

## **REPORT OF THE THIRTY-SEVENTH SESSION OF THE ADVISORY GROUP**

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### **OPENING OF THE THIRTY-SEVENTH SESSION**

1. Pursuant to the decision of the Thirty-Fifth Session of the Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization (CTBT/PC-35/2/Annex II), the Advisory Group (AG) held its Thirty-Seventh Session from 12 to 15 September 2011.
2. The following members participated in the session: Ms Ilse Adonis (South Africa) (Vice-Chairperson), Ms Kauther Alnadawi (Iraq), Mr André Sobral Cordeiro (Portugal), Ms Cinthia Echavarría (Argentina), Mr Seyed Mehdi Hosseini Esfidvajani (Islamic Republic of Iran), Mr John Fox (United States of America), Mr André Gué (France), Ms Gertrud Leitner (Austria), Mr András Pamuk (Hungary), Mr Karl Theodor Paschke (Germany), Mr Carlos Augusto Rollemberg de Resende (Brazil), Mr Ma Shengkun (China), Mr Michael Weston (United Kingdom) (Chairperson), Mr Christopher White (Australia) (Rapporteur) and Mr Dae-jong Yoo (Republic of Korea). In accordance with Rule 2 of the Rules of Procedure of the AG, Mr Sergey Khalizov (Russian Federation) attended the session as an observer. In accordance with Rule 3 of the Rules of Procedure of the AG, Mr Aris Munandar (Indonesia) and Mr Yuji Nishimae (Japan) attended the session as observers.
3. At the opening of the session, on behalf of the AG, the Chairperson, Mr Michael Weston, welcomed the appointment of the new members, Ms Kauther Alnadawi (Iraq), Mr Seyed Mehdi Hosseini Esfidvajani (Islamic Republic of Iran), Mr John Fox (United States of America), Mr András Pamuk (Hungary), Mr Carlos Augusto Rollemberg de Resende (Brazil) and Mr Ma Shengkun (China), who were appointed by the Commission at its Thirty-Sixth Session (CTBT/PC-36/2). He also expressed appreciation for the contribution to the work of the AG of former AG members Mr Mehdi Aliabadi (Islamic Republic of Iran), Mr Gerardo Guiza (Mexico) and Mr Ichiro Ogasawara (Japan).
4. The Executive Secretary, Mr Tibor Tóth, addressed the AG on 12 September 2011. He welcomed AG members to the session and gave his views on key items on the agenda

of the Thirty-Seventh Session. Issues addressed by the Executive Secretary included aspects of the draft 2012 Programme and Budget proposals, the 2011 financial situation, reimbursement of taxes, the review of procurement processes and enterprise resource planning (ERP).

5. Mr Arne Bell, Conference Officer, served as Secretary to the AG. Ms Frances Boyle, Director, Division of Administration, Mr Lassina Zerbo, Director, International Data Centre (IDC) Division, Mr Isaku Higa, Senior Budget and Planning Officer, Mr Matjaz Prah, Coordinator, On-Site Inspection (OSI) Division, Ms Marion Berrens, Planning and Project Officer, International Monitoring System (IMS) Division, Ms Lisa Tabassi, Chief, Legal Services Section, Mr John Duggan, Acting Chief, Procurement Section, Mr Graham Soper, Chief, Financial Services Section, Ms Regina Kusuma, Chief, Internal Audit, Mr Petr Firbas, Chief, Evaluation Section, Mr John Coyne, Programme and Project Coordinator, IDC Division, Ms Courtney Linley, Planning and Project Officer, IDC Division, Mr Xiaodong Yang, Legal Officer, and Ms Fanny Tonos Paniagua, Consultant, Legal Services Section, and various members of the ERP project team participated in the discussion of respective agenda items. The AG expressed its appreciation for the support provided to it during the session by the Provisional Technical Secretariat (PTS).

#### **ADOPTION OF THE AGENDA**

6. At its Thirty-Seventh Session, the AG considered the following items:
  - Review of the implementation of recommendations contained in the reports of Part I and Part II of the Thirty Sixth Session of the AG
  - Budget implementation as of 31 August 2011
  - Adjustments to the 2012 Programme and Budget Proposals: Initial Draft (CTBT/PTS/INF.1142)
  - Requests for transfers in the 2011 Budget
  - Review of other Financial Decisions
  - Presentation on the work of the Evaluation Section
  - Update on the implementation of ERP
  - Review of procurement processes in the PTS
  - Schedule of sessions for 2012
  - Any other business.

