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OSCE

Financial Report and Financial Statements
and the Report of the External Auditor

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Organization for Security and
Co-operation in Europe

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Letter of Transmittal to the Chairperson of
the Permanent Council to the OSCE from
the Secretary General

Letter of Transmittal to the Chairperson of the Permanent Council of the OSCE from the Secretary General



Organization for Security and Co-operation in Europe
The Secretariat

14 July 2022

Sir,

Pursuant to Financial Regulation 7.04, I have the honour to submit the Financial Report and Financial Statements of the Organization for Security and Co-operation in Europe for the year ended 31 December 2021 and the Report of the External Auditor thereon for your consideration and approval.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'H. Schmid', with a stylized flourish at the end.

Helga Maria Schmid
Secretary General

Letter of Transmittal to the First President
of the Court of Auditors from the
Secretary General

Letter of Transmittal to the First President of the Court of Auditors from the Secretary General



Organization for Security and Co-operation in Europe
The Secretariat

31 March 2022

Sir,

Pursuant to Financial Regulation 7.04, I have the honour to submit the draft Financial Statements of the Organization for Security and Co-operation in Europe for the year ended 31 December 2021.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'H. Schmid', is written over a light blue horizontal line.

Helga Maria Schmid
Secretary General

M. Pierre Moscovici
Premier President de la Cour des Comptes

13 rue Cambon
75100 Paris
FRANCE

Financial Report of the Secretary General

Financial Report of the Secretary General for the year ended 31 December 2021

INTRODUCTION

1. The Secretary General of the Organization for Security and Co-operation in Europe hereby submits the Financial Report, the Financial Statements, and the Report of the External Auditor, with his unqualified opinion, for the year ended 31 December 2021, in accordance with Financial Regulation 7.04.
2. The Financial Statements are prepared on an accrual basis in accordance with International Public Sector Accounting Standards (IPSAS) and the OSCE's Financial Regulations.
3. The OSCE was established with the Helsinki Final Act in 1975 as the Conference on Security and Co-operation in Europe (CSCE). Subsequently, in 1994, the CSCE was renamed the Organization for Security and Co-operation in Europe. The OSCE is a regional organization in the sense of Chapter VIII of the United Nations Charter and is an observer in the United Nations General Assembly.
4. The OSCE is a forum for political dialogue on a wide range of security issues and a platform for joint action to improve the lives of individuals and communities. Through its comprehensive approach to security that encompasses the politico-military, economic and environmental, and human dimensions and its inclusive membership, the OSCE helps bridge differences and build trust between States by cooperating on conflict prevention, crisis management and post-conflict rehabilitation. With 57 participating States in North America, Europe, and Asia, the OSCE is the world's largest regional security organization.
5. This report focuses on the financial position and performance of the OSCE, its expenditure against the Unified Budget, and the expenditure of the Special Monitoring Mission to Ukraine during those parts of its 2020/21 and 2021/22 Mandates that fall within the calendar year 2021. The 2021 Annual Report of the Secretary General, published separately, provides a comprehensive overview of the activities of the OSCE, also including activities that are outside the scope of the Financial Statements.
6. An organisational chart of OSCE Structures and Institutions as at 31 December 2021 is included as Annex 1 to the Financial Report.

SUMMARY OF THE YEAR 2021

7. The impacts of the COVID-19 pandemic continued to be felt by the Organization, particularly in the early part of the year and overall expense has yet to recover the ground lost in 2020. The overall financial position remains sound, with significant liquid assets in the form of cash and short-term investments. Both revenue and expenses increased over 2020 levels in all three main accounting segments (Unified Budget, Special Purpose Funds and Extra-Budgetary) and all three generated surpluses for the year, in total 12.0 million Euros. Although the Unified Budget surplus fell by 6.5 million Euros to a deficit of 0.6 million, this is no cause for concern: International Organisations are expected to be broadly in balance over time and fluctuations in operating surplus and deficit are entirely normal.

8. The year 2021 also saw the end of the OSCE Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border, when its final Mandate expired on 30 September.
9. In-kind contributions of both goods and services, in particular seconded staff, continue to be critical to the delivery of mandated outcomes, especially by the SMM. If the Organization had been required to provide these from its own resources, it is estimated that additional resources of EUR 75.5 million (27%) would have been required during 2021 (EUR 72.0 million or 27% in 2020) to support the level of mandated and extra-budgetary activity undertaken.

FINANCIAL STATEMENTS ANALYSIS

10. Due to the extraordinary circumstances of 2019-21, direct comparisons of financial information with prior years is difficult and the drivers of the differences are not always clear. For this reason, variances between years should be treated with caution. Key financial information is presented in the table below and analysed beneath.

STATEMENT OF FINANCIAL POSITION	2021	2020	Change	Change %
EUR'000				
Cash, bank and investments	133,347	134,744	(1,397)	(1.0)
Contributions receivable	29,129	18,861	10,268	54.4
Other current assets	12,708	11,167	1,541	13.8
CURRENT ASSETS	175,183	164,772	10,412	6.3
Non-current assets	20,110	17,823	2,288	12.8
TOTAL ASSETS	195,294	182,594	12,699	7.0
CURRENT LIABILITIES	141,825	130,007	11,819	9.1
NON-CURRENT LIABILITIES	3,544	3,434	110	3.2
TOTAL LIABILITIES	145,369	133,441	11,929	8.9
TOTAL NET ASSETS	49,924	49,154	771	1.6
STATEMENT OF FINANCIAL PERFORMANCE	2021	2020	Change	Change %
EUR'000				
Assessed Contributions	229,570	227,218	2,352	1.0
Extra-budgetary contributions	34,899	30,512	4,386	14.4
Contributions in kind	75,491	72,042	3,449	4.8
Other revenue	3,201	5,556	(2,355)	(42.4)
TOTAL REVENUE	343,236	335,506	7,730	2.3
Staff costs	217,674	214,820	2,854	1.3
Consultancy and sub-contracting	35,235	31,196	4,039	12.9
Travel	11,794	7,988	3,807	47.7
Services and office costs	38,238	32,130	6,108	19.0
Other expenses	29,601	32,020	(2,419)	(7.6)
TOTAL EXPENSES	332,542	318,153	14,389	4.5
Gains/(Losses)	1,310	(1,875)	3,185	(169.9)
SURPLUS/(DEFICIT) FOR THE YEAR	12,003	15,478	(3,475)	(22.4)

Assets

11. The total net assets of the OSCE have increased by EUR 0.8 million to EUR 50.0 million (2020, EUR 49.2 million), driven by a significant operating surplus of EUR 12.0 million (2020, EUR 16.1 million), of which EUR 3.8 million (2020, EUR 4.0 million) is cash surplus held for distribution to participating States or such other disposition as may be decided by the Permanent Council in accordance with Financial Regulation 7.07(b). The increase in current assets of EUR 10.4 million is almost entirely due to

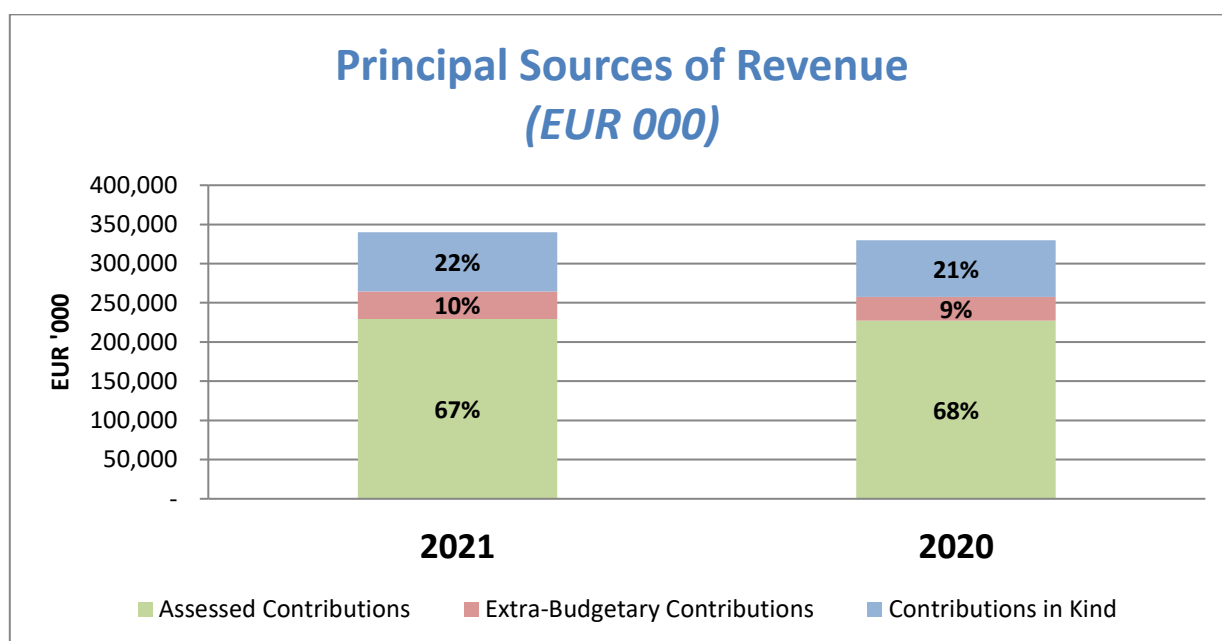
Contributions receivable: of this, the biggest element (EUR 11.8 million) is Assessed Contributions relating to the SMM, However, this is largely a timing issue related to the difference between the OSCE financial year and the SMM Mandate Year, as two major contributions outstanding at 31 December were settled within the Mandate period. The cash position of the Organization remains sound, with total cash, bank and investment balances equal to 94% of current liabilities. Overall, current assets are 1.2 times the current liabilities (2020, 1.3 times) and total assets are 1.3 times total liabilities (2020, 1.4 times).

