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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 Mr José Luis Cea and his colleagues, Auditors of the Spanish Court of Audit, and Mr. Batbayar Badamdorj and his 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 2017.

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 6,729.000 in 2017, which is higher than for the year 2016. We expect all pS to pay their assessed contributions including their arrears.

We welcome the commitment of the External Auditor to provide independent audit contributions to the fulfilment of gender equality policies which are necessary component of the OSCE's broader goal of comprehensive security. We agree with the remarks of the 2016 Annual Progress Report on implementing the 2004 Gender Action Plan, also mentioned in the Report of the External Auditor, that it is very difficult to measure results without clear set of benchmarks or targets. We also recall our concern about the continuing shortcomings in recruiting women for middle and senior management positions. In this regard, we took note of your recommendations

13 and 14 concerning the Gender issues and strongly encourage the OSCE to continue its efforts in pursuing their implementation.

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/21/18 on the Financial Report and Financial Statements for the Year ended 31 December 2017 and the Report of the External Auditor.

We thank the Audit Committee for its Annual Report on the period from July 2017 to June 2018. We highly value its work in providing an independent review assessing the internal and external controls in the OSCE and good assessment of the cooperation with the External Auditor, and the Office of the Internal Oversight. We appreciate that the Committee`s previously issued recommendations were implemented or are in progress.

We share the remarks of the Committee about the impact of not approving the 2018 Unified Budget on time. The late adoption of the UB in February 2018, although less impacting, impeded continuity and timely support for programmatic initiatives. 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 budget cycle would allow for more predictability and effective planning.

The Audit Committee notes in its report that Scales of Contribution expired on 31 December 2017 and recommends that „the pS take further steps to ensure that on-going negotiations effectively lead to an agreement on the Scales of Contribution, as soon as possible“. In this context and as stated in the past, we support and are committed to the reform process of the OSCE scales of contribution reaffirmed by the reinforced Permanent Council on June 8 2016. We reiterate the need to find an agreement on Scales of contributions for 2018 and onwards before 31st December this year so as to ensure financial stability of the organisation.

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.

On tax exemption, the report takes note of the SG's efforts which resulted in a change in national legislation granting tax exemption without discrimination on the basis of nationality by one pS. We recall our position that local staff salaries should be exempt from income tax and we expect that this example will be followed by other pS.

We support improving cash management and take positive note that the situation continues to be monitored closely and payment analysis for 2017 shows a further reduction of cash payment during the year.

Following the visit of the Audit Committee to the HCNM, we took note of the Committee's recommendation to match the demands made on the High Commissioner on National Minorities with sufficient Unified Budget funding. We look forward to receiving the HCNM's UB proposal.

We 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 countries LIECHTENSTEIN and NORWAY, members of the European Economic Area, as well as GEORGIA and SAN MARINO 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.