTech Project, as well as an assessment of its results and outcomes.

46 As per the Technical Secretariat note dated 20 July 2023.

47 As per the Note by the Technical Secretariat dated 20 July 2023.

8.1.3 Augmented training capabilities

96. As per the Action Plan for 2022 and 2023 stated in the Budget Document, ChemTech Centre was to conduct a feasibility study on development of augmented reality and virtual reality training capability. Further conduct of the Laboratory Twinning Initiative and the Fellowship Programme, Workshop on novel topics in the field of chemical safety & security management and Capacity-building in green and sustainable chemistry by ChemTech Centre in 2023 were foreseen.

97. We noted that there were no details available regarding the conduct of a feasibility study or the timeline for the facility to be ready for deployment. We further noted that the Laboratory Twinning Initiative was not pursued due to the concerns expressed by States Parties and in the case of Fellowship Programme in ChemTech Centre, the confirmation of sufficient funding for such activities from extra-budgetary sources is still pending.

98. The Secretariat replied (May 2024) that while ChemTech Centre was inaugurated in May2023 and the PID was developed in 2019, there were some reprogramming/rescheduling due to the needs of States Parties and dynamic nature of capacity building activities for the sake of the efficiency of programmes which should not be understood as deficiencies in compliance to PID.

8.1.4 Augmented capabilities for the Equipment Store

99. As per Para 4.3.3 of the PID, the OPCW should continue to acquire equipment that will enable inspections with a higher degree of safety such as unmanned systems for sample collection, remote inspections, and protective equipment. However, no details pertaining to the procurement of unmanned systems, remote inspection equipment and protective equipment were available.

100. The Secretariat replied (May 2024) that these activities are expected to commence in 2024, drawing on anticipated voluntary contributions from States Parties.

101. We noted that the augmented capabilities of the Equipment Store were yet to be achieved (May 2024).

> **Recommendation 11: We recommend that to utilize the full potential envisioned of the ChemTech centre, the relevant programming units may prepare plans, metrics (KPIs) and resource requirements in the biennial Programme and Budget process with milestones for monitoring the achievements**

8.1.5 Increased operational efficiency and reduced environmental impact.

102. As per Para 2.1 of the PID, there shall be increased operational efficiency and reduced environmental impact. Verification division mentioned that they have greater time available for the research projects and till now two[48] research projects have been envisaged and are currently in the planning stage, however, no quantitative data to establish reduction

[48] Based on chemical forensics and biotoxin analysis.

of environmental impact and achievement of operational efficiency by ChemTech Centre with respect to the erstwhile facility at Rijswijk was made available to audit.

103. The Secretariat replied (May 2024) that it is not yet possible to demonstrate objectively with quantitative data that the OPCW Lab is functioning more efficiently whereas it would be possible to gather only qualitative data.

104. In the absence of quantitative details, Audit is unable to express an opinion on reduction of environmental impact and achievement of operational efficiency by ChemTech Centre.

8.1.6 Adherence to contemporary facility safety standards

105. Para 2.1 of the PID stipulated that there shall be augmented Physical and electronic security features in the ChemTech Centre including IR motion detection and bullet proof glass. However, no details pertaining to installation of these facilities were available.

106. The Secretariat replied (May 2024) that while it refrains from disclosing detailed information on security installations due to security reasons. While appreciating these concerns, in the absence of such details, we are unable to express an opinion on installation of these security systems.

Recommendation 12: We recommend that necessary steps may be taken to achieve the objectives mentioned in Programme and Budget of OPCW for the period 2022–2023 at the earliest.

9. Implementation of recommendations of the Office of Internal Oversight (OIO)

107. We reviewed the status of implementation of the recommendations of the Office of Internal Oversight (OIO). We noted that as on 31 December 2023, OIO had issued 195 recommendations from the years 2018-2023, out of which 144 recommendations were implemented by the management. Accordingly, 51 recommendations remained open/pending for implementation.