Liabilities

- The most significant factor in the increase in current liabilities of EUR 11.8 million to EUR 141.8 million (2020, 130.0 million) is an increase in conditional extra-budgetary contributions of EUR 18.4 million, partially offset by a reduction in provisions for refunds of EUR 7.2 million for a net increase of EUR 11.2 million. ExB contributions are not recognised as revenue until the activity they fund has been delivered and the increase recognises higher levels of pledges compared to 2020. Conversely, more ExB activity during 2021 led to an increase in project expenditure of EUR 8.8 million (offset by a reduction in SMM activity funded by voluntary contributions of EUR 4.1 million).

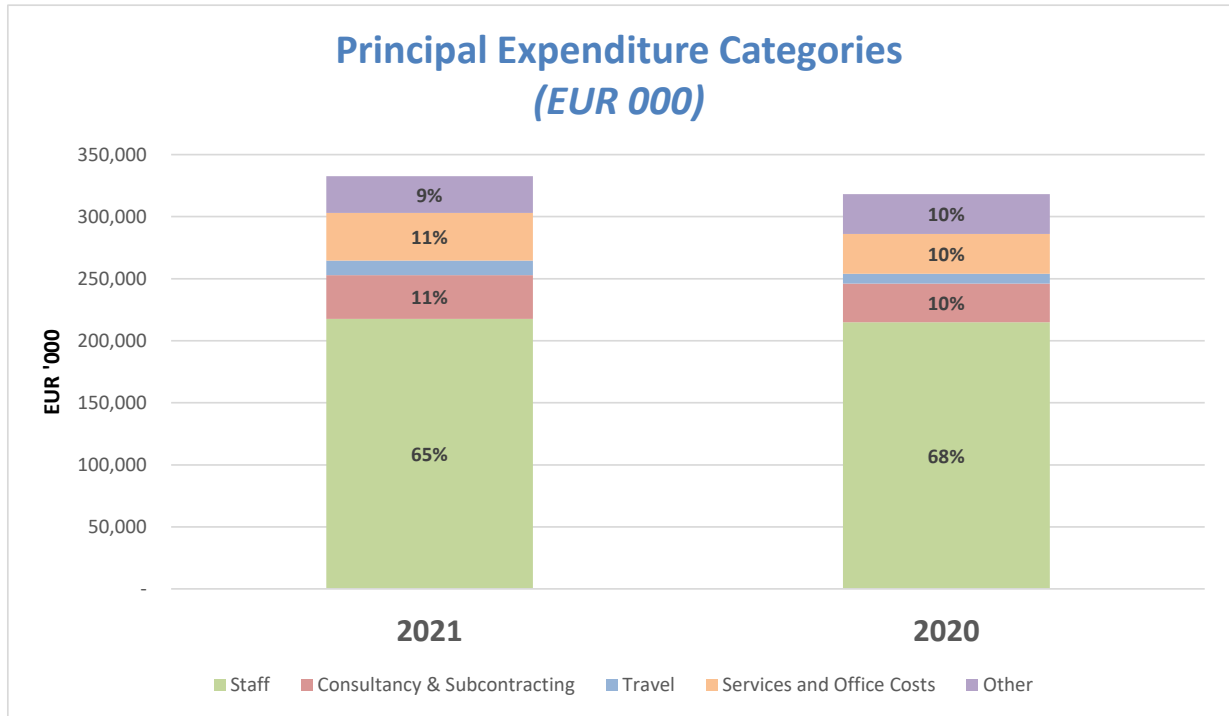
Revenue

- Overall, total revenue of the OSCE increased to EUR 343.2 million (2020, EUR 335.5 million), mainly due to increases in both extra-budgetary contributions and contributions in kind.



Expenses

- Staff costs remain the biggest category of OSCE expense in both the Unified Budget and Special Purpose Funds, the latter dominated by the Special Monitoring Mission to Ukraine (SMM). The total expense is comparable to 2020 (1.3% greater) and has fallen slightly as a proportion of overall expenses from 68% to 65% although it remains greater than the 62% recorded in 2019 as Covid-19 continued to impact in 2021, albeit less severely than in 2020. Staff seconded by participating States remained an important resource, especially in SMM and these contributions had a total estimated value to the OSCE of EUR 69.4 million, EUR 3.1 million (4.7%) more than the EUR 66.3 million estimated for 2020.
- The partial recovery from the effects of the Covid-19 pandemic explains most of the increases in expenses and manifests across all major non-staff categories in both the Unified Budget and extra-budgetary areas, particularly travel. Nonetheless, programmatic expenditure has still not returned to pre-pandemic levels and the Permanent Council used some of these unanticipated savings to establish a technical fund for the purpose of financing agreed capital requirements, under PC.DEC/1422.



Surplus/Deficit

16. Due in large part to the reduction in expenditure caused by the COVID-19 pandemic affecting the early part of the year, overall the OSCE is reporting an operating surplus for the year 2021, albeit 22.4% smaller than in 2020. ExB projects showed a small surplus (EUR 0.6 million, compared to a deficit of EUR 0.5 million in 2020), in line with the expectation that its revenue and expenditure will balance over time.
17. The 2021 Unified Budget cash surplus shows a decrease compared to 2020, in line with the smaller overall operating surplus. Had the Permanent Council not used some of the operating surplus to establish the technical fund described, the cash surplus would have been considerably higher. Even after this, it is still high by comparison to recent years, as can be seen below.

EUR'000	2017	2018	2019	2020	2021
Cash Surplus	2,949	3,255	2,778	4,040	3,827

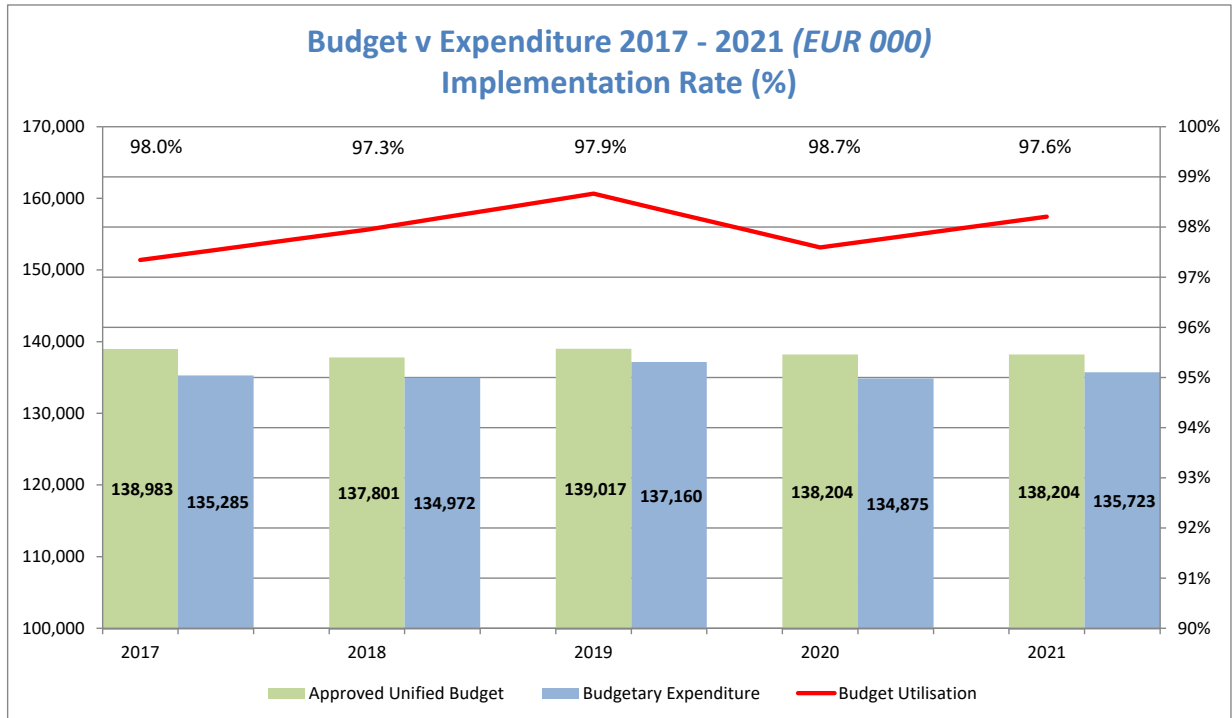
SEGMENTAL BREAKDOWN

18. The OSCE has three principal budgetary components: the Unified Budget (UB), the Special Monitoring Mission to Ukraine (SMM), and projects financed through Extra-Budgetary (ExB) contributions accepted under the terms of Article IX of the Financial Regulations. The Permanent Council has established other Special Purpose Funds (SPF) to meet various objectives, the most significant of which from an operational perspective are SMM and the Deployment of OSCE Observers to Two Russian Checkpoints on the Russian-Ukrainian Border until the end of its final mandate during 2021. The Permanent Council approved SMM's budget to be funded by a combination of assessments on all participating States and voluntary contributions. These two elements are disclosed separately in the segmental analysis annexed to the financial statements (as parts of Special Purpose and Extra-Budgetary Funds respectively), but are combined in the following table, which shows the principal elements of the financial statements pertinent to each part of the OSCE's budgetary structure. A more detailed analysis of SMM's financial position and performance can be found in section J of Annex 1 to the Financial Statements.

