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## **STATEMENT BY THE EUROPEAN UNION AT THE 1277th MEETING OF THE OSCE PERMANENT COUNCIL**

30 July 2020

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

The Member States of the European Union thank the Court of Auditors of Spain, in particular Mr. Rafael Pou Bell and his team, and likewise Mr. Michael Schrenk 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 salute you for having been able, in spite of the difficult context this year, to complete the original plan and cover practically all of the Organization's areas of work and all of its decentralized bodies.

We are delighted 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 your unqualified audit opinion on the financial statements for 2019.

We take note of the 11 main recommendations and the other observations set out in your report, and encourage the Secretariat to follow up on them as soon as possible.

In particular, we share your view on the financial impact of gender equality aspects, which warrants detailed itemization and analysis.

We note the fact that the system for the sharing of internal common costs by all the executive structures has yet to be fully developed.

We welcome your recommendation to explore the possibility of reporting on finance under more global frameworks so as to include the financial impact of the Sustainable Development Goals.

We are willing to support the adoption of the draft decision (PC.DD/17/20) on the financial report and financial statements for the year ended 31 December 2019 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 Unified Budget, the fact that Scales of Contributions are not available and the need to find a long-term solution to the latter problem. We take note of your recommendation to amend Financial Regulation 3.04 so that the Organization can be provided with quarterly provisional allotments instead of monthly ones.

We take note of the consequences of what you refer to as “zero nominal growth” policy and “underfunding” of the Organization. We share your view on the need for the OSCE to undertake initiatives aimed at further reducing costs and increasing efficiencies.

We are very pleased that you encourage the Secretariat to continue its efforts aimed at further strengthening the internal control framework across the OSCE in the fields of risk management, control activities, reporting and compliance. In this respect, it is gratifying for us to note that the Department of Management and Finance has made progress in strengthening the OSCE internal control framework.

We share your viewpoints on the following:

- The need for a review of the OSCE Ethical Framework;
- The urgent need to upgrade the Microsoft information technology infrastructure; and
- The negotiations in Tajikistan and Kyrgyzstan with a view to securing a tax exemption for the locally recruited staff members of OSCE field operations (we urge these participating States to allow themselves to be inspired by the example of Uzbekistan in that regard).

We take note of your recommendation to initiate a discussion on the possibility of mitigating the negative effects of the staff rotation policy, which is currently very strict, particularly for Director-level posts.

We underline the importance of gender equality and gender mainstreaming in helping to make the Organization effective.

Finally, we warmly thank the Spanish Court of Auditors and the Audit Committee once again for the fine work they have performed, and encourage the Secretariat to implement those recommendations issued in previous years that have not yet been fully taken into consideration.

We likewise extend a warm welcome to the French Court of Accounts as the OSCE External Auditor for the 2020–2023 cycle, in particular to the First President of the Court, Mr. Pierre Moscovici, and his team.

The candidate countries the Republic of North Macedonia<sup>1</sup>, Montenegro<sup>1</sup>, Serbia<sup>1</sup> and Albania<sup>1</sup>, the country of the Stabilisation and Association Process and potential candidate Bosnia and Herzegovina, and the European Free Trade Association country and member of the European Economic Area Iceland, as well as Georgia and San Marino, align themselves with this statement.

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