108. We further noted that out of the 51open/pending recommendations, 13 were of high priority, while the remaining were of medium priority.

109. We appreciate that the implementation rate of OIO recommendations increased from 59 percent in 2018 to 73.8 percent in 2023, out of which implementation rate of High-Priority recommendations had increased from 40 percent in 2018 to 76.8 percent 2023.

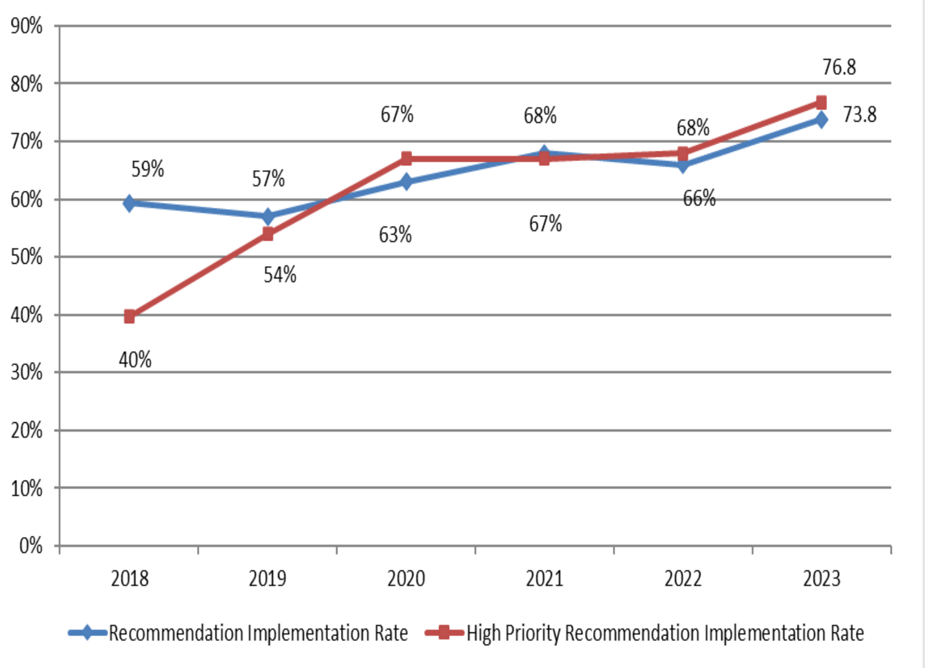

Chart 2: Implementation rate of OIO recommendations

110. The reports of OIO were being submitted to the Director General periodically and were being monitored. During the year 2023, 42 recommendations were closed by OIO, with confirmation of their full implementation.

10. Implementation of External Auditor's recommendations

111. We reviewed the status of implementation of previous recommendations of the External Auditor, which are presented in Annexure 1. There were 35 recommendations outstanding up to the period ending 31 December 2023, out of which 11 recommendations were implemented, 18 were under implementation, and 6 are yet to be implemented.

11. Acknowledgement

112. We express our appreciation to the Technical Secretariat and the staff members for their support and co-operation during our audit engagement.

