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TO THE OSCE

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Statement of the European Union in response to the Report by the Audit Committee

The EU warmly welcomes the members of the Audit Committee and its Chairman Mr. Claus Andreasen.

We would like to thank the Audit Committee for its comprehensive report. We are pleased to see that the work carried out with the Chair and members of the ACMF, the office of the Secretary General, and the Directors and staff of the Office of Internal Oversight and of the Department for Management and Finance has brought the Committee to analyze closely the functioning of the internal and external controls and operating systems of this Organization.

Like the Audit Committee, the EU welcomes OSCE's efforts to improve the ethical framework as part of good governance. We note that the OSCE has not yet developed an organization-wide risk management policy and wish to hear regular updates on the future plans of the organization in this regard, as well as on future activities related to the development of an ethical framework.

Amongst the various issues that have been referred to by the Committee in its report we would like to highlight the importance of the organization in giving high priority to concluding the revision of its financial regulations. They have for too long been under discussion. Agreement on this issue can no longer be postponed and therefore we call upon all delegations to agree as soon as possible to a solution on this important issue.

Although the Committee's annual report states an overall improvement in the Organization's risk management, controls and governance processes, we also note that it warrants specific consideration on oversight related issues, internal controls, external audit and internal audit. We believe it is of utmost importance to strengthen internal control in the procurement area. Moreover, the audit recommendation follow-up process should be improved and target implementation rates should be identified, as recommended by the Audit Committee.

We welcome the close coordination between the External Auditor and the Office of Internal Oversight. This is important to avoid potential duplication of activity and ensure mutual reinforcement while respecting independence of the two services.

In conclusion, we commend committee's work and excellent relations with the Organization to strengthen its internal and external control mechanisms.

The Candidate Countries Turkey, Croatia and the former Yugoslav Republic of Macedonia*, the Countries of the Stabilisation and Association Process Albania, Bosnia and Herzegovina, Montenegro, and Serbia, EFTA countries Iceland and Norway, members of the European Economic Area, as well as Ukraine, the Republic of Moldova, Armenia and Georgia align themselves with this statement.

* Croatia and the former Yugoslav Republic of Macedonia continue to be part of the Stabilisation and Association Process.