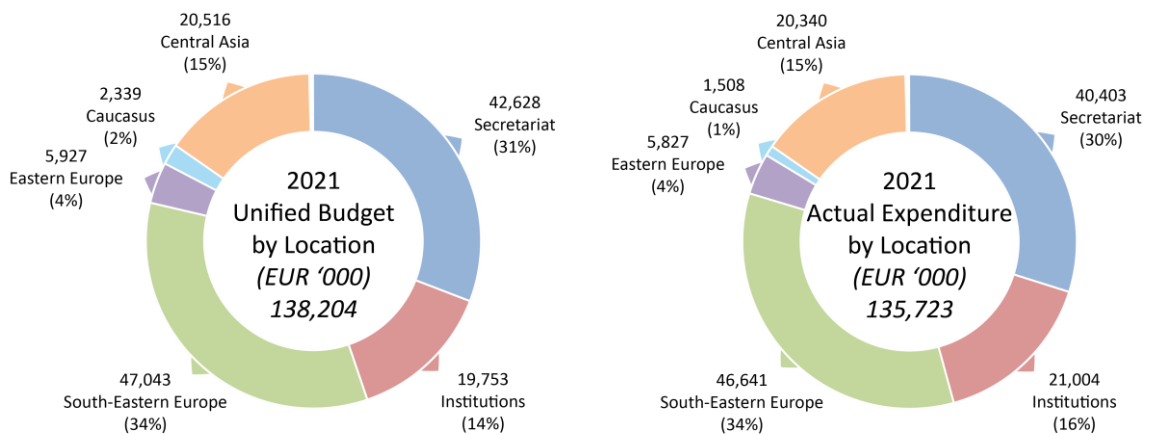
STATEMENT OF FINANCIAL POSITION					
EUR'000	UB	SMM	SPF	ExB	Total
Current Assets	41,285	38,735	1,463	93,701	175,183
Non-current assets	10,079	8,909	196	926	20,110
TOTAL ASSETS	51,364	47,644	1,659	94,627	195,294
Current Liabilities	28,667	20,725	43	92,391	141,825
Non-current Liabilities	3,100	265	0	178	3,544
TOTAL LIABILITIES	31,767	20,990	43	92,569	145,369
TOTAL NET ASSETS	19,597	26,654	1,616	2,058	49,924
STATEMENT OF FINANCIAL PERFORMANCE					
EUR'000					
Revenue	168,356	145,953	2,354	26,572	343,236
Expenses	165,455	136,912	3,130	27,045	332,542
Foreign Exchange Gains/(Losses)	216	(118)	0	1,212	1,310
SURPLUS/(DEFICIT) FOR THE YEAR	3,117	8,924	(775)	738	12,003

UNIFIED BUDGET PERFORMANCE

19. The Unified Budget and the expenditure against it are presented on a modified cash basis, which records expenses when they are incurred or binding commitments made, whereas expense in the Statement of Financial Performance is recognised as goods or services are delivered in accordance with the accruals basis of IPSAS. The Statement of Comparison of Budget and Actual Amounts (Statement V) compares amounts on the budgetary basis and Note 9 provides detailed reconciliations between the two. In addition, the two accounting frameworks use different systems of cost classification to reflect the differing needs of the users. The following section of the report considers the Unified Budget performance on the budgetary basis, as distinct from the IPSAS basis discussed in the foregoing sections.
20. The approved 2021 Unified Budget amounted to EUR 138 million (PC.DEC/1413 dated 18 August 2021). The Unified Budget was approved with a seven-month delay, which, coupled with the restrictions imposed by the COVID-19 pandemic, impeded the implementation of the planned programmatic activities. It is worth noting that the late approval of the budget hampers the OSCE's ability to commit resources in a planned manner, diminishes our ability to mitigate the emerging issues, such as the ongoing worldwide health crisis, and prevents the organization from achieving additional efficiencies. The trend of delayed budgets is damaging the reputation of the OSCE. This trend is rendering the Organization less reliable in terms of delivery of the programmatic activities or a less attractive contracting partner, thus leading to a loss of credibility, trust and legitimacy.
21. In the last 5 years, the average UB utilization was at the level of 98% (Figure 5). While the 2021 overall financial utilization rate of 98.2% is similar to the one for the previous year, it is higher than expected despite the significantly delayed budget approval and the impact of the COVID-19 pandemic. The achieved utilization rate is a reflection of the increased efforts by Programmes to sustain their activities following the late approval of the Unified Budget as well as to rapidly adapt to the continuing means of co-operation with the host countries and the beneficiaries, in light of the global pandemic. In addition, the implementation rate was further supported owing to the decision adopted by the Permanent Council in 2021 (PC.DEC/1422), thus approving the establishment of the Technical Fund for the purpose of financing and administering agreed capital investments through reprioritization of the identified 2021 UB underspend in the amount of EUR 1.5 million.

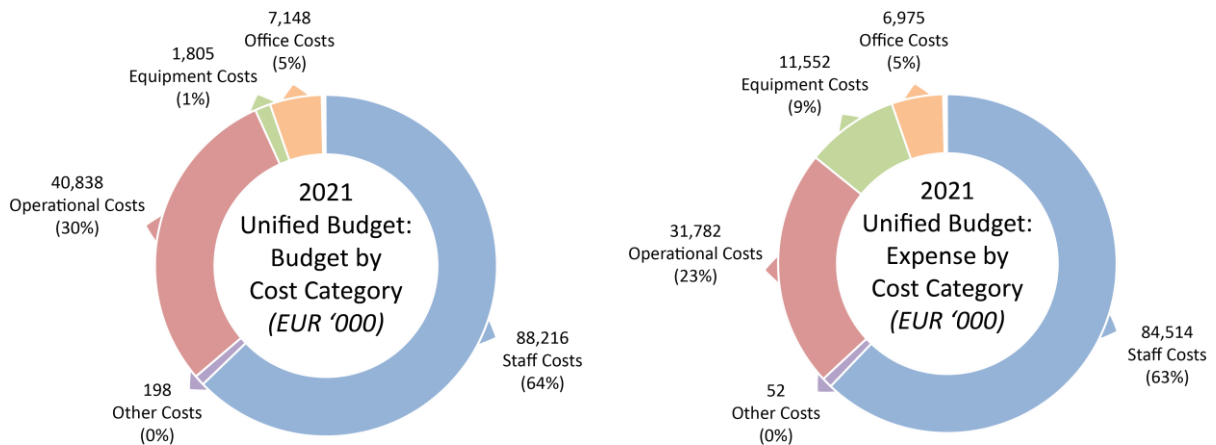


22. The 2021 Unified Budget consists of EUR 62.4 million, or 45%, for the Secretariat and Institutions and EUR 75.8 million, or 55%, for Field Operations. The geographical distribution of budget and expenditure, respectively, is shown below.