## **REVIEW OF THE IMPLEMENTATION OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF PARTS I AND II OF THE THIRTY-SIXTH SESSION OF THE ADVISORY GROUP**

### **Recommendations to the Preparatory Commission and Working Group A**

7. The AG reviewed the six recommendations to the Commission and Working Group A (WGA) contained in the reports of Parts I and II of its Thirty-Sixth Session (CTBT/AG-36/1, paragraph 62, and CTBT/AG-36/2, paragraph 53). The AG noted that WGA had taken note of its recommendations. The Commission had subsequently adopted at its Thirty-Sixth Session the report of WGA and the recommendations contained therein.
8. With regard to recommendation 1 of the AG made at Part I of its Thirty-Sixth Session (concerning the requirement in Financial Regulation 6.6 that assessed contributions shall be paid in United States dollars and euros in the ratio pursuant to Regulation 6.5(a) and (c)), the AG noted that no progress appeared to have been made so far. It therefore **recommended** to the Executive Secretary that he consider informing the AG at its Thirty-Eighth Session on the status of the issue of payment of assessed contributions in United States dollars and euros.
9. A summary of the implementation of the AG recommendations to the Commission and WGA is contained in Table A in Appendix I to this report.

### **Recommendations to the Executive Secretary**

10. The AG also reviewed the implementation of the five recommendations to the Executive Secretary contained in the reports of Parts I and II of its Thirty-Sixth Session (CTBT/AG-36/1, paragraph 61, and CTBT/AG-36/2, paragraph 52).
11. Regarding recommendation 1 of the AG made at Part I of its Thirty-Sixth Session (exploring alternative solutions to recoup amounts of taxes paid by the Commission), the PTS introduced its paper CTBT/PTS/INF.1150, in which it proposed an amendment to Financial Rule 8.1.03(a) to enable the use of the cash surplus to obtain reimbursement of taxes and/or customs duties paid by the Commission. The AG noted from the PTS introduction that the cumulative amount of taxes and/or customs duties paid by the Commission over the period 1998-2010 amounted to US\$3 258 388. The PTS also provided the AG with a detailed breakdown of taxes and/or customs duties that had not been reimbursed in 2009-2010, amounting to \$536 241. The AG noted that the above taxes and/or customs duties related to the Capital Investment Fund – Installation (CIF-I), Capital Investment Fund – Sustainment (CIF-S) and the General Fund (GF), with more than half of the amount relating to the GF.
12. The PTS stated that its proposed solution, which drew on the suggestions of the AG at its Thirty-Sixth Session, was to enable States Signatories on a voluntary basis to authorize the Commission to retain from their respective share of the cash surplus the amount for which reimbursement had been requested. The AG noted that this would be only a temporary solution until facility agreements or other arrangements for the reimbursement of taxes and/or customs duties had been reached with all hosting States Signatories in accordance with paragraph 12 (b) of the Resolution establishing the

Preparatory Commission. The PTS explained that its proposal envisaged that the reimbursed amounts from the cash surplus would be credited to the CIF rather than the GF because the CIF, unlike the GF, would allow the funds to be carried forward and used if necessary in subsequent years. The AG noted that the proposed amendment to Financial Rule 8.1.03(a) did not specify how tax reimbursements through the cash surplus would be apportioned within the CIF. While a formula could theoretically be found to apportion those reimbursements relating to the CIF-I and CIF-S, the issue was less clear with tax reimbursements that related to the GF. To avoid having to construct a complex and arbitrary formula for apportionment within the CIF, the AG was of the view that, for the sake of simplicity, it would be preferable to specify in the proposed amendment to Financial Rule 8.1.03(a) that all tax reimbursements should be allocated to the CIF-S only. The AG considered that this was also the better solution from a programmatic perspective, given that the CIF-S required ongoing funding and that it was likely to have a longer life span than the CIF-I, which would be closed after the completion of the IMS network installation programme.

