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STATEMENT BY THE EUROPEAN UNION AT THE 1336th MEETING OF THE OSCE PERMANENT COUNCIL

23 September 2021

On the report of the External Auditor and the report of the Audit Committee

The Member States of the European Union thank the French Court of Accounts, in particular Mr. Pierre Moscovici and his team, and likewise Mr. Gary Eidet and his colleagues on the Audit Committee for their detailed reports.

We fully support the work of the External Auditor, who, together with the Audit Committee and the Office of Internal Oversight, plays an essential role in promoting effective and efficient management at the OSCE.

We welcome the fact that, despite the difficult situation, you have been able to carry out four audits during the first year of your mandate, including in-person audits of the Department of Human Resources and within the missions in Kosovo and Dushanbe.

We are satisfied that no deficiency or error that might be regarded as sufficiently important to warrant calling into question the accuracy, completeness and validity of the Financial Statements as a whole has been discovered in the course of the audit. We note that you have issued an unqualified opinion on the Financial Statements for 2020.

We take note of the nine most important recommendations and the other observations set out in the report, and encourage all the structures to follow up on them without forgetting the recommendations made by the External Auditor in previous years.

In particular, we take note of your recommendations on the need to implement a budget reporting system for the OSCE Special Monitoring Mission to Ukraine (SMM) and an accounting procedure for SMM fund transactions ensuring that the Mission's expenditure and income are accounted for in the Financial Statements in strict accordance with the International Public Sector Accounting Standards (IPSAS).

In principle, we share your view that the Programme Budget Performance Report could usefully be supplemented with the information you propose, in particular the Unified Budget funded posts that are vacant, the surplus or deficit of the SMM as regards assessed contributions, and the total average workforce (consisting of Unified Budget, SMM and extrabudgetary project funded personnel).

We fully share your recommendation to attach the function of the OSCE Ethics Co-ordinator to the Secretary General and to define regulations and processes in the Organization as a whole to address all cases of harassment, including sexual harassment.

Lastly, we welcome your recommendation to launch a strategic review of the OSCE posts in 2022.

We are willing to support the adoption of the draft decision (PC.DD/22/21/Rev.1) on the Financial Report and Financial Statements for the year ended 31 December 2020 and the Report of the External Auditor.

We thank the Audit Committee for its annual report covering the period from July 2019 to June 2020. We appreciate the report's contents, which complement the conclusions of the reports by the External Auditor and the Office of Internal Oversight. We take note of the recommendations and comments you have made therein.

In particular, we share your views on the delayed adoption of the budget in recent years. We welcome your recommendation to consider any relevant measures to ensure approval of the Unified Budget before the end of the previous year. We also take note of your recommendation to amend Article 3.04 of the Financial Regulations so that the Organization can be provided with quarterly provisional allotments instead of monthly ones.

We regard as a positive step the fact that the Advisory Committee on Management and Finance recently approved a capital investment planning proposal. We agree that the OSCE should adopt a medium-term budgetary framework and reiterate our position in favour of a two-year budgetary cycle.

We are aware of the consequences of zero nominal growth for the Unified Budget and of the under-financing of the OSCE. The Organization must be able to count on dependable resources to fulfil its mandate, and it must also pursue all the necessary reforms to improve its effectiveness and efficiency.

We welcome your encouragement to the Secretariat to continue its efforts to further strengthen the internal control framework. In this regard, we congratulate the Department of Management and Finance for its contribution to a continuous improvement programme aimed at strengthening the system of internal control throughout the OSCE, including risk management, control activities, reporting and compliance.

We share your view regarding the absence of an officially recognized international legal personality and acknowledge the importance of the Informal Working Group on Strengthening the Legal Framework of the OSCE.

We agree that the SMM, which is funded by assessed and voluntary contributions, is not fully implementing the OSCE's methodological standards for Performance-Based Programme Budgeting and that the Organization should consider the necessary changes.

We share your point of view concerning the need to provide the necessary resources to implement the recommendations resulting from the review of the OSCE Ethical Framework.

We share your view as regards the negotiations with Tajikistan and Kyrgyzstan with the aim of obtaining a tax exemption for locally recruited mission members and call on these participating States to follow the example of Uzbekistan in this respect.

We take note of your recommendation to reconsider the current staffing policy and welcome the continuation of discussions in this regard.

Lastly, we thank the Secretariat, in particular the Department of Management and Finance, the Department of Human Resources and the other Fund Managers in the institutions and field operations for

their high-quality work in the difficult conditions due to the pandemic, while acknowledging the additional administrative burden caused by the delayed adoption of the budget.

In conclusion, we say thank you once again to the French Court of Accounts and the Audit Committee for the good work they have done.

The candidate countries the Republic of North Macedonia¹, Montenegro¹, Serbia¹ and Albania¹, the country of the Stabilisation and Association Process and potential candidate Bosnia and Herzegovina, the European Free Trade Association countries and members of the European Economic Area Iceland and Liechtenstein, as well as Georgia, Andorra and San Marino, align themselves with this statement.

1 The Republic of North Macedonia, Montenegro, Serbia and Albania continue to be part of the Stabilisation and Association Process.