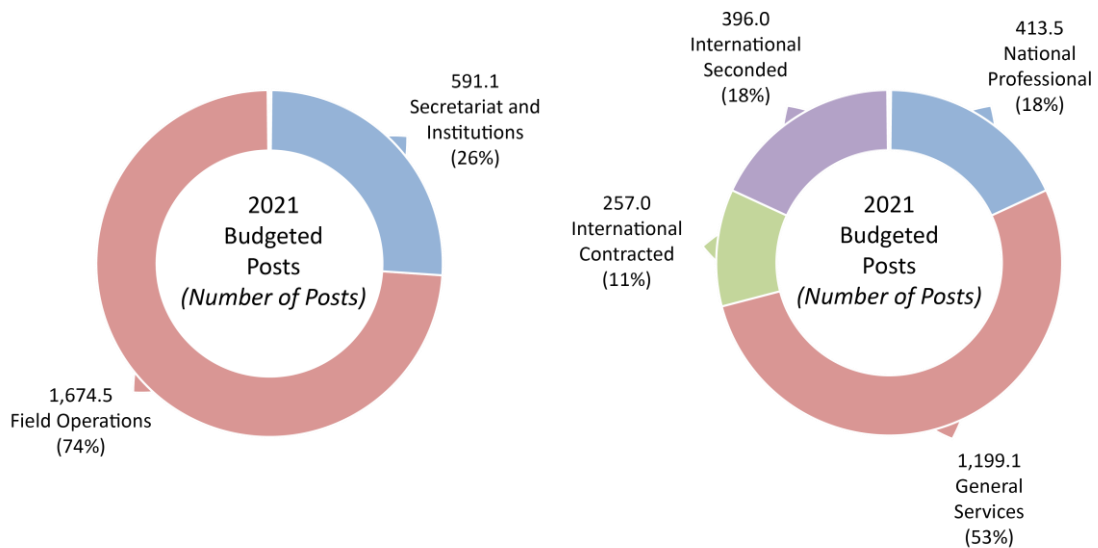


23. In accordance with the approved activities, the largest proportion of the total 2021 UB expenditure, EUR 74.3 million, or 54%, is allocated to Field Operations and EUR 61.4 million, or 46%, to the Secretariat and Institutions. It is worth noting that the Secretariat conducts extensive programmatic activities in addition to providing administrative services and policy guidance to the entire OSCE.

24. The distribution of the budget by main cost category in Figure 8 indicates that the Staff Costs represent the largest category with 64% of the UB resources, followed by the Operational Costs, the second largest, with a share of 30%. For 2021, the expenditure by main cost category reflects a proportion of 63% for Staff Costs and 28% for Operational Costs, whereas the increase in the Equipment Costs share is due to the PC-approved funding of the capital investments (PC.DEC/1422), thus reprioritizing the 2021 UB underspend.



25. The distribution of the 2021 approved posts in Figure 10 below shows that 74% of all posts are located in field operations and the remaining 26% relate to the Secretariat and Institutions. From a staff category point of view, the 2021 Unified Budget post table shows the following breakdown: General Services – 53%, National Professional – 18%, International Seconded – 18% and International Contracted – 11%.

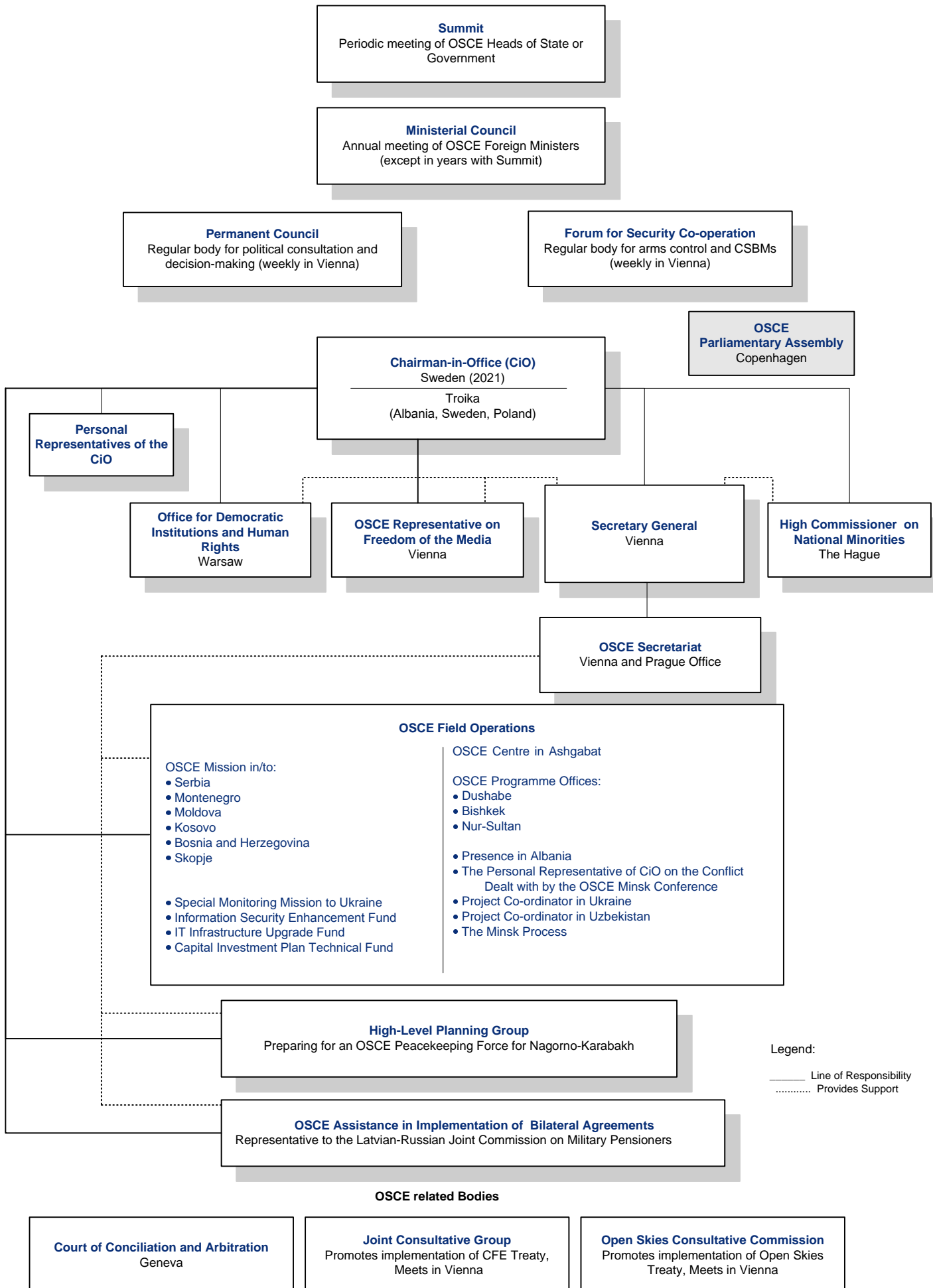


26. While staff costs continue to represent the largest share of expenditures, the lack of appropriate staffing to meet the Organization’s critical needs hampers its ability to deliver its mandate. Taking into account the vacancy rate information per staff category, secondments – while being the most cost effective category of staffing – continue to be the most challenging to recruit, resulting either in the inability to carry out planned activities or the requirement to hire more expensive temporary staff.

27. The OSCE continues to rely on the secondment system for a significant proportion of its post table (18% in 2021 or 61% of all international posts, as shown in Figure 11), and therefore the continuity of programmatic activities depends on the participating States’ sustained support and commitment to actively second and retain qualified personnel. The overall rate of re-issued recruitments for seconded posts increased to 21% in 2021 (compared to 16% in 2020, 17% in 2019 and 20% in 2018). This clearly demonstrates a decrease in seconded nominations as well as the quality of applicants, which potentially might have been related to the pandemic.

OSCE Structures and Institutions

As at 31 December 2021



Statement of Responsibilities of the
Secretary General and Conformity of the
Financial Statements

Statement of the Responsibilities of the Secretary General and Conformity of the Financial Statements with the Financial Regulations of the OSCE and with International Public Sector Accounting Standards

RESPONSIBILITIES OF THE SECRETARY GENERAL

1. The Secretary General, assisted by the heads of mission and heads of institution, is required by Financial Regulation 7.01 to maintain such accounting records for all Funds operated by the OSCE as are necessary according to International Public Sector Accounting Standards, and to prepare annual financial statements.
2. Financial Regulation 7.02 requires that the financial statements shall contain: a statement of financial position; a statement of financial performance; a cash flow statement; a statement of changes in net assets; a statement of comparison of budget and actuals; and segment reporting by Fund; accompanied by such other information as may be requested by the Permanent Council or deemed necessary or useful by the Secretary General.
3. The Secretary General is further required to establish and issue Financial and Administrative Instructions, in consultation with the heads of institution where required, to provide for the appropriate implementation of the Financial Regulations as approved by the Permanent Council, including effective financial administration and the exercise of economy. Mechanisms for internal oversight and financial control are required to support the Secretary General's management of the Organization's resources. The Secretary General and the heads of institution, to the extent that their institutions are concerned, are responsible and accountable for the proper application of the Financial Regulations.

STATEMENT OF CONFORMITY

4. We hereby confirm that the financial statements and supporting notes were properly prepared in accordance with the Financial Regulations and applicable International Public Sector Accounting Standards.