13. The AG supported the proposal of the PTS to give States Signatories the option, as a temporary measure, of reimbursing taxes paid by the Commission through a deduction from their respective cash surplus on a voluntary basis. It therefore **recommended** to the Commission and WGA that they consider approving the amendment to Financial Rule 8.1.03(a) contained in Appendix II to this report.
14. The AG addressed recommendation 2 made at Part I of its Thirty-Sixth Session (continuing to keep States Signatories informed on the progress of the review of procurement processes) under the relevant agenda item below (paragraphs 42-43).
15. The AG addressed recommendation 1 made at Part II of its Thirty Sixth Session (regarding an update on progress of the implementation of the ERP project) under the relevant agenda item below (paragraph 41).
16. With regard to recommendation 2 of the AG made at Part II of its Thirty-Sixth Session (providing the AG with a report indicating how certain issues would be addressed in future budget documents), the PTS gave a presentation on various improvements that it intended to make to future versions of the Programme and Budget and the Programme and Budget Performance Report (PBPR). Regarding the Programme and Budget, the PTS noted that the main intention was to improve the structure of the document and the organization of the information so that it was easier to read for States Signatories. Regarding the PBPR, the PTS noted that the intention was to place greater emphasis in the document on the achievement of outcomes and key performance indicators (KPIs), i.e. to move the PBPR from a collection of sets of data to a 'report of accomplishments'. According to the PTS, the proposed improvements would rationalize the information provided in the PBPR so that States Signatories could focus more easily on the key trends and issues. The AG welcomed these proposed improvements to the Programme and Budget and the PBPR and looked forward to assessing their impact on the quality of these documents at its Thirty-Eighth Session. In addition, it stressed that the level of detail in the Programme and Budget and in the PBPR should not be reduced as a result of the structural changes and that the PBPR should continue to have the same detailed format as the Programme and Budget in order to permit relevant comparisons.

17. With regard to recommendation 3 of the AG made at Part II of its Thirty-Sixth Session (beginning in 2012, allotting the budget of Internal Audit in full within the General Fund), the AG noted with satisfaction that, as set out in paragraph 11 of CTBT/PTS/INF.1142, \$93 000 has been reallocated to fund the unfunded tasks of Internal Audit in the 2012 Programme and Budget Proposals: Initial Draft.
18. A summary of the implementation of the AG recommendations to the Executive Secretary is contained in Table B in Appendix I to this report.

## **BUDGET IMPLEMENTATION AS OF 31 AUGUST 2011**

19. The AG considered the status of allotments for the GF, the CIF-I and the CIF-S, as of 31 August 2011.

### **General Fund**

20. The AG noted that the overall implementation rate for the GF of 60.9% was generally on track for this time of the year. It noted the PTS explanation that a number of items of expenditure, for example other specialized services, were already approaching an implementation rate of 100% because funds had already been obligated but not yet disbursed for services to be provided up to the end of 2011.
21. The AG asked for an explanation of the implementation rate of 390.1% for the OSI item of expenditure, rental of the Equipment Storage and Maintenance Facility. The PTS explained that the original intention was that the cost of this facility would be shared between the Division of Administration, the IMS Division, the IDC Division and the OSI Division. Following further consideration of the actual storage needs of each Division, however, it was decided that the new leased Equipment Storage and Maintenance Facility (ESMF) would be used for OSI purposes only. The full cost of the facility therefore had to be assumed by the OSI Division.
22. The AG noted that the PTS had organized a visit to the ESMF on 8 September 2011 during the Thirty-Seventh Session of Working Group B (WGB) for States Signatories. It reiterated its view that it would also be useful for its members to have the opportunity to visit the ESMF. This would enable the AG to develop a more concrete understanding of the administrative and financial issues related to the facility. As requested by the AG, the PTS agreed to organize a visit to the ESMF on Friday, 20 April 2012 during Part I of its Thirty-Eighth Session.

### **Capital Investment Fund**

23. The AG noted that the implementation rates for the CIF-I and the CIF-S appeared to be low, at 13.6% and 15.8% respectively. It stressed the importance of adequate planning of activities to be funded through the CIF-I and CIF-S. The PTS noted that, when looking at these implementation rates, it was important to bear in mind that the CIF-I and CIF-S were multiyear funds with carry forward mechanisms to enable funding of larger projects over a number of years. The PTS provided background information on its detailed plans for using the funds in the CIF-I and CIF-S, including which

installation and sustainment projects were intended to be implemented in each of the following several years.

24. The AG appreciated this additional information and noted that, without the context of such background information, the budget implementation statements could be misleading. For example, the 2011 allotments for the CIF-I and CIF-S of \$26.2 million and \$28.2 million respectively did not represent the funding for the programme of work on installation and sustainment for 2011. These large amounts were only meaningful when examined in the context of the multiyear plan of work of the PTS over the next three years. The AG therefore requested the PTS, when presenting budget implementation statements for the CIF-I and the CIF-S in future, also to provide information year by year on its multiyear plans of work that are intended to be funded through these mechanisms.

