



EUROPEAN UNION

**OSCE Permanent Council No 1152
Vienna, 6 July 2017**

EU statement in Response to the Report of the External Auditor and the Annual Report of the Audit Committee

The Member States of the EU welcome to the Permanent Council Ms. Cassio and her colleagues, Auditors of the Spanish Court of Audit, and Mr. Petersen and colleagues, members of the Audit Committee. We thank them for their comprehensive reports.

We strongly support the work of the External Auditor, which together with the Audit Committee and the Office of the Internal Oversight plays a key role in promoting effective and efficient management at the OSCE.

We are pleased that no weaknesses or errors to be considered material to the accuracy, completeness or validity of the financial statements as a whole were found in the audit. We note that you placed an unqualified audit opinion on the financial statements of 2016.

We note that it is your finding that the OSCE's overall cash situation is satisfactory. We note the arrears of assessed contributions of EUR 5,952.000 in 2016, which is significantly lower than for the year 2015.

We note that in the field visits the auditors conducted in 2016 revealed no material misstatements. However we took note of your recommendations 8 and 9 concerning the Minsk Group: recommending a review of cash handling to ensure that risks related to the transportation of significant amounts of cash are minimized and recommending the OSCE to reinforce controls on travel and representation funds justification. We encourage the fund manager to take forward these recommendations as soon as possible.

We appreciate the Auditor`s evaluation that previously issued recommendations for improved procedures or more comprehensive disclosures were taken up by the Secretariat.

We appreciate that the financial statements provided by the Secretariat fulfil the structural requirements of International Public Sector Accounting Standards (IPSAS) which is of great benefit for the Organisation`s better financial information and for more efficient and effective use of resources.

We are ready to support the adoption of Draft Decision PC.DD/25/17 on the Financial Report and Financial Statements for the year ended 31 December 2016 and the Report of the External Auditor.

We thank the Audit Committee for its Annual Report. We appreciate that the Committee`s previously issued recommendations were implemented or are in progress.

We share the concerns of the Committee about the impact of not approving the 2017 Unified Budget on time. A late adoption of the UB impedes the implementation of planned programmatic activities and results in inefficiencies and waste. In this context we note the recommendations to consider amending the Financial Regulations to provide the Organization with quarterly provisional allotments instead of monthly provisional allotments and would appreciate further discussion on this. We reiterate our position that a biennial cycle would allow for more predictability and effective planning.

We share the Committee`s view related to a systematic and analytical approach in extra-budgetary resource mobilization as a shared responsibility between all institutions, offices and missions.

We are pleased to note that the Committee will continue to closely monitor the implementation of ICT governance, strategy and security, and will update the ACMF on progress in its next annual report.

We took note of the Committee's field visit to the OSCE Mission in Kosovo and that it is the opinion of the Committee that OMiK has implemented an effective system of internal controls.

Thank you all once again for the good work done.

The Candidate Countries the FORMER YUGOSLAV REPUBLIC OF MACEDONIA*, MONTENEGRO*, SERBIA* and ALBANIA*, the Country of the Stabilisation and Association Process and Potential Candidate BOSNIA and HERZEGOVINA, and the EFTA country NORWAY, member of the European Economic Area, as well as the REPUBLIC OF MOLDOVA, GEORGIA and ANDORRA align themselves with this statement.

* The Former Yugoslav Republic of Macedonia, Montenegro, Serbia and Albania continue to be part of the Stabilisation and Association Process.