Helga Maria Schmid
Secretary General



Gelfiya Shchienko
Director of Management and Finance

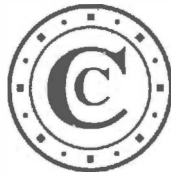


Andrew Carine
Chief of Accounts

30 June 2022

I

AUDITED FINANCIAL STATEMENTS



Le Premier président

22 1 24 6

Le 30 JUIN 2022

Madame la Secrétaire générale,

Je vous prie de bien vouloir trouver, ci-joint, l'opinion de l'Auditeur externe portant sur les états financiers de l'Organisation pour la sécurité et la coopération en Europe pour l'exercice clos le 31 décembre 2021, ainsi que le rapport d'audit définitif qui la complète.

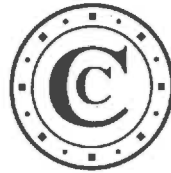
Je vous prie d'agréer, Madame la Secrétaire générale, l'expression de ma considération la plus distinguée.

f. d. l. s.

Pierre Moscovici

Pierre MOSCOVICI

Madame Helga Maria Schmid
Secrétaire générale
Organisation pour la sécurité et la
coopération en Europe (OSCE)
Wallnerstrasse 6
A-1010 Vienne
AUTRICHE



The First President

Paris, 30 June 2022

**To Ms Helga Maria Schmid
Secretary General
Organization for Security and
Co-operation in Europe**

AUDIT OPINION

Opinion

We have audited the Financial Statements of the Organization for Security and Co-operation in Europe (OSCE) for the 12 months period ended 31 December 2021. These Financial Statements include a Statement of Financial Position as at 31 December 2021, a Statement of Financial Performance, a Statement of Cash Flows, a Statement of Changes in Net Liabilities/Equity and a Statement of Comparison of Budget and Actual Amounts, and notes including a summary of the accounting policies and other information.

In our opinion, the Financial Statements present fairly the financial position of the Organization for Security and Co-operation in Europe as at 31 December 2021, as well as the financial performance, the cash flows and the changes in net liabilities/equity for the 12 months period ended 31 December 2021, in conformity with the International Public Sector Accounting Standards (IPSAS).

Emphasis of matter

We draw your attention to note 10.4.2 of the Financial Statements - non-adjusting events after the reporting date, which describes the possible consequences of the decision to close the Special Monitoring Mission in Ukraine (SMM) in the year 2022. Our opinion is not modified in respect of this matter.

Basis for Opinion

We have conducted our audit in accordance with the International Standards on Auditing (ISA) and in accordance with Article 8 of the Financial Regulations of the Organization for Security and Co-operation in Europe. These standards require us to comply with the ethical rules and to plan and perform our audit in order to obtain a reasonable assurance that the Financial Statements are free from material misstatements. As required by the Charter of Ethics of the *Cour des comptes*, we guarantee the independence, the fairness, the neutrality, the integrity

.../

and the professional discretion of the auditors. Furthermore, we also fulfilled our other ethical obligations in compliance with the Code of Ethics of the International Organization of Supreme Audit Institutions (INTOSAI). The responsibilities of the External Auditor are more extensively described in the section "Auditor's Responsibilities for the Audit of the Financial Statements".

We believe that the audit evidence collected is sufficient and appropriate to constitute a reasonable basis for our opinion.

Management's responsibility for the Financial Statements

By virtue of Article 7.01 of the Financial Regulations of the Organization for Security and Co-operation in Europe, the Secretary General of the Organization is responsible for preparing and presenting the Financial Statements. These statements are in conformity with the International Public Sector Accounting Standards. This responsibility includes the design, implementation and monitoring of internal control procedures to ensure the preparation and the fair presentation of Financial Statements, free from significant misstatements, resulting either from frauds or error. This responsibility also includes the determination of fair accounting estimates adapted to the circumstances.

Auditor's Responsibilities for the Audit of the Financial Statements

The goal of the audit is to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

An audit therefore consists in implementing audit procedures in order to collect audit evidence regarding the amounts and the information presented in the Financial Statements. The External Auditor takes into account the internal control in effect in the entity, relative to the establishment and the preparation of the Financial Statements, so as to define appropriate audit procedures in the circumstances, and not with the aim of expressing an opinion on the effectiveness of this control. The choice of the audit procedures is based on the External Auditor's professional judgment, as is the case for the risk evaluation of the Financial Statements, for the assessment of the appropriateness of accounting policies and of the accounting estimates, and for the overall presentation of the Financial Statements.



Pierre MOSCOVICI

Financial Statements

I. Statement of Financial Position

Total OSCE

As at 31 December 2021

EUR '000		TOTAL OSCE	
	Note	2021	2020 <i>(Restated)</i>
ASSETS			
Current Assets			
Cash and Cash Equivalents	3.1	104,537	91,059
Investments	3.2	28,809	43,685
Contributions Receivable	3.3	29,129	18,861
Accounts Receivable	3.4	4,446	3,545
Prepayments	3.5	6,643	5,543
Inventory	3.6	1,609	2,037
Other Current Assets	3.7	11	42
		175,183	164,772
Non-Current Assets			
Property, Plant and Equipment	3.8	15,966	15,456
Intangible Assets	3.9	4,125	2,286
Other Non-Current Assets	3.7	20	81
		20,110	17,823
Total Assets		195,294	182,594
LIABILITIES			
Current Liabilities			
Accounts Payable	4.1	2,018	2,856
Accruals	4.2	11,310	8,900
Deferred Revenue	4.3	9,131	8,951
Conditional ExB Contributions	4.4	93,995	75,543
Funds Held for Third Parties	4.5	5,370	6,941
Employee Benefits Current	4.6	8,042	8,701
Cash Surplus Current	4.8	4,040	2,778
Provisions	4.9	7,089	14,304
Other Current Liabilities	4.10	832	1,032
		141,825	130,007
Non-Current Liabilities			
Employee Benefits Non-Current	4.6	3,544	3,434
Other Non-Current Liabilities	4.10	0	0
		3,544	3,434
Total Liabilities		145,369	133,441
Net Assets		49,924	49,154
NET ASSETS/EQUITY			
Cash Surplus	5.1	3,827	4,040
Cash Surplus Withheld	5.2	41	68
Revolving Fund	5.3	2,710	2,710
Contingency Fund	5.3	2,180	2,180
Other Reserves	5.4	(2,524)	(2,201)
Accumulated Surplus/(Deficit)	5.5	43,691	42,357
Total Net Assets/Equity		49,924	49,154

(Signed)

Helga Maria Schmid
Secretary General
30 Jun 2022

(Signed)

Gelfiya Shchienko
Director Management and Finance

(Signed)

Andrew Carine
Chief of Accounts

II. Statement of Financial Performance

Total OSCE

For the Year Ended 31 December 2021

EUR '000		TOTAL OSCE	
	Note	2021	2020
REVENUE			<i>(Restated)</i>
Assessed Contributions	6.1	229,570	227,218
Extra-Budgetary Contributions Finance	6.2	34,899	30,512
Revenue	6.3	75	178
Contributions In-Kind	6.4	75,491	72,042
Revenue from Exchange Transactions	6.5	139	45
Other Revenue	6.6	3,062	5,511
Total Revenue		343,236	335,506
EXPENSES			
Staff Costs	7.1	217,674	214,820
Consultancy and Subcontracting	7.2	35,235	31,196
Travel Expenses	7.3	11,794	7,988
Services and Office Costs	7.4	38,238	32,130
Consumables and Supplies	7.5	7,449	7,316
Depreciation and Amortisation	7.6	6,758	7,867
Equipment Expenses	7.7	7,178	4,192
Other Operating Expenses	7.8	8,216	12,644
Total Expenses		332,542	318,153
Foreign Exchange Gains/(Losses)	8	1,310	(1,875)
Surplus/(Deficit) for the Period	9.1	12,003	15,478

(Signed)

Helga Maria Schmid
Secretary General
30 Jun 2022

(Signed)

Gelfiya Shchienko
Director Management and Finance

(Signed)