#### **ADJUSTMENTS TO THE 2012 PROGRAMME AND BUDGET PROPOSALS: INITIAL DRAFT**

25. The PTS introduced the Adjustments to the 2012 Programme and Budget Proposals: Initial Draft (CTBT/PTS/INF.1142). The 2012 Budget at 2012 prices in US dollar equivalent amounts to \$119.6 million.
26. The PTS provided the AG with a preliminary draft decision on a 2011 supplementary appropriation for an integrated field exercise (IFE) in 2014 for information. The AG noted that substantive issues related to possible funding options for the IFE in 2014 were currently the subject of informal consultations by the Chairperson of WGA, Ambassador Guerreiro.
27. The AG reviewed a preliminary draft paper prepared by the PTS on the establishment of a special account for the project on re-engineering of IDC software. It was satisfied with the explanation by the PTS of the need for this special account and therefore supported in principle its establishment as a mechanism to ensure the implementation of the IDC software re-engineering project.
28. The PTS stated that establishment of this special account as a multiyear spending authority would enable the work to be performed without being bound by fiscal year deadlines for signature of contracts, which would enable the overall software budget to be reduced by approximately \$250 000 annually during the period of the special account. The PTS also stated that this amount of \$250 000 was its best estimate at this time and that it could potentially be used to help finance the IFE. The AG noted that the description of the potential savings would be more meaningful for States Signatories if expressed also as a percentage of the overall software budget (approximately 10%).
29. The AG noted that the establishment of this special account would involve the suspension of various Financial Regulations and Rules, as had been the case with other special accounts in the past. It suggested that the PTS explain more clearly in its paper the full implications of suspending these Regulations and Rules.

30. The AG noted that in CTBT/PTS/INF.1142 it was stated that the special account would be valid until 31 December 2015. The PTS explained that the account itself would remain operational until the end of 2016 to enable any contracts entered into before the end of 2015 to continue to be paid out of the special account in 2016. The AG stressed that the proposed duration of the special account for re-engineering of IDC software should be clearly explained in all relevant documents for States Signatories.
31. The AG emphasized that, even though this special account would be a funding mechanism for a multiyear project, it would be important for the PTS to be fully transparent regarding the annual programmes of work to be carried out through the special account. Moreover, implementation of yearly programmes of work should also be reported to States Signatories on an annual basis through established reporting mechanisms such as the PBPR and the annual accounts of the Commission. The PTS assured the AG that the management of the special account and planning and implementation of the project would be carried out with maximum transparency.
32. In view of the continuing acceleration of information technology (IT) development, the AG believed that, in the future, the feasibility of other financing mechanisms to finance IT development should be explored as an alternative to the use of special accounts and the temporary suspension of Financial Regulations and Rules, maintaining and, if possible, strengthening budget and expenditure controls. It therefore **recommended** to the Executive Secretary that he consider submitting a report on the issue of the feasibility of other financing mechanisms to finance IT development.

## **REQUESTS FOR TRANSFERS IN THE 2011 BUDGET**

33. The AG reviewed the PTS document (CTBT/PTS/INF.1143) on further 2011 budgetary transfers within a Major Programme not exceeding 15%. The AG commended the PTS for the good level of detail provided in the document and for the fact that the reasons for the transfers and the justifications for the availability of funds were well argued. It encouraged the PTS to continue to provide the same level of detail and rigour of argumentation in future documents on budgetary transfers. The AG **recommended** to the Commission and WGA that they consider taking note of the budgetary transfers as reported in CTBT/PTS/INF.1143.

## **REVIEW OF OTHER FINANCIAL DECISIONS**

### **Capital Investment Fund Unspent Balance as of 31 December 2011**

34. The AG reviewed the PTS document CTBT/PTS/INF.1144 (Capital Investment Fund: Unspent Balance as of 31 December 2011) in which the PTS proposed approval of the carry-forward of the CIF unspent balances backed by cash as of 31 December 2011 to financial year 2012, as soon as the corresponding amount is final and audited. The AG noted with approval that the draft decision contained in CTBT/PTS/INF.1144 referred to both the CIF-I and CIF-S unspent balances. It requested the PTS to ensure that both balances were referred to in all documents related to the CIF, to reflect the decision of the Commission that the CIF-I and CIF-S should be strictly separated.

35. The AG **recommended** to the Commission and WGA that they consider adopting the draft decision on carry-forward of the CIF unspent balances contained in document CTBT/PTS/INF.1144.