Sd/-
Girish Chandra Murmu
Comptroller and Auditor General of India

Date: 12 June 2024

Annexure 1

STATUS OF IMPLEMENTATION OF PREVIOUS RECOMMENDATIONS OF THE EXTERNAL AUDITOR

Sl. No.	Reference/ Year	Area	Original recommendation	OPCW Response	External Auditor Comments	Status		
						Implemented	Under-implementation	Not implemented
1	1/2022	Finance/PF	The Secretariat and Provident Fund Management Board (a) should review the investment policy for alternative investment options without compromising the principles of capital preservation, minimum risk, sufficient liquidity, and simplicity, and (b) expedite exploring the adoption of the United Nations Joint Staff Pension Fund as an alternative provider.	The Director of Administration has formed a working group that meets weekly from January 2024 in order to prepare OPCW for possible entry into the UNJSPF from 1 January 2025 (the earliest possible entry date). Elements of the workplan for the group include reviewing OPCW's Financial Regulations and Rules, Staff Regulations and Interim Staff Rules and relevant Administrative Directives in order to ensure preparedness. Secondly, the current provider of Provident Fund services (ABN AMRO) has informed OPCW of its intention to terminate this service from November 2024. Consequently, the OPCW is preparing options proposals	OPCW has agreed on a time frame of Q1 of 2025 to join the UNJSPF and has started working towards achieving this target date. However, there are issues remaining to be finalized with respect to staff members not willing to join the UNJSPF, and final acceptance of the scheme by the UN. Further, after the services of ABN AMRO get over, management of the PF is proposed to be undertaken in-house by the OPCW. Hence this item is placed as under implementation.		Y	

Sl. No.	Reference/ Year	Area	Original recommendation	OPCW Response	External Auditor Comments	Status: Implemented	Status: Under-implementation	Status: Not implemented
				for the management of the Provident Fund both as an interim step before UNJSPF membership and to cater for those staff members who do not join the UNJSPF for various reasons (proximity to separation, imminent retirement and similar).				
2	2/2022	Fixed asset	The Secretariat should ensure physical verification of all fixed assets and attractive assets periodically as stipulated in Financial Regulations and Rules.	The Secretariat has conducted a physical verification of all fixed assets and attractive items in 2023 in line with the requirements of the OPCW Financial Regulations and Rules.	Asset count has been completed, which could not Identify 265 number of assets with current value of euro 210624.The same may be identified by OPCW failing which, write off proposals should be made for the corresponding amount. Recommendation for carrying out physical verification has been implemented	Y		
3	3/2022	ICA	The Secretariat should increase its engagement at the highest level with those SPs who have not made any Article VII submission or for which the legislation is pending at the level of	The engagement of the Secretariat with States Parties on this subject matter continues. As a result, 6 additional SPs reported in 2023 their adoption of legislation that covers all	There has been marginal progress reported in the matter as compared to the year 2022.The recommendation is under implementation		Y	

Sl. No.	Reference/ Year	Area	Original recommendation	OPCW Response	External Auditor Comments	Status		
						Implemented	Under-implementation	Not implemented
			Government. The Secretariat may highlight the need for making submissions on time, having a comprehensive legislation in place and the assistance that the Secretariat can provide in this regard.	initial measures. The engagement with SPs with no legislation or with legislation that only partially covers the initial measures is now initiated immediately following the completion of the previous reporting cycle, 3 to 4 months ahead the initiation of the new reporting cycle, targeting SPs with inconsistent reporting. Further, webinars will be held in early 2024 to provide clearer guidance on the reporting methodology with the aim to facilitate reporting and to reduce inconsistencies from the outset.				
4	4 /2022	ICA	85 SPs reported as 'having comprehensive legislation status' should be encouraged to have a review of their legislation based on the new set of criteria. Article VII submissions may be requested from the SPs and reviewed.	Relevant SPs will be encouraged to have the review of their legislation.	Progress on the recommendation is not reported, as such it is placed under not implemented.			Y

Sl. No.	Reference/ Year	Area	Original recommendation	OPCW Response	External Auditor Comments	Status		
						Implemented	Under-implementation	Not implemented
5	5/2022	ICA	SPs should be appraised of the need of having adequate balance in the voluntary fund at the disposal of OPCW and more SPs may be encouraged and impressed upon to contribute to the fund.	During Annual Meeting of National Authorities (AMNA) and the CSP-28, the Secretariat held meetings with various States Parties with the purpose of encouraging voluntary fund support. Bilateral discussions continued through December 2023 and will be continued throughout 2024. Recent voluntary contributions have been received from two States Parties and are being further negotiated with other SP's for the Article X Trust Fund.	Progress on the recommendation is not reported, as such it is placed under not implemented.			Y
6	6/2022	ICA	The Secretariat should engage with the 39 SPs whose offers of unilateral assistance are more than a decade old and update their commitment. It may also encourage and impress upon other members to utilise the assistant format annexure to submit information concerning the kind of assistance they can make available in accordance with Article X.	Through desk review of the Protection and Assistance Databank (PAD) and legacy documents, the Secretariat will communicate with the States Parties to; a) understand if there have been any changes in the offers of assistance and record this b) in accordance with paragraph 39 (b) of Article VIII review the suitability of the existing offers of assistance.	Progress on the recommendation is not reported, as such it is placed under not implemented.			Y