Andrew Carine
Chief of Accounts

III. Cash Flow Statement

Total OSCE

For the Year Ended 31 December 2021

EUR '000		TOTAL OSCE	
	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			(Restated)
Surplus/(Deficit) for the Period	9.1	12,003	15,478
Non-Cash Movements			
Deduction of Unrealized Foreign Exchange Gains/Losses on Cash and Cash Equivalents	8	(581)	988
Deduction of Depreciation, Amortisation and Impairments	7.6, 3.10	6,758	7,867
Deduction of Loss on Disposal of PP&E	6.5	239	86
Deduction of Non-Cash Changes in Net Assets	5.4	(323)	(1)
(Increase) / Decrease in Contributions Receivable	3.3	(10,268)	(1,964)
(Increase) / Decrease in Accounts Receivable	3.4	(901)	331
(Increase) / Decrease in Prepayments	3.5	(1,099)	1,755
(Increase) / Decrease in Inventory	3.6	428	(562)
(Increase) / Decrease in Other Current/Non-Current Assets	3.7	93	419
Increase /(Decrease) in Accounts Payable	4.1	(839)	(765)
Increase /(Decrease) in Accruals	4.2	2,410	346
Increase /(Decrease) in Deferred Revenue	4.3	180	(344)
Increase /(Decrease) in Conditional ExB Contributions	4.4	18,452	4,114
Increase /(Decrease) in Funds Held for Third Parties	4.5	(1,571)	1,629
Increase /(Decrease) in Employee Benefits	4.6	(549)	2,873
Increase /(Decrease) in Cash Surplus Payable	4.8	1,262	1,547
Increase /(Decrease) in Provisions	4.9	(7,216)	5,793
Increase /(Decrease) in Other Liabilities	4.10	(200)	240
Net Cash Flows from Operating Activities		18,278	39,829
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase) / Sale of Investments	3.2	14,876	(29,714)
(Addition) / Disposal of PP&E and Intangibles	3.8, 3.9	(9,346)	(10,244)
Net Cash Flows from Investing Activities		5,530	(39,958)
CASH FLOWS FROM FINANCING ACTIVITIES			
Credits for Cash Surplus Withheld	5.2	(27)	(140)
Allocation of Cash Surplus	4.8	(4,040)	(2,778)
Allocation of SMM Savings	6.1.1	(6,842)	-
Refund of Unspent Extra-budgetary Contributions		-	-
Net Cash Flows from Financing Activities		(10,910)	(2,919)
Net Increase/(Decrease) in Cash and Cash Equivalents	3.1	12,898	(3,047)
Cash and Cash Equivalents at Beginning of Period	3.1	91,059	95,094
Foreign Exchange Gains/(Losses) on Cash and Cash Equivalents	8	581	(988)
Cash and Cash Equivalents at End of Period		104,537	91,059

(Signed)

Helga Maria Schmid
Secretary General
30 June 2022

(Signed)

Gelfiya Shchienko
Director Management and Finance

(Signed)

Andrew Carine
Chief of Accounts

IV. Statement of Changes in Net Assets
Total OSCE

For the Year Ended 31 December 2021

EUR '000	Note	Cash Surplus	Cash Surplus Withheld	Revolving Fund	Contingency Fund	Other Reserves	Accumulated Surplus/(Deficit)	Total Net Assets
Balance as at 31 December 2020 (Restated)		4,040	68	2,710	2,180	(2,201)	42,357	49,154
Changes in Net Assets for 2021								
Increase/(Decrease) in Cash Surplus Withheld	5.2		(27)					(27)
Allocation of Current Year Cash Surplus	4.8	(4,040)						(4,040)
Allocation of SMM Savings	6.1.1						(6,842)	(6,842)
Actuarial Gains/(Losses)	4.6					(323)		(323)
Surplus/(Deficit) for the Period	9.1	3,827					8,176	12,003
Balance as at 31 December 2021		3,827	41	2,710	2,180	(2,524)	43,691	49,924

(signed)

Helga Maria Schmid
Secretary General
30 Jun 2022

(signed)

Gelfiya Shchienko
Director Management and Finance

(signed)

Andrew Carine
Chief of Accounts

V. Statement of Comparison of Budget and Actual Amounts

The Unified Budget ¹

For the Year Ended 31 December 2021

EUR '000	Note	Approved Budget	PC Authorized Transfers	Revised Budget	Actuals	Variance
Unified Budget Funds						
The Secretariat		39,120	0	39,120	38,669	451
Office for Democratic Institutions and Human Rights		16,160	0	16,160	15,907	252
High Commissioner on National Minorities		3,504	0	3,504	3,372	132
Representative on Freedom of the Media		1,609	0	1,609	1,509	99
Total Secretariat and Institutions		60,392	0	60,392	59,458	934
Augmentations		1,988	0	1,988	1,949	40
South-Eastern Europe		47,043	0	47,043	46,641	402
Eastern Europe		5,927	0	5,927	5,827	99
Caucasus		2,339	0	2,339	1,508	830
Central Asia		20,516	0	20,516	20,340	176
Total Field Operations		77,812	0	77,812	76,266	1,546
Total Unified Budget	9.2	138,204	0	138,204	135,723	2,481
Cash Surplus						
Revenue credits ²						(1,151)
Non-budget revenue ³						1,247
Budgetary excess of revenue over expenditure						2,577
<i>Add:</i> Assessed Contributions receivable as at 1 January 2021						4,634
<i>Less:</i> Assessed Contributions receivable as at 31 December 2021						3,384
Unified Budget Cash Surplus for the year 2021	5.1, 9.1					3,827

1 - The budget basis and the accounting basis differ. Actuals are reported on this statement on a budget basis. The Unified Budget was approved by the Permanent Council under PC.DEC/1413 dated 18 August 2021. Transfers, which were neutral at the Fund level, were approved under PC.DEC/1436 dated 16 December 2021. Refer to Note 8.2 for more information on the difference in bases.

2 - Revenue credits represent additional revenue items approved as part of the Unified Budget and which are recorded as credits to expenditure.

3 - Non-budget revenue represents amounts received over and above the Assessed Contributions.

A full breakdown by Fund, Main Programme and Programme can be found in the Budget and Expenditure Report at Annex 2 to these Financial Statements.

(signed)

Helga Maria Schmid
Secretary General
30 Jun 2022

(signed)

Gelfiya Shchienko
Director Management and Finance

(signed)

Andrew Carine
Chief of Accounts

Notes to the Financial Statements

Notes to the Financial Statements

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Notes to the Financial Statements

NOTE 1: REPORTING STRUCTURE

1.1 – Reporting Entity

The OSCE traces its origins to the early 1970s, to the Helsinki Final Act (1975) and the creation of the Conference on Security and Co-operation in Europe (CSCE). In 1994, the CSCE, having evolved well beyond its initial role, was renamed the Organization for Security and Co-operation in Europe. Now with 57 participating States in Europe, North America and Asia, the OSCE is the world's largest regional security organization, working to ensure peace and stability for more than a billion people. The OSCE is a regional organization in the sense of Chapter VIII of the United Nations Charter and is an observer in the United Nations General Assembly.

The OSCE operates in three dimensions:

Politico-military dimension – includes mechanisms for conflict prevention and resolution, and military confidence-building measures.

Economic and environmental dimension – activities aimed at counteracting threats and challenges to security and stability caused by economic and environmental factors.

Human dimension – set of norms and activities related to human rights and the rule of law.

With its Secretariat, specialized Institutions, expert units and network of Field Operations, the OSCE addresses a range of issues that have an impact on common security, including arms control, terrorism, good governance, energy security, human trafficking, democratization, media freedom and minority rights.

OSCE's Secretariat is based in Vienna. Most of the OSCE's activities are implemented in the OSCE's Field Operations in South-Eastern Europe, Eastern Europe, Caucasus and Central Asia. These operations are established at the invitation of the respective host countries, and their mandates are agreed by consensus by the participating States.

1.2 – Fund Accounting and Segment Reporting

The basic financial governing document of OSCE is the Financial Regulations approved by the Permanent Council on 27 June 1996 (DOC.PC/1/96) and subsequently revised. The latest revision is PC.DEC/1419 dated 16 November 2021. In accordance with these Regulations, the OSCE operates a system of fund accounting and the audited Financial Statements present the consolidated financial results of Budgetary Funds approved under PC.DEC/1413 dated 18 August 2021, as well as Special Purpose Funds and Extra-Budgetary Funds.

For purposes of the presentation and approval of the 2021 Unified Budget, Funds were grouped under Secretariat and Institutions; and Field Operations, with the latter, in turn, being grouped into Regions. This hierarchical presentation is also followed in the segmental reports annexed to the 2021 Financial Statements. In addition, the segmental information is presented based on the main sources of financing of the Organization (Unified Budget Funds, Special Purpose Funds, Extra-Budgetary Funds and other Extra-Budgetary projects undertaken in accordance with Article IX of the Financial Regulations and not specifically approved by the Permanent Council). The segmental information also includes consolidated reports for the OSCE Special Monitoring Mission to Ukraine and an analysis of extra-budgetary expenses broken down by Executive Structure.

Full details of the Funds budgeted and segments reported in 2021 can be found in Annex 1 to these Statements.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

2.1 – Basis of Presentation

2.1.1 – Applicable Accounting Standards

These Financial Statements are prepared on an accrual basis, in accordance with the requirements of International Public Sector Accounting Standards (IPSAS) and the OSCE Financial Regulations, and using the historic cost convention. Where IPSAS is silent concerning any particular matter, the appropriate International Financial Reporting Standard (IFRS) or International Accounting Standard (IAS) is applied.

2.1.2 – Reporting Year

These Financial Statements cover the calendar year ended 31 December 2021. The reporting period coincides with the calendar year.

2.1.3 – Going Concern basis

The Financial Statements are prepared on the basis that the OSCE is a going concern. Although the COVID-19 pandemic has had a significant impact on public sector finances, there is no indication that this will materially affect the viability of the Organization. The impact of events in Ukraine after the reporting date is considered in Note 10.4.

