

**EUROPEAN UNION****OSCE Permanent Council Nr 1006
Vienna, 3 July 2014**

EU Statement in Response to the Report of the External Auditor and the Annual Report of the Audit Committee

The Member States of the European Union welcome to the Permanent Council Mr. Horst Erb, Senior Director of the German Federal Court of Auditors, and other representatives of the External Auditor, and the Audit Committee. We thank them for their comprehensive reports. We strongly support the work of the External Auditor and the Audit Committee which, together with the Office of the Internal Oversight, play a key role in promoting effective and efficient management at the OSCE.

With respect to the External Auditor's Report, we are pleased that no weaknesses or errors pertaining to the accuracy, completeness or validity of the financial statements were found.

We note the External Auditor's findings that the OSCE had a surplus of 5.9 million euros in 2013, and that the Organisation's cash situation is satisfactory.

We welcome the full adoption of IPSAS and agree with the External Auditor that the OSCE and its staff can rightly be proud of that achievement.

We encourage the Secretariat, and all the Executive Structures, to address the significant gaps identified by the External Auditor in the OSCE's IT security arrangements.

We note the other recommendations and advice all of which should be addressed promptly.

We are in a position to adopt the draft Decision on the Financial Report and Financial Statements for the year ended 31 December 2013 and the Report of the External Auditor.

With respect to the Annual Report of the Audit Committee, we are pleased that progress has been made in recent years in a number of areas, including the adoption by the Secretary General of the “Evaluation framework”. This needs to be implemented effectively across the OSCE. We underline that effective evaluation is essential to ensure efficient use of resources and aids the development of best practices and the process of lesson learning. We believe that performance indicators need to be introduced into budget documents to help participating States to assess the impact of programmatic activities.

We note the recommendation that the Secretary General presents participating States with an impact analysis of a multi-annual budget cycle. We believe that an extended budget cycle would allow for more predictability and aid effective planning.

We agree with the Committee that the late approval of the 2014 Unified Budget was not in compliance with Financial Regulation 2.05 and that participating States should increase their efforts to identify and adopt a suitable solution for improving/ streamlining the budget cycle.

The Candidate Countries the FORMER YUGOSLAV REPUBLIC OF MACEDONIA*, MONTENEGRO*, ICELAND+ and SERBIA* and ALBANIA*, the Country of the Stabilisation and Association Process and Potential Candidate BOSNIA and HERZEGOVINA, and the EFTA country NORWAY, member of the European Economic Area, as well as UKRAINE, the REPUBLIC OF MOLDOVA, ARMENIA, GEORGIA, MONACO 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.

+ Iceland continues to be a member of the EFTA and of the European Economic Area.