Sl. No.	Reference/ Year	Area	Original recommendation	OPCW Response	External Auditor Comments	Status		
						Implemented	Under-implementation	Not implemented
7	7/2022	ICA	The Secretariat should engage specifically with the 34 SPs who are yet to submit information about their NPP while continuing to encourage and facilitate SPs to submit information on their NPPs annually to increase the transparency of their programme	The Secretariat will communicated to the States Parties to provide updates on their National Protection Programmes (NPP) via the reporting mechanisms. Consistent follow up will be undertaken on this issue. It is planned that key stakeholder events in 2024 with States Parties. will be used to draw attention of States Parties to their obligations to report, and share information with the purpose of enhancing coordination on assistance and protection with the support of the Secretariat.	Recommendation is reported to be under implementation; however, no supporting document is furnished.		Y	
8	8/2022	ICA	The Secretariat should upload freely available information concerning various means of protection against chemical weapons and migrate the legacy data to the PAD platform so that the dashboard could be used to generate reports regarding the submissions under Article X. We also	The Secretariat is exploring how to migrate legacy data to the Protection and Assistance Databank (PAD), and to ensure better usability to the platform. Regarding the recommendation of translations into all OPCW official languages, due to funding limitations this is not currently viable, and will	Recommendation is reported to be under implementation; however, no supporting document is furnished.		Y	

Sl. No.	Reference/ Year	Area	Original recommendation	OPCW Response	External Auditor Comments	Status		
						Implemented	Under-implementation	Not implemented
			recommend PAD platform be made available in all six UN languages to facilitate the usage of data bank and submissions by the State Parties.	require consistent budgetary allocations to ensure an up-to-date platform. However, alternatives, if any, will be explored.				
9	9/2022	ICA	The Technical Secretariat should conduct impact assessment and continue to provide customised support to State Parties in the regions of Latin America and Africa that have laboratories which can gain OPCW designated status in future.	The Secretariat continues to provide tailored support to States Parties in the African and Latin American & the Caribbean (GRULAC) regions through various existing programmes in the field of laboratory capabilities enhancement. Together with partners, the Secretariat also continues to provide tailored capacity-building support to specific laboratories in GRULAC and Africa that are eligible to and interested in gaining the OPCW designation status. The impact assessment on the Laboratory Twinning and Assistance Programme will be duly conducted in conjunction with the annual programmes impact assessment in mid-2024.	Progress on the recommendation is reported and is under implementation.		Y	

Sl. No.	Reference/ Year	Area	Original recommendation	OPCW Response	External Auditor Comments	Status		
						Implemented	Under-implementation	Not implemented
10	10/2022	ICA	The Secretariat should increase its outreach efforts to sensitize the SPs about the special projects initiated and address the impeding issues so that the projects are completed within the time frame.	The Secretariat has effectively increased its outreach efforts to inform the relevant States Parties about the special projects under the Africa Programme and address the impeding matters in terms of resource mobilisation and the projects implementation. Outreach efforts included conducting bilateral consultations with existing/potential donors, discussions with implementing partners/host countries and institutions, briefings and consultations with the Africa Programme Steering committee (including African States Parties and donors), and updates to the entire OPCW membership on the projects as part of annual reports on the Africa Programme to the EC and CSP. As a result, 6 special projects have been successfully implemented or initiated during the period from Nov 2022 to Oct 2023.	Progress on the recommendation is reported and is under implementation.		Y	