2.1.4 – Currency

The Financial Statements are presented in Euro which is also the functional currency of the Organization. The figures are presented rounded to the nearest thousand Euros and to the nearest one-tenth of a percent, which may result in totals that differ slightly from the sum of their constituents.

Foreign currency transactions are translated into Euros based on the prevailing United Nations Operational Rates of Exchange (UNORE). The UNORE are normally set on the first day of each month, and revised mid-month with effect from the 15th of the month. Assets and liabilities are valued at the end of the reporting period using the UNORE prevailing on 31 December. Gains and losses arising from transactions and translation are recorded as currency exchange adjustments.

2.2 – Prior Year Restatements, Changes in Estimates and Presentation Differences

2.2.1 – Restatement – Prepayments and Accruals

Prepayments of Education Grants are included in the 2021 Financial Statements for the first time, and the 2020 comparative figure for Prepayments to Staff in Statement I has been restated.

2.2.2 – Restatement – Employee Benefits Liability for Annual Leave

The liability for annual leave was previously reported at its cash value only. It is now reported at cash value for that element expected to be taken as cash and includes the additional OSCE costs for any surplus days and for any days anticipated from future years. The comparative amounts for the liability as at 31 December 2020 and the Current Service cost in 2020 are therefore restated in Statements I and II respectively and Statements III and IV are also restated.

2.2.3 – Restatement – Non-Current Cash Surplus

The Cash Surplus for the year was previously reported as a non-current liability as it is not required to be returned until the year following the one in which the Financial Statements are accepted by the Permanent Council. Since this element of the surplus for the year does not become payable until the Statements are accepted, it is now reported as part of Equity, pending such acceptance. From the time of the acceptance of the Financial Statements, it will be regarded as a liability. The 2020 comparative figure in Statement 1 has been restated and the balances as at 31 December 2020 in Statements III and IV are also restated to reflect the consequent effects.

2.2.4 – Restatement – Foreign Exchange Gains/(Losses)

Gains and losses on foreign exchange were previously reported as revenue, but are now shown separately on the Statement of Financial Performance as Gains/(Losses). The 2020 comparative figures in Statement II have been restated in consequence.

2.2.5 – Reconciliations

The cumulative effects of these restatements on the Total Net Assets/Equity for 2020 in Statement I and the surplus for the year 2020 in Statement II are tabulated below.

Statement I	Note	Amount in 2020 Financial Statements	Amount of Restatement	Restated Amount in 2021 Financial Statements
Statement of Financial Position				
Prepayments	2.2.1	4,821	722	5,543
Current Assets		164,050	722	164,772
Total Assets		181,873	722	182,594
Accruals	2.2.1	8,834	66	8,900
Employee Benefits Current	2.2.2	8,172	529	8,701
Current Liabilities		129,411	596	130,007
Cash Surplus Non-Current	2.2.3	4,040	(4,040)	0
Non-Current Liabilities		7,475	(4,040)	3,434
Total Liabilities		136,886	(3,445)	133,441
Net Assets		44,987	4,167	49,154
Cash Surplus	2.2.3	0	4,040	4,040
Accumulated Surplus/(Deficit)		42,231	126	42,357
Total Net Assets/Equity		44,987	4,167	49,154

Statement II	Note	Amount in 2020 Financial Statements	Amount of Restatement	Restated Amount in 2021 Financial Statements
Statement of Financial Performance				
Foreign Exchange Gains/(Losses)	2.2.4	(1,875)	1,875	0
Total Revenue		333,631	1,875	335,506
Staff Costs	2.2.2	216,008	(1,188)	214,820
Total Expenses		319,341	(1,188)	318,153
Foreign Exchange Gains/(Losses)	2.2.4	0	(1,875)	(1,875)
Surplus/(Deficit) for the Period		14,290	1,188	15,478

2.3 – Financial Instruments

Financial instruments consist of cash, bank accounts, short-term deposits, accounts receivable and accounts payable. The OSCE does not engage in transactions involving hedging or derivative financial instruments.

Upon initial recognition, all financial instruments are measured at fair value and classified as Loans and Receivables. When subsequently measured, these are measured at amortized cost less impairment losses, if any.

Given the short-term nature of these financial instruments, the effect of discounting is immaterial.

2.4 - Uncollected Assessed Contributions

Based on each participating State's historical pattern of payment, where necessary an allowance for doubtful debts is established in accordance with *IPSAS 41 - Financial Instruments*, to bring the balance of Assessed Contributions Receivable in line with its fair value. The allowance is normally calculated as 100% of the outstanding receivables from participating States whose arrears equalled or exceeded the amount of contributions due for the preceding two full years.

This allowance does not relieve the participating States in arrears from their obligations to the OSCE.

2.5 - Inventories

Inventories consist of two classes:

- Consumables and supplies held for use by the Organization to support the delivery of its programmatic objectives and
- Inventories held for distribution to beneficiaries at no or nominal charge.

Consumables and supplies are expensed upon purchase. Where a material stock is purchased and is in store at year end for future consumption, it is stated at the lower of cost or net realisable value, subject to capitalization thresholds of EUR 150 per item and EUR 50 thousand per class and location. Cost is determined using a weighted average cost formula. Net realisable value is the estimated selling price, less any costs of disposal.

Inventories held for distribution to beneficiaries at no or nominal charge are stated at the lower of either cost or current replacement cost, subject to a capitalization threshold of EUR 150 per item. These items are uniquely identifiable and cost is therefore determined using the specific identification method. Current replacement cost is that which the OSCE would incur to acquire the asset as at the reporting date.

Write downs from cost to current replacement cost or net realizable value are recognized in the Statement of Financial Performance as incurred.

2.6 - Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any recognized impairment losses. The threshold for capitalization of property, plant and equipment is EUR 1 thousand. Subsequent costs that are included in an asset's carrying amount include freight and installation. Repairs and maintenance costs are charged to the Statement of Financial Performance during the period in which they are incurred. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset, and are included in the Statement of Financial Performance. Depreciation is charged using the straight-line method and the residual values are estimated at zero.

The estimated useful lives for the different property, plant and equipment classes are shown in the following table. For leasehold improvements, the shorter of the useful life or the lease agreement applies.

Asset Class	Useful Life (Years)
ICT Equipment	3 to 10
Vehicles, including Unmanned Aerial Vehicles	5 to 12
Household and Office Equipment	3 to 10
Security and Safety Equipment	3 to 25
Other Equipment	3 to 10
Leasehold Improvements	7 to 35

2.6.1 – Leasehold Improvements

Leasehold improvements refer to improvements made by the OSCE to the buildings occupied by the Secretariat and Institutions. Leasehold improvements in all other Executive Structures are expensed immediately due to the short term nature of their mandates. These improvements revert to the lessor at the expiration of the lease or right to use agreement and include building adjustments, fixtures, technical, communication and security infrastructure. The threshold for capitalization of leasehold improvements is established at EUR 50 thousand.

2.6.2 – Buildings

Buildings are not capitalized as assets because, although the OSCE has been given the right to use them, there is no full transfer of the risks and rewards incidental to ownership. The buildings affected by this decision are those used by the Secretariat and Institutions in the following locations:

- The Secretariat, Wallnerstrasse 6-6a and part of Wallnerstrasse 8, 1010 Vienna, Austria;
- The Secretariat (Documentation Centre in Prague), Náměstí Borisa Němcova, 160 00 Prague 6, Czech Republic;
- Office for Democratic Institutions and Human Rights, Ul. Miodowa 10, 00-251 Warsaw, Poland; and
- High Commissioner on National Minorities, Prinsessegracht 22, 2514 AP The Hague, The Netherlands.

2.7 - Intangible Assets

Intangible assets consist of software and are stated at cost less accumulated amortization and any recognized impairment losses.

Intangible assets are amortized using the straight line method over their estimated useful life; residual values are estimated at zero. The OSCE has identified two main reporting classes of intangible assets: software licenses externally acquired and internally-developed software. The capitalisation thresholds and useful lives for the different asset classes are tabulated below.

Self-constructed intangible assets, including those under development, are recorded at cost, including any directly attributable costs of preparing the asset for its intended use. These include salaries and employee benefits, as well as external consultancy costs. Amortization starts once the completed assets are available for use.

Software maintenance and service costs are charged to the Statement of Financial Performance during the period in which they are incurred.

Asset Class	Capitalisation Threshold (EUR '000)	Useful Life (Years)
Externally Purchased Software	1	5
Internally-Developed Software	50	7
Internally-Developed Software Under Development	50	7

2.8 - Impairment of Assets

The OSCE performed a review of its assets in conjunction with revenue earned to identify whether it owned any cash-generating assets. Cash-generating assets are assets held with the primary objective of generating a commercial return. In 2021 there were no intangible assets or items of property, plant and equipment which met this definition, therefore all assets were classified as non-cash-generating and *IPSAS 21 - Impairment of Non-Cash-Generating Assets* was applied to the reporting of impairments.