## **PRESENTATION ON THE WORK OF THE EVALUATION SECTION**

36. In making a presentation on the work of the Evaluation Section, the PTS, at the request of the AG, also made a presentation on the work of Internal Audit, stressing the respective main areas of focus of the two Sections and the current points of coordination.
37. The PTS explained that the Evaluation Section focused on evaluating the technical performance of the verification system and developing the tools for doing so, and reported to WGB. Internal Audit on the other hand focused on auditing the performance of managerial and operational processes in the organization and reported to the AG and WGA. The PTS assured the AG that there was already good coordination between the Evaluation Section and Internal Audit. In day to day activities, the two Sections reported directly to the Executive Secretary to ensure their independence. Moreover, the respective roles of the two Sections were clearly defined with no undue overlap. The PTS noted that there was an ongoing effort to implement joint projects involving both Sections.
38. The AG noted that the evaluation function in most other organizations was usually wider in scope, and included managerial and financial performance. In principle, evaluation was the responsibility of all managers in their day to day work and the role of an evaluation section would be primarily to provide the tools and assist managers in carrying out this responsibility. The AG recognized that evaluation in the PTS, reflecting the primary purpose of the organization, focused on technical evaluation of the verification system. While the PTS confirmed that the Evaluation Section also supported managers working on the verification system with a framework on quality management, the AG felt that in the present arrangement the more general evaluation function was perhaps not sufficiently covered.
39. The AG noted that a key function of Internal Audit was to ensure the efficient and effective use of resources in the organization and to promote good governance. In this context, the Internal Auditor assured the AG that her work also covered aspects of programme evaluation. The AG noted that, in this case, the current staffing level of Internal Audit would probably have to be increased. The Internal Auditor felt that it would be adequate once the outstanding auditor position had been filled, and that she would raise the issue of additional resources should it become necessary. The AG encouraged her to do so in order for Internal Audit to have the necessary resources to fully carry out its expanding duties.
40. The AG **recommended** to the Executive Secretary that he consider renaming, in the interests of clarity, the Evaluation Section and Internal Audit to reflect better their respective roles.

## **UPDATE ON THE IMPLEMENTATION OF ENTERPRISE RESOURCE PLANNING**

41. The Director of the IDC Division and project executive for the implementation of ERP in the PTS, Mr Lassina Zerbo, introduced the PTS paper CTBT/PTS/INF.1152 (Status Report on the Enterprise Resource Planning System). The AG thanked the PTS for this paper and for the presentation. It noted the intention of the PTS to explore further the possibility of working more closely with the World Food Programme, which was the organization that appeared at this stage to represent the most suitable partner for developing the ERP platform within the approved budget and time constraints. One of the issues that was presented concerned the implications of the ERP for the continuation of the split appropriation and assessment system, which so far had been very helpful to this organization. The AG **recommended** to the Executive Secretary that he consider continuing to keep the AG regularly informed about ERP development, including the issue of the compatibility of the selected ERP platform with the split appropriation and assessment system.

## **REVIEW OF PROCUREMENT PROCESSES IN THE PTS**

42. The PTS informed the AG that, after internal consultations, it had been decided to submit to the AG a complete package of proposed changes to the Financial Regulations and Rules that takes into account the new ERP system as well as the implementation of the International Public Sector Accounting Standards (IPSAS), rather than a piecemeal set of proposed changes that only addresses procurement. The PTS also noted that it would be preferable to allow the new Chief of the Procurement Section, who would be arriving soon, sufficient time to have input into the package of proposed changes to the Financial Regulations and Rules. For these reasons, the PTS indicated its intention to present this comprehensive package of proposals to the AG at its Thirty-Eighth Session.
43. The AG agreed with this approach of the PTS and looked forward to considering the proposals for amendments to the Financial Regulations and Rules at its Thirty-Eighth Session. At the same time, it encouraged the PTS to continue to implement those changes to procurement processes identified by the procurement review that did not require amendments to the Financial Regulations and Rules, for example changes to model contracts.