Sl. No.	Reference/ Year	Area	Original recommendation	OPCW Response	External Auditor Comments	Status		
						Implemented	Under-implementation	Not implemented
				The implementation of the remaining project is scheduled in May 2024.				
11	11/2022	ERP	The Application maintenance service contract should include penalties for non-adherence to the service level requirements including resolution of tickets.	The OPCW has updated its application maintenance service support contract to ensure penalties for non-adherence to the service level agreement are incorporated. Therefore, this recommendation is proposed for closure.	The SLA has been amended as such the recommendation has been implemented.	Y		
12	12/2022	ERP	The substitute functionality in UBW ERP should be examined for strengthening the internal controls of this function.	The Secretariat has investigated the possibilities for improvement of the substitute functionality in UBW. This development needs to balance the valid control improvement proposed in the recommendation with the limitations of customization in the platform. Work is ongoing and it is anticipated that this will be completed in the first quarter of 2024.	Progress on the recommendation is not reported, as such it is placed under not implemented.			Y
13	13/2022	ERP	Focused group training for super/main users with feedback should be	Targeted user support meetings have been increased to weekly sessions since this	Progress on the recommendation is reported and is under implementation.		Y	

Sl. No.	Reference/ Year	Area	Original recommendation	OPCW Response	External Auditor Comments	Status		
						Implemented	Under-implementation	Not implemented
			conducted and feedbacks regarding alerts and 20 reducing forms for data entry to be considered for implementation in discussion with super/main users.	recommendation. In addition, ISB will hold a super user event in the first quarter of 2024.				
14	14/ 2022	ERP	ISB should identify and examine redundant/old applications and decommission them after approval of higher governance Committee with fixed timelines.	The Information Systems Branch has updated nearly every system across the organisation and in 2023 migrated its last client-facing on-prem application (eVentus) to Azure. The recommendation is proposed for closure.	Recommendation implemented	Y		
15	15/2022	Verification	OPCW should enhance its engagement for encouraging State Parties to use the new EDIS application for filing their declarations.	The Secretariat has been and continues to take every opportunity to encourage SPs to use the new EDIS application. As indicated in our response to the prior period recommendation 04/2021, State Parties are well aware of the option to submit their declarations electronically through EDIS as well as the benefits it entails in terms of time, effort, security and reduction in errors. Therefore,	In view of the reply of the OPCW and note verbale issued in the matter, recommendation has been implementation.	Y		

Sl. No.	Reference/ Year	Area	Original recommendation	OPCW Response	External Auditor Comments	Status		
						Implemented	Under-implementation	Not implemented
				this recommendation is proposed for closure.				
16	16/2022	HRM	Secretariat should explore availability of advanced technological tools for remote proctoring written tests for greater assurance in recruitment process.	The Secretariat continues to analyse the technological tools available for remote supervision of written tests and, in general, the approach to the assessment of candidates' job-related knowledge and skills. A revision of ADM/PER/29 will also address this matter.	Progress on the recommendation is not reported, as such it is placed under not implemented.			Y
17	17/2022	HRM	Secretariat should ensure completion of all mandatory training courses by all the new incumbents within the stipulated duration.	Courses on "Promoting a Professional Working Environment", "Personal Data Protection", and "Prevention of Harassment" are now part of the standard probationary period evaluation.	Reply of OPCW is meeting the recommendations, hence implemented	Y		
18	18/2022	HRM	Secretariat should undertake Organisational Training Needs Analysis. Further, the Divisions/Branches along with HRB may also regularly monitor their respective training plans with a view to maximising budget utilisation.	The recommendation will be implemented at the mid-year review meeting of the Committee on Learning and Development, to be held in June 2024. At the Committee meeting in January 2024, the Chair announced that the June meeting will also address training needs analysis and	Progress on the recommendation is not reported, as such it is placed under not implemented.			Y