Intangible assets and items of property, plant and equipment are reviewed annually for impairment to determine if the carrying amount is still considered to be recoverable. Situations that could lead to impairment include major damage or obsolescence. Impairment losses are recognized in the Statement of Financial Performance for the amount by which the asset's carrying amount exceeds its recoverable service amount, and are reported under Other Operating Expenses.

2.9 - Operating Leases

Leases where the OSCE does not retain a significant portion of the risks and rewards inherent in ownership are classified as operating leases. As stated in Note 2.6.2, buildings occupied by the Secretariat and Institutions are not capitalised. Buildings occupied by other Missions are regarded as operating leases due to the short terms of their mandates. Rent under operating leases, both cash payments and contributions in-kind, is charged to the Statement of Financial Performance as incurred.

2.10 - Employee Benefits

Employee benefits entitlements are set out in the OSCE Staff Regulations and Staff Rules approved by the Permanent Council.

2.10.1 - Employee Benefits Current

Current employee benefits are expected to be settled within 12 months of the reporting date and include pay and allowances, assignment grants, education grants, annual leave, home leave and rest and recuperation for employees in certain Field Operations. The amounts related to these liabilities are calculated by OSCE and determined by an independent actuary using the methodology and assumptions as described in Note 4.6 – Employee Benefits, based on personnel data and past experience, and are as follows:

- Annual leave – in accordance with OSCE's Staff Rules, OSCE officials may carry forward up to thirty days of unused leave. Due to the COVID-19 situation, officials were permitted, exceptionally, to carry over up to forty-five days from 2020 into 2021 and up to forty days from 2021 into 2022. In addition, a fixed-term staff or mission member may be granted advance annual leave up to a maximum of fifteen days. Annual leave is considered as a current benefit and hence is not subject to actuarial valuation. The liability for annual leave is calculated by multiplying the net number of unused leave days as of 31 December 2021 up to a maximum of forty days by the basis of the monthly net salary, including post adjustment, if applicable.
- Home leave and rest and recuperation leave – Heads of Mission and other fixed-term international Mission Members, both contracted and seconded, are entitled to home leave once every twelve months. In addition, for those staff serving in duty stations designated as hazardous or hardship, there is an additional entitlement to rest and recuperation leave once every twelve months. For international fixed-term contracted Staff Members, including the Secretary General and Heads of Institutions, the entitlement for home leave is once every two years. The OSCE also covers the travel expenses of spouse and dependent children who reside at the duty station with the Staff Member. The liabilities for home leave and rest and recuperation are calculated by using estimates of travel expenses based on historical average costs.

The effect of discounting on these liabilities is deemed to be immaterial and these liabilities were classified as current.

The duty stations that qualify for rest and recuperation are as follows:

- Programme Office in Nur-Sultan;
- Centre in Ashgabat;
- Programme Office in Bishkek;
- Project Co-ordinator in Uzbekistan;
- Programme Office in Dushanbe;
- Special Monitoring Mission to Ukraine (only in the locations of Luhansk and Donetsk);
- Personal Representative of the Chairperson-in-Office (PRCiO) on the Conflict Dealt with by the Minsk Conference (in certain locations only).

2.10.2 - Employee Benefits Non-Current

Non-current employee benefits are disclosed in accordance with IPSAS 39. They relate to post-employment benefits, including repatriation benefits such as:

- Repatriation Grant – OSCE makes a grant towards the costs of repatriation for international fixed term contracted staff members, including the Secretary General, the Heads of Institution and their eligible dependents, upon separation from service. This entitlement is subject to minimum qualifying periods ranging from one to five years depending on grade and date of entry into service. The amount of the grant is calculated on the basis of the staff member’s last salary, excluding post adjustment, and the staff member’s completed years and months of qualifying service.
- Repatriation Travel – upon separation, the OSCE covers the travel expenses for fixed-term contracted OSCE officials, seconded officials and international short-term contracted staff. The spouse and dependent children of international fixed-term contracted staff members are also entitled to repatriation travel.
- Removal of Household Effects – upon separation, the Secretary General, Heads of Institution and international contracted staff members appointed for a period of one year or more are entitled to the payment of the removal of household effects. The costs to be reimbursed shall be the actual expenses incurred.

The present value of non-current employee benefits liabilities is determined by discounting the estimated cash outflows using interest rates of high-quality corporate bonds with a duration that approximates the maturity terms of the related liabilities.

2.11 - Cash Surplus or Deficit

The calculation and treatment of the cash surplus is laid down in Financial Regulation 7.07.

At the end of each financial year, the cash surplus or deficit for the Unified Budget Funds is determined by calculating the excess of budgeted revenue actually received over budgetary expenditure or the excess of budgetary expenditure over budgeted revenue received.

Unless otherwise determined by the Permanent Council, the cash surplus is credited against contributions of the participating States, in accordance with the scale of contribution for the year to which the surplus relates, in the year following the year in which the financial statements are accepted by the Permanent Council. The allocation to a participating State of its share of the cash surplus is withheld in cases where the participating State is in arrears for the year to which the surplus relates and until such time as these arrears are paid in full.

In the event of a cash deficit, the Secretary General is required to bring the matter to the attention of the Permanent Council and to make proposals for appropriate action by the Council.

Cash surplus is not calculated for Extra-Budgetary Funds. Unspent amounts are refunded upon request of donors after expiration of the pledges.

Cash surpluses for Special Purpose Funds are calculated in accordance with the Permanent Council Decisions that established each of the Funds.

2.12 - Deferred Revenue

Unified Budget deferred revenue consists mainly of assessed contributions received in advance, savings from previous years, and credits to participating States to be deducted from future assessments.

Extra-budgetary contributions are either used as agreed in the project related to the pledge, or are returned or redeployed at the direction of the donor. Such pledges are therefore considered to be conditional and are initially recognised as deferred revenue until such time as the condition is met and project expenditure incurred.

2.13 - Provisions

Provisions are recognized in circumstances when the OSCE has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. The amount of the provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

2.14 - Contingent Liabilities and Contingent Assets

Contingent liabilities are disclosed when there are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the OSCE. Contingent assets are disclosed when there are probable assets that arise from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the OSCE.

2.15 - Revenue from Non-Exchange Transactions

Revenue from assessed contributions and revenue from extra-budgetary contributions are recognized as non-exchange transactions in accordance with IPSAS 23.

Revenue from assessed contributions from participating States is recorded on an accrual basis, independent from when the cash is received. It reflects the approved Unified Budget for the year, including any revisions, and adjusted for any shortfall between the Budget and the approved Scales of Contribution; together with any approved Special Purpose Funds that are financed by assessed contributions, also including any applicable revisions.

Extra-budgetary contributions are initially recognized in the Statement of Financial Position, as they are all considered to be conditional, and are subsequently recognized as revenue in the Statement of Financial Performance when project expenditure occurs. Where the criteria for recognition as stipulated under a donor agreement are not fulfilled, the contributions are refundable to donors.

2.16 – Contributions In-Kind

Contributions in-kind in the form of goods (including inventory, property, plant and equipment and intangible assets) are measured at fair value and recorded as contributions in-kind in the Statement of Financial Performance.

Contributions in-kind of services comprise seconded staff occupying posts approved by the Permanent Council or agreed as part of an extra-budgetary project, certain ancillary services related to premises provided free of rent (security, maintenance, utilities etc.) and other services. Although recognition is not required by IPSAS 23, these classes of services in-kind are measured at fair value and recorded as contributions in-kind in the Statement of Financial Performance. The estimated value of seconded personnel is based on a calculation of the additional cost of employing international contracted staff and mission members in their place, and does not reflect the actual costs to the States seconding them.

2.17 - Revenue from Exchange Transactions

Revenue from exchange transactions refers mainly to the occasional sales of assets. Revenue is measured at the fair value of the consideration received or receivable and is recognized as goods and services are delivered.

2.18 – Indirect Common Costs

Indirect Common Costs are levied on Extra-budgetary projects and some third-party payments and are intended to defray costs incurred for provision of administrative support that cannot be easily attributed to specific projects. As revenue is recognised, it is transferred to a separate extra-budgetary fund for subsequent allotment and use.

2.19 - Expenses

Expenses are accounted for on an accrual basis and are recognized when the goods or services are delivered to the OSCE.

2.20 - Critical Accounting Estimates and Judgments

The preparation of the Financial Statements involves the use of accounting estimates and professional judgment; therefore there is a risk that actual amounts could differ from the related estimates. The areas where those are more significant in the preparation of OSCE's Financial Statements include *inter alia*: useful lives of tangible and intangible assets, provisions, accruals, deferred revenue, contingent assets and liabilities and employee benefits. Due to the continuing impact of COVID-19, there may be a higher than usual risk envelope around estimates made in the preparation of the 2021 financial statements.

NOTE 3: ASSETS

3.1 – Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash at bank, and short-term deposits with initial maturity of 3 months or less.

OSCE operates a pooling system for banking purposes and most cash is held in Secretariat bank accounts. Consequently, some Funds, particularly Extra-Budgetary and Special