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**United States Mission to the OSCE**

**Responses to the Report of the External Auditor  
on the Financial Report and Statement for 2015  
and to the Report of the OSCE Audit  
Committee, July 2015 – June 2016**

As delivered by Ambassador Daniel B. Baer  
to the Permanent Council, Vienna  
July 7, 2016

Before making my statement, I want to respond to some comments made by our distinguished Russian colleague. For those who have served in an auditing capacity--or those who will be serving in an auditing capacity-- surely we all understand that there is always some politics behind discussions about budgets and keeping track of budgets. I would just comment that I think the politics of figuring out the priorities of this organization have been, and continue to be, the job of the participating States, and we should avoid trying to politicize any of the auditing processes. There is a clear mandate for your work and we are grateful to you, and will continue to be grateful to you, for doing that work.

The United States thanks the External Auditor and his staff for their comprehensive audit of the OSCE Financial Report and Statements for 2015. We also thank the OSCE Audit Committee for the presentation of its eleventh Annual Report.

**Report of External Auditor on the Financial Report and Statement for 2015**

On the presentation of the External Auditor report, we welcome Mr. Kay Scheller and his team to the Permanent Council, and thank the Federal Court of Auditors of Germany in its role as External Auditor over the past three years. We also welcome the readiness of the Court of Audit of Spain to take on the OSCE External Auditor's role.

We are pleased that the External Auditor, after thorough review and analysis of the OSCE accounting systems and procedures, and consultations with the OSCE Secretariat and two field operations, issued an unqualified opinion of the financial statements for the period ending December 31, 2015 – which revealed no material weaknesses or errors. The United States is a strong supporter of the OSCE and a major contributor, and we believe that external audits are a necessary component of ensuring the financial and management integrity of the Organization.

We commend the Secretariat for accepting and implementing all recommendations in the 2014 Financial Statements, and we encourage the OSCE to address the recommendations made in the 2015 External Auditor Report. We note that while the level of outstanding Unified Budget assessed contributions further decreased during 2015, outstanding assessed contributions for the Special Monitoring Mission to Ukraine increased by approximately EUR 2.6 million, bringing the total combined outstanding assessed contributions to roughly EUR 8.8 million. We encourage those few participating States with significant arrears to meet their resource commitments.

Mr. Scheller, the United States appreciates the work that you and the Federal Court of Auditors of Germany have done for the OSCE and wish you well in your future endeavors. We look forward to working with Spain as it takes on the role of External Auditor.

Report of the OSCE Audit Committee for the Period July 2015 to June 2016

On the OSCE Audit Committee Report, we welcome Mr. Hayk Karamyan to the Permanent Council, and we thank the OSCE Audit Committee for the presentation of its eleventh annual audit report covering the period July 2015 to June 2016. We firmly believe that the work of the Audit Committee, in cooperation with the External Auditors and the Office of Internal Oversight, is essential to improving the external and internal controls and operations of the OSCE.

We are pleased that the Audit Committee took note of the approval of the 2016 Unified Budget before the end of December 2015, providing the OSCE the resources necessary to operate and carry out its mandate efficiently. We commend the German Chairmanship for this timely adoption of the budget, which should not be seen as an exception, but rather as a rule for good management practice – obviously following on the Serbian Chairmanship’s successful adoption of the budget the previous year. We welcome measures taken thus far to streamline the budget process and documents, and support the Audit Committee’s recommendations for the OSCE to continue efforts toward budget cycle reform to enable more stable and effective planning.

We welcome the progress made toward finalizing the Enterprise Risk Management framework, particularly the approval of the “Guidelines on Completing Security Risk Assessments” in February 2016. We support the Audit Committee’s recommendation that the Secretariat work closely with program managers in its efforts towards an organization-wide risk management policy. We also welcome more consistent, timely information on results and findings of internal audits, investigations, and evaluations. As stakeholders in this Organization, we should be informed of all OSCE administration, management and financial challenges and successes.

We remain concerned about open recommendations, particularly the recommendation to amend the existing Financial Regulations, and urge the OSCE to carry out all priority actions expeditiously. We also encourage the Office of Internal Oversight (OIO) to expedite the recruitment of candidates for its vacant positions, including the Head of Internal Audit/Deputy Director and the Senior Investigator.

The United States thanks the Audit Committee for their time and service to the OSCE.

Thank you, Mr. Chair.