## **SCHEDULE OF SESSIONS FOR 2012**

44. The AG considered the draft schedule of its sessions in 2012 contained in CTBT/PTS/INF.1141. It noted that, according to this draft schedule prepared by the PTS, its Thirty-Ninth Session was to be held from 3 to 7 September 2012. It also noted, however, that WGB had agreed at its Thirty Seventh Session to hold its Thirty-Ninth Session from 22 August to 7 September 2012, thereby moving this session one week later than the period proposed in CTBT/PTS/INF.1141.
45. In light of this agreement by WGB, the AG considered other possible options for scheduling its Thirty-Ninth Session. It was of the view that this session should not be held prior to the session of WGB or the joint meeting of WGA and WGB, since the AG

would need to consider any financial or administrative issues that might emerge from the consideration by WGB of the verification related programme and budget and by the joint meeting of the programme and budget as a whole. Moreover, the AG was of the view that its Thirty-Ninth Session should not be scheduled one week later, from 10-14 September 2012, because this would allow WGA only a week and a half to consider the report of that session. The AG also considered that it was not advisable for the session to overlap with the meeting of the Board of Governors of the International Atomic Energy Agency in the week from 10-14 September 2012. Finally, the AG was of the view that, as a matter of principle, sessions of the AG should not be scheduled in parallel with other sessions of the Commission and its subsidiary bodies, including WGB. Based on the above analysis, the AG therefore concluded that the only feasible period in which its Thirty-Ninth Session could be scheduled was from 3 to 7 September 2012 as originally proposed in CTBT/PTS/INF.1141.

46. The AG **recommended** to the Commission and WGA that they consider approving the following dates for the AG sessions in 2012: Thirty-Eighth Session, Part I: 16-20 April 2012; Thirty-Eighth Session, Part II: 30 April to 4 May 2012; Thirty-Ninth Session: 3-7 September 2012.

## **ANY OTHER BUSINESS**

### **Next Session**

47. The AG proposed the following indicative agenda for its Thirty-Eighth Session:

#### **Part I (16-20 April 2012)<sup>1</sup>**

- Review of the implementation of recommendations contained in the Report of the Thirty-Seventh Session of the AG
- Review of the 2011 accounts of the Commission, including the report of the External Auditor
- Update of the PTS Medium Term Plan: 2009-2013
- Carry-forward of the 2011 CIF balance
- Final 2011 budgetary transfers
- Review of procurement processes in the PTS
- Update on the implementation of ERP
- Any other business.

#### **Part II (30 April to 4 May 2012)<sup>1</sup>**

- 2011 Programme and Budget Performance Report
- Budget implementation as of 30 April 2012

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<sup>1</sup> Subject to the approval of the dates by the Commission.

- 2013 Programme and Budget Proposals: Initial Draft
  - Review of the 2011 letter of comfort on the Provident Fund
  - Annual Report of Internal Audit to the Commission
  - Any other business.
48. The Chairperson of the AG, with the assistance of the PTS, will continue to issue annotated agendas for AG sessions.

#### **RECOMMENDATIONS TO THE EXECUTIVE SECRETARY**

49. The AG recommended to the Executive Secretary that he consider:
- (1) Informing the AG at its Thirty-Eighth Session on the status of the issue of payment of assessed contributions in United States dollars and euros (paragraph 8);
  - (2) Submitting a report on the issue of the feasibility of other financing mechanisms to finance IT development (paragraph 32);
  - (3) Renaming, in the interests of clarity, the Evaluation Section and Internal Audit to reflect better their respective roles. (paragraph 40);
  - (4) Continuing to keep the AG regularly informed about ERP development, including the issue of the compatibility of the selected ERP platform with the split appropriation and assessment system (paragraph 41).

#### **RECOMMENDATIONS TO THE PREPARATORY COMMISSION AND WORKING GROUP A**

50. The AG recommended to the Preparatory Commission and WGA that they consider:
- (1) Approving the amendment to Financial Rule 8.1.03(a) contained in Appendix II to this report (paragraph 13);
  - (2) Taking note of the budgetary transfers as reported in CTBT/PTS/INF.1143 (paragraph 33);
  - (3) Adopting the draft decision on carry-forward of the CIF unspent balances contained in document CTBT/PTS/INF.1144 (paragraph 35);
  - (4) Approving the following dates for the AG sessions in 2012: Thirty-Eight Session, Part I: 16-20 April 2012; Thirty-Eighth Session, Part II: 30 April to 4 May 2012; Thirty-Ninth Session: 3-7 September 2012 (paragraph 46).

