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## **STATEMENT BY THE EUROPEAN UNION AT THE 1234th MEETING OF THE OSCE PERMANENT COUNCIL**

4 July 2019

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

The Member States of the European Union welcome to the Permanent Council Mr. Rafael Pou Bell and his colleagues, auditors from the Spanish Court of Audit, and Mr. Michael Schrenk and his colleagues, members of the Audit Committee. We thank them 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 of the OSCE.

We are pleased that no weaknesses or errors that could be considered material to the accuracy, completeness or validity of the financial statements as a whole were revealed during the audit. We note that you have issued an unqualified opinion on the 2018 financial statements.

We take note of the main recommendations and other comments made in that report and encourage the Secretariat to act on them as soon as possible.

In particular, we share your views regarding the late adoption of the budget since 2007, the lack of consensus on the Scales of Contributions, the resulting provisional financing arrangement for 2018 and the relevance of the elements of Permanent Council Decision No. 1288 concerning the budget cycle.

We welcome your recommendation regarding the key performance indicators and the need to focus on performance throughout the budget cycle.

We shall carefully study your advice to align the mandate of the OSCE Special Monitoring Mission to Ukraine (SMM) with the calendar year and to consider extending the mandate of the Observer Mission to two checkpoints on the Russian-Ukrainian border to at least six months, in order to reduce the legal and administrative burdens.

We welcome your recommendation concerning the need to modify formally the annual Internal Oversight Plan in the event that specific and formal requests for internal audits are made once the Plan has been issued.

We share your view concerning the decrease in the number of nominations and candidates for seconded posts, in a context where about half of the seconded personnel receive no salary.

We take note of your recommendation concerning the “special additional provision” that has become a permanent measure and the need to adapt the Staff Regulations and Staff Rules accordingly.

We welcome your recommendation to the Secretary General to maximize the efforts made to implement enterprise risk management throughout the OSCE by integrating it into day-to-day management and raising awareness of this issue among managers.

We share your view that the overall number of men and women in the OSCE is close to parity thanks to the figures for local staff. Nevertheless, improvements are needed among international staff, and gender mainstreaming and gender equality at all levels of decision-making throughout the Organization remain essential. Like you, we hope that the Gender Parity Strategy will soon be implemented.

We are ready to support the adoption of the draft decision (PC.DD/19/19) on the Financial Report and Financial Statements for the year ended 31 December 2018 and the Report of the External Auditor.

We thank the Audit Committee for its annual report covering the period from July 2018 to June 2019. We appreciate the content of the report, which complements the conclusions of the report of the External Auditor and of the Office of Internal Oversight. We take note of your recommendations and comments made in your report.

In particular, we share your point of view on the general problem of the governance of the Organization. In that regard, the EU Member States are constructively engaged in the process of finding a long-term solution for the Scales of Contributions and are ready to redouble their efforts to that end.

We are also concerned about the practice of adopting the Unified Budget late and we shall continue to give consideration to your recommendation to modify Financial Regulation 3.04 in order to provide the OSCE with quarterly provisional allotments instead of monthly provisional allotments.

We note the consequences of what you call a “zero nominal growth policy” and “underfunding of the Organization”. We share your view that the OSCE is required to take initiatives to further reduce costs and increase efficiency and that the Organization is currently far from best practice, as required by a sound governance structure.

We should like to underscore the importance of gender equality and gender mainstreaming in contributing to an effective organization.

We welcome your encouragement to the Secretariat to continue its efforts to further strengthen the internal control framework throughout the OSCE in the areas of risk management, control activities, reporting and compliance.

We welcome your recommendation to the Secretary General to review and update the OSCE’s risk management framework using updated standards.

We share your view regarding the urgent need to upgrade the Microsoft information technology infrastructure.

We share your view regarding the absence of a formally recognized international legal framework and recognize the importance of the Informal Working Group on Strengthening the Legal Framework of the OSCE.

We share your view concerning the negotiations in 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.

We take note of your recommendation to initiate a discussion on the possibility of mitigating the negative effects of the current strict staff rotation policy, in particular at the Director level.

Lastly, we say thank you once again to the Spanish Court of Audit and the Audit Committee for the good work they have done and encourage the Secretariat to implement the recommendations made in previous years that have not yet been properly taken into account.

The candidate countries 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, as well as the Republic of Moldova, Georgia and San Marino, align themselves with this statement.

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