Sl. No.	Reference/ Year	Area	Original recommendation	OPCW Response	External Auditor Comments	Status		
						Implemented	Under-implementation	Not implemented
				cross-organisational training.				
19	04/2021	Verification	The Technical Secretariat should continue its efforts to encourage and facilitate States Parties to submit annual declarations through a single electronic platform, EDIS,[1] for more efficient handling, archival and analysis of declaration data.	The Technical Secretariat has continuously urged, in writing at every opportunity and in the various discussions (e.g., with National Authorities) why electronic submissions are quicker, less resource-costly, safer and less prone to error. And therefore, State Parties are well aware of the option to submit declarations electronically. The Secretariat has no power to compel SPs to use EDIS. It should be noted that some SPs have already made clear that EDIS does not meet their national security/confidentiality requirements. It is also to be noted that the Technical Secretariat currently does not have spare/ additional resources to further intensify the efforts. Therefore, under the circumstances we propose the closure of the recommendation.	In view of the reply of the OPCW and note verbale issued in the matter, recommendation has been implemented.	Y		

Sl. No.	Reference/ Year	Area	Original recommendation	OPCW Response	External Auditor Comments	Status		
						Implemented	Under-implementation	Not implemented
20	06/2021	Verification	The Technical Secretariat should place the issue of review of 'Policy Guidelines' before the Executive Council.	The Secretariat reiterates that the Council is informed each year as to the status of compliance with the "Policy Guidelines". The Council is the body responsible for such a review. It should also be noted that the Secretariat Reports to the Council in full compliance with the existing Policy Guidance. Therefore, this recommendation is proposed for closure.	In progress. We noted the Secretariat's efforts in informing the Executive Council every year as to the status of compliance with the Policy Guidelines. However, the above audit recommendation is a suggestion to place the matter of review of guidelines before the Executive Council as required under Para 3 of Article VI 'Policy Guidelines for determining the number of Article VI inspections'		Y	
21	07/2021	Verification	A mechanism should be established to provide independent assurance to the Conference of the States Parties regarding the selection of plant sites/facilities for inspection.	The recommendation was shared with the States Parties after it was received. The States Parties made it clear that they were satisfied with the existing mechanism and saw no need for any additional mechanism. Therefore, the recommendation is proposed for closure.	In view of the reply of the OPCW, recommendation has been implemented.	Y		

Sl. No.	Reference/ Year	Area	Original recommendation	OPCW Response	External Auditor Comments	Status		
						Implemented	Under-implementation	Not implemented
22	08/2021	Enterprise resource planning (ERP)	The Technical Secretariat should continue to closely monitor the upgradation of ERP system to Milestone 7 and the implementation of pending modules of SoD[2] to ensure that the benefits of a fully integrated ERP platform are available for the organisation	As confirmed by the External Auditor the upgrade to Milestone 7 was completed in the first quarter of 2023. The fully integrated travel solution is under active development and will be rolled out during 2024. In line with the earlier closure criteria, this recommendation is under Implementation.	Milestone 7 upgrade has been completed. The roll-out of Travel management may be monitored and completed on timely basis. The recommendation is in progress.		Y	
23	13/2021	Human resources (HR)	We recommend that the grading scale should be reviewed to differentiate the staff performance more clearly.	With the promulgation of AD/PER/18/Rev.6 a four-point grading scale has been introduced to further differentiate staff performance. Closure of this recommendation is requested.	We have noted the Implementation of the recommendation, through the introduction of a four-point grading scale under the AD/PER/18/Rev.6 dated 24.5.2023, Recommendation is implemented.	Y		
24	03/2020	Internal control and governance	OPCW should explore a suite of management reports on key areas of compliance to create an evidence base to support the Statement on Internal Control and that it considers a holistic approach to monitoring compliance.	The development of management reports and dashboards is ongoing in the new ERP system. Adjusting the Organization’s information and communications platforms to address the COVID-19 crisis and continuing cybersecurity threats has, however,	Recommendation is under implementation.		Y	

Sl. No.	Reference/ Year	Area	Original recommendation	OPCW Response	External Auditor Comments	Status: Implemented	Status: Under-implementation	Status: Not implemented
				inevitably assumed priority.				
25	02/2019	Financial Management	The Organisation should bring together the various RBM proposals and developments into a single conceptual framework, with the underlying principles to ensure that key performance indicators provide consistent, meaningful, measurable, accurate and challenging targets for all key areas of the Organisation.	The OPCW 2024-2025 Programme and Budget was prepared as an activity-based budget to ensure alignment with the medium-term plan, 2024-2028. The budget is reflected in OPCW's financial system based on programme/sub-programme with the category of expenditure. For RBM approach, there will be a need for system upgrade to enable budget upload, implementation, monitoring, and reporting. Currently, the Secretariat is working on linking the financial tools with KPIs.	Recommendation is under implementation.		Y	
26	03/2019	Internal Control	Consideration should be given to providing greater detail of the key areas of weakness identified in the Statement on Internal Control, and for the formation of an overall view of the control environment based on the outcomes of	The revised self-assessment questionnaire for the Statement of Internal Control was disseminated in January/February 2023. The Risk Management Committee will routinely refine and update the questionnaire as and when necessary.	Recommendation is under implementation.		Y	

Sl. No.	Reference/ Year	Area	Original recommendation	OPCW Response	External Auditor Comments	Status: Implemented	Status: Under-implementation	Status: Not implemented
			reviews undertaken as part of the risk-based plan.	The OIO will continue to incorporate the areas of weakness identified in the Statement of Internal Control as part of one of the elements that supports the elaboration of the OIO work plan. In Management Board meeting dated 19 April 2023, an agenda on the top ten risks and work of the Risk management Committee was included which covered also the results of the internal control self-assessment questionnaire. Therefore, the recommendation is proposed for closure.				
27	05/2019	ERP	The Organisation should undertake a realistic assessment of the full costs to completion likely to be incurred, and the impact this might have on the delivery of Systems of Differentiation. This should include an evaluation of the potential	The fully integrated travel solution is under active development and will be rolled out during 2024. In line with the earlier closure criteria, this recommendation is under implementation.	Recommendation is under implementation.		Y	

Sl. No.	Reference/ Year	Area	Original recommendation	OPCW Response	External Auditor Comments	Status: Implemented	Status: Under-implementation	Status: Not implemented
			benefits of the project.					
28	08/2019	CCT	When time allows, the Organisation needs to fully assess the potential impact of pandemic risk on the costs and timing of project delivery and reaffirm existing assumptions or make appropriate revisions to the scope of the project and budget, if required. This should also be considered in the context of the costs to deliver the finalised design once this is completed.	The recommendation has been superseded given that the CCT construction has been completed within time and budget. Therefore, the recommendation is recommended for closure.	We noted that the Chemtech project has been completed and capitalized.	Y		
29	02/2017	Financial Management	As part of the approach to longer term financial planning the Organisation should consider its strategy on Extra-budgetary Funding and how this can complement the Regular Budget in enhancing the delivery of objectives.	The Biennium 2024–2025 Programme and Budget – approved by CSP 28 - includes 'unfunded requirements'. These are those activities that the Secretariat is planning to support through extra-budgetary/voluntary contributions. The estimate of the financial requirements for the biennium is vital for systematic resource mobilisation efforts to ensure adequate funds availability.	Recommendation is under implementation.		Y	