**APPENDIX I**

**Table A. Review of the Implementation of Recommendations to the Preparatory Commission and Working Group A Contained in the Reports of Parts I and II of the Thirty-Sixth Session of the AG**

Advisory Group Recommendation	WGA and Commission Action	Advisory Group's Comments
<p>1. The AG recommended to the Commission and WGA that they consider enhancing efforts to comply with Regulation 6.6 of the Financial Regulations and Rules, which states that assessed contributions shall be paid in United States dollars and euros in the ratio determined pursuant to Regulation 6.5(a) and (c) (CTBT/AG-36/1, paragraph 30), recommendation 1)</p>	<p>This recommendation was taken note of by WGA at its Thirty-Ninth Session (CTBT/PC-36/WGA/1) and the Commission at its Thirty-Sixth Session (CTBT/PC-36/2, paragraph 17).</p>	<p>The AG noted that its recommendation had been taken note of by WGA and by the Commission</p> <p>The AG recommended to the Executive Secretary that he consider informing the AG at its Thirty-Eighth Session on the status of this issue.</p>
<p>2. The AG recommended to the Commission and WGA that they consider approving the draft decision on the carry-forward of the 2010 CIF-I and CIF-S balances contained in CTBT/PTS/INF.1119 (CTBT/AG-36/1, paragraph 47, recommendation 2)</p>	<p>This recommendation was taken note of by WGA at its Thirty-Ninth Session (CTBT/PC-36/WGA/1, paragraph 35) and adopted by the Commission at its Thirty-Sixth Session (CTBT/PC-36/2, paragraph 13).</p>	<p>The AG noted that its recommendation had been taken note of by WGA and that the Commission subsequently adopted at its Thirty-Sixth Session the report of WGA and the recommendations contained therein.</p>
<p>3. The AG recommended to the Commission and WGA that they consider taking note of the transfers within Major Programmes not exceeding the 15% limit as reported in CTBT/PTS/INF.1118 (CTBT/AG-36/1, paragraph 49, recommendation 3).</p>	<p>This recommendation was taken into account by WGA at its Thirty-Ninth Session (CTBT/PC-36/WGA/1, paragraph 36) and adopted by the Commission at its Thirty-Sixth Session (CTBT/PC-36/2, paragraph 12).</p>	<p>The AG noted that its recommendation had been taken into account by WGA and that the Commission subsequently adopted at its Thirty-Sixth Session the report of WGA and the recommendations contained therein.</p>

**Table A (cont.)**

Advisory Group Recommendation	WGA and Commission Action	Advisory Group's Comments
4. The AG recommended to the Commission and WGA that they consider the two additional options in paragraph 37 of this report along with the PTS proposal (CTBT/AG-36/2, paragraph 39, recommendation 1).	WGA considered this recommendation at its Thirty-Ninth Session. It decided to continue its consideration of the draft 2012 Programme and Budget proposals and options for financing of the 2014 IFE at its next session (CTBT/PC-36/WGA/1, paragraph 21).	The AG noted that its recommendation had been considered by WGA and that WGA would continue its consideration of the draft 2012 Programme and Budget proposals and options for financing of the 2014 IFE at its next session.
5. The AG recommended to the Commission and WGA that they consider taking note of the transfers within Major Programmes not exceeding the 15% limit as reported in CTBT/PTS/INF.1130 (CTBT/AG-36/2, paragraph 49, recommendation 2).	This recommendation was taken into account by WGA at its Thirty-Ninth Session (CTBT/PC-34/WGA/1, paragraph 36) and adopted by the Commission at its Thirty-Sixth Session (CTBT/PC-36/2, paragraph 12).	The AG noted that its recommendation had been taken into account by WGA and that the Commission subsequently adopted at its Thirty-Sixth Session the report of WGA and the recommendations contained therein.
6. The AG recommended to the Commission and WGA that they consider approving the draft decision as contained in paragraph 7 of CTBT/PTS/INF.1131 (CTBT/AG-36/2, paragraph 50, recommendation 3)	This recommendation was considered by WGA at its Thirty-Seventh Session (CTBT/PC-36/WGA/1, paragraph 37) and adopted by the Commission at its Thirty-Sixth Session (CTBT/PC-36/2, paragraph 14).	The AG noted that its recommendation had been considered by WGA and that the Commission subsequently adopted at its Thirty-Sixth Session the report of WGA and the recommendations contained therein.

**Table B. Review of the Implementation of Recommendations to the Executive Secretary Contained in the Reports of Parts I and II of the Thirty-Sixth Session of the AG**

	Advisory Group Recommendation	PTS Response	Advisory Group's Comments
1.	The AG recommended to the Executive Secretary that he consider exploring alternative solutions to recoup these amounts, such as proposing to States Signatories that the amounts of such taxes be deducted, on a voluntary basis, from cash surpluses to be surrendered to the States in question (CTBT/AG-36/1, paragraph 26, recommendation 1).	In response to this recommendation, an Information Paper (CTBT/PTS/INF.1150) was presented for consideration by the AG at its Thirty-Seventh Session.	The AG noted the Information Paper CTBT/PTS/INF.1150 prepared by the PTS and recommended a revision to the suggested amendment of Financial Rule 8.1.03(a).
2.	The AG recommended to the Executive Secretary that he consider continuing to keep States Signatories informed on a regular basis, starting at the Thirty-Ninth Session of WGA, on the progress of the review of procurement processes (CTBT/AG-36/1, paragraph 56, recommendation 2).	An update was provided to the AG at its Thirty-Seventh Session on the status of the review of procurement processes.	The AG noted that the PTS had implemented its recommendation.
3.	The AG recommended to the Executive Secretary that he consider presenting to the AG at its Thirty-Seventh Session an update on progress of the implementation of the ERP project (CTBT/AG-36/2, paragraph 25, recommendation 1).	An update was provided to the AG at its Thirty-Seven Session on progress of implementation of the ERP project.	The AG noted that the PTS had implemented its recommendation.
4.	The AG recommended to the Executive Secretary that he consider providing the AG at its Thirty-Seventh Session with a report indicating how the above issues would be addressed in future budget documents (CTBT/AG-36/2, paragraph 29, recommendation 2).	A summary of proposed improvements to the Programme and Budget document and the PBPR was provided to the AG at its Thirty-Seventh Session.	The AG noted that the PTS had implemented its recommendation.
5.	The AG recommended to the Executive Secretary that he consider beginning in 2012, allotting the budget of Internal Audit in full within the General Fund, including resources for staff and consultants as provided for in the budget (CTBT/AG-36/2, paragraph 42, recommendation 3).	An amount of \$93 000 was reallocated to fund the unfunded tasks of Internal Audit in 2012 as part of the adjustments to the Programme and Budget proposals for 2012.	The AG noted that the PTS had implemented its recommendation.

**APPENDIX II**

**PROPOSED AMENDMENT TO FINANCIAL RULE 8.1.03(a)**

Proposed changes are indicated in bold italics.

Rule 8.1.03

Refunds of Expenditure

- (a) Refunds to the General Fund charged in the same financial year against the budgetary accounts may be credited against expenditures, but refunds of the initial expenditure from prior financial years shall be credited to miscellaneous income, ***except for tax and/or customs duty reimbursements. Tax and/or customs duty reimbursements related to the General Fund expenses shall be credited to the Capital Investment Fund – Sustainment (CIF-S), regardless of the financial year to which they relate.***

[Paragraphs (b) and (c): no change]

**ANNEX I**

**ADVISORY GROUP  
OF THE PREPARATORY COMMISSION FOR THE  
COMPREHENSIVE NUCLEAR-TEST-BAN TREATY ORGANIZATION  
as of 15 September 2011**

Name	Appointment	Valid Until
Ms Ilse Adonis South Africa (Vice-Chairperson)	CTBT/PC-34/2	28 June 2013
Ms Kauther Alnadawi Iraq	CTBT/PC-36/2	14 June 2014
Mr André Sobral Cordeiro Portugal	CTBT/PC-32/2/Annex III	10 June 2012
Ms Cinthia Echavarria Argentina	CTBT/PC-35/2	9 November 2013
Mr Seyed Mehdi Hosseini Esfidvajani Iran (Islamic Republic of)	CTBT/PC-36/2	14 June 2014
Mr John Fox United States of America	CTBT/PC-36/2	14 June 2014
Mr André Gué France	CTBT/PC-31/1/Annex XIII	25 November 2011
Mr Andrei Kovalenko Russian Federation	CTBT/PC-32/2/Annex III	10 June 2012
Ms Gertrud Leitner Austria	CTBT/PC-31/1/Annex XIII	25 November 2011
Mr András Pamuk Hungary	CTBT/PC-36/2	14 June 2014
Mr Karl Theodor Paschke Germany	CTBT/PC-31/1/Annex XIII	25 November 2011
Mr Carlos Augusto Rollemberg de Resende Brazil	CTBT/PC-36/2	14 June 2014
Mr Ma Shengkun China	CTBT/PC-36/2	14 June 2014

Name	Appointment	Valid Until
Mr Michael Weston United Kingdom (Chairperson)	CTBT/PC-32/2	15 June 2012
Mr Christopher White Australia (Rapporteur)	CTBT/PC-34/2	28 June 2013
Mr Dae-jong Yoo Republic of Korea	CTBT/PC-34/2	28 June 2013