



**Organization for Security and Co-operation in Europe
Permanent Council**

PC.DEC/656
30 December 2004

Original: ENGLISH

539th Plenary Meeting

PC Journal No. 539, Agenda item 1

**DECISION No. 656
ESTABLISHMENT OF AN AUDIT COMMITTEE**

The Permanent Council,

Determined to further strengthen internal and external control mechanisms which are essential for ensuring effective and efficient management of the OSCE,

Taking note of the recommendations and comments of the External Auditors regarding further improvement of management in the OSCE,

Recognizing the need for enhancing the OSCE appraisal mechanisms to provide the participating States with assurances that the Organization's controls are in place and operating properly through, *inter alia*, independent reviews of the work performed by the OSCE system of internal and external controls, including Internal Oversight, the External Auditors, and the administration and management of the Organization,

Establishes an OSCE Audit Committee with terms of reference as contained in Annex 1;

Decides that the administrative costs of the members of the Audit Committee shall be funded annually through the Unified Budget. Accordingly, the funds indicated in Annex 2 shall be included in the Unified Budget for 2005.

OSCE AUDIT COMMITTEE TERMS OF REFERENCE

1. Guiding principle

An Audit Committee shall be established by the Permanent Council to exercise an independent appraisal function, providing the participating States with assurances that the Organization's controls are in place and operating properly. It shall perform this function through independent reviews of the work carried out by the OSCE's system of internal and external controls, including Internal Oversight, the External Auditors and the administration and management of the Organization. It shall also advise the Secretary General in his capacity as Chief Administrative Officer. The work of the Audit Committee shall be conducted in accordance with internationally accepted best practices and in compliance with OSCE policies, rules and regulations.

2. Role of the Committee

The Committee shall:

- (i) Review and monitor the adequacy, efficiency and effectiveness of the Organization's system of internal and external controls, including OSCE internal oversight functions, the external auditor functions and the implementation of audit recommendations;
- (ii) Advise the Secretary General as the Chief Administrative Officer on all policy issues related to the system of internal and external controls and its performance;
- (iii) Report to the Permanent Council, through the Advisory Committee on Management and Finance, in particular on any matters of policy requiring corrective action and improvements in the area of controls, including appraisal, audit, investigation and risk management.

3. Membership of the Committee

The Committee shall be composed of three members who shall be senior audit professionals of high standing in the international audit community, fully independent of the OSCE, and with no affiliation with national governments of the OSCE participating States. The Chairmanship-in-Office, in consultation with Participating States, shall appoint the members of the Committee. Each member shall serve as Chairperson of the Committee for one year on a rotational basis.

4. Terms of appointment

The members shall serve for terms of three years, extendable for a further period of one year.

5. Rules and procedures

The Audit Committee shall meet for its regular sessions twice a year. Additional meetings may also be scheduled on an *ad hoc* basis as necessary. The Chairperson of the Committee shall determine the timing of meetings and the need for any additional meetings in the course of the year. He/she shall also set the agenda of the meetings, taking into account relevant requests of the Permanent Council. The Audit Committee shall be able to call upon OSCE officials and request meetings with other parties as it deems necessary to obtain information relevant to its work. In particular, the office of Internal Oversight and the External Auditors shall be readily available to respond to inquiries and make presentations to the Committee. In performing their functions, the members of the Committee shall neither seek nor receive instructions from any government authorities. They shall act fully independently from any individual OSCE bodies and structures, and shall be guided solely by their expertise and professional judgement, taking into account the collective decisions of the OSCE governing bodies.

The Audit Committee shall adopt recommendations on a consensus basis. In case of dissent among Committee members, the conclusions of the Chairperson in charge of the meeting, together with the dissenting opinion, shall be presented in the subsequent Committee report.

6. Access to documents

The Audit Committee shall have access to all records and documents of the Organization, including audit reports, investigations, and work documents of the office of Internal Oversight and the External Auditors. Committee members shall sign no-disclosure statements at the beginning of their tenure.

7. Reporting

- (i) The Audit Committee shall submit an annual report to the Permanent Council.
- (ii) The Audit Committee may also submit *ad-hoc* reports to the Permanent Council as necessary.
- (iii) The Secretary General shall be given the opportunity to comment on all reports prior to their submission. Comments of the Secretary General, which he/she deems necessary, shall be incorporated in the relevant reports.

8. Resources

The Audit Committee shall be provided with such resources as necessary to undertake its duties. Funds shall be included annually in the Unified Budget proposal to provide exclusively for the travel and accommodation costs of the members of the Committee, in accordance with OSCE administrative rules and regulations. The members shall serve without remuneration from the OSCE.

The Audit Committee shall also be provided with funds for temporary administrative and secretarial support.

9. Time limit

These Terms of Reference will be in effect for three years after approval by the Permanent Council, and will be revised thereafter as necessary.

AUDIT COMMITTEE TRAVEL AND ACCOMMODATION COSTS
Plus secretarial support
(3 trips x 3 persons x 3 days)

	Rate (in euros)	Number of days	Number of consultants	Total (in euros)
DSA Vienna	198	3	3	1,782
Air tickets	3,000		3	9,000
Costs for a trip by 3 people				10,782
Costs for three trips/3 days/ 3 persons				32,346
Secretariat costs	200	12		2,400
GRAND TOTAL				34,746