Sl. No.	Reference/ Year	Area	Original recommendation	OPCW Response	External Auditor Comments	Status		
						Implemented	Under-implementation	Not implemented
30	04/2017	Procurement and Contract Management	The Organisation should exploit the potential of the ERP to develop better data analysis and reporting against a more comprehensive set of performance and compliance measures to evaluate the performance of the procurement function.	A dashboard for reporting on the performance of the procurement function was developed in the third quarter of 2021 and is now being used to provide an overview of the annual procurement plan and its implementation, as well as initial performance data on the procurement function. As a next step a business case was developed to support the move of the existing procurement dashboard based on SharePoint data from Qlik to Power BI. This will provide an opportunity to OIO to perform continuous audit. The expanded list of KPIs have also been developed.	Recommendation is under implementation.		Y	
31	10/2016	HR	Differentiating staff performance more clearly through performance appraisal; and strengthening underlying systems for identifying and addressing underperformance through the appraisal process.	The revision of AD/PER/18, effective 1 June 2023, includes a discontinuation of the referenced continuous conversations functionality (CCF) and multi-source functionality (MSF) features of the prior approach. Additionally, changes have	We have noted the Implementation of the recommendation, through the introduction of a four-point grading scale under the AD/PER/18/Rev.6 dated 24.5. 2023.Recommendation is implemented.	Y		

Sl. No.	Reference/ Year	Area	Original recommendation	OPCW Response	External Auditor Comments	Status: Implemented	Status: Under-implementation	Status: Not implemented
				been made to differentiate between levels of performance—both high and lower levels of performance. As previewed in the earlier response comments, changes have now been introduced regarding management of underperformance. These include the mandatory initiation of a Performance Improvement Plan (PIP) in cases where performance has been assessed as unsatisfactory. Therefore, this recommendation is proposed for closure.				
32	08/2015	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.	These documents have been provided to the External Auditor. Therefore, the recommendation is proposed for closure.	Recommendation is under implementation.		Y	
33	09/2015	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	The Secretariat noted the original recommendation relates to the development of whistleblowing and anti-retaliation policy and not	Response furnished does not specifically address whistleblower	Y		

Sl. No.	Reference/ Year	Area	Original recommendation	OPCW Response	External Auditor Comments	Status: Implemented	Status: Under-implementation	Status: Not implemented
			independently investigated and provide assurance over the protection it offers to staff. Such policies should be clearly accessible and promoted.	anti-fraud policy. Further, since sufficient action has been taken on the recommendation, as per comments provided earlier this recommendation is proposed for closure.	policy, however, confidential reach to Oversight office to raise concern have been put in place. Recommendation is implemented.			
34	10/2015	Governance and internal control	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.	The OIO is currently developing an anti-fraud policy framework in accordance with best practices to further strengthen reporting of possible fraud-related breaches and to define the Organisation's fraud response plan. A draft document is under review.	Recommendation is under implementation.		Y	
35	15/2015	ERP	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	The fully integrated travel solution is under active development and will be rolled out during 2024. In line with the earlier closure criteria, this recommendation is under implementation.	Recommendation is under implementation.		Y	

Sl. No.	Reference/ Year	Area	Original recommendation	OPCW Response	External Auditor Comments	Status			
						Implemented	Under-implementation	Not implemented	
				completion of the implementation.					
TOTAL						35	11	18	6

Annexure 2

Status of Impairment created for Assessed Contributions from 2019-23

Sr. No.	Particulars	2019	2020	2021	2022	2023
1	Assessed Contribution receivables	7120	10096	10564	11610	7150
2	Opening Balance of impairment	302	1218	1391	3618	4308
3	Impairment created during the year	954	276	2683	1417	347
4	Impairment written back	-38	-103	-456	-727	0
5	Impairment at year end	1218	1391	3618	4308	4655
6	Net receivables	5902	8705	6946	7302	2495

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 2023

1. The Director-General wishes to express his appreciation for the observations and recommendations received from the Comptroller and Auditor General of India and his staff, on the occasion of the external audit of the Financial Statements of the OPCW for the period ended 31 December 2023.

2. The Director-General notes that, in the External Auditor's opinion, the Financial Statements present fairly the financial position as at 31 December 2023, 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 2023

1. 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.

2. The Chairperson notes with satisfaction that, in the External Auditor's opinion, the Financial Statements present fairly the financial position as at 31 December 2023, that they were prepared in accordance with the stated accounting policies (applied 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).

3. The Chairperson of the Provident Fund Management Board notes the observation and recommendation made by the External Auditor and action has been initiated to implement the recommendation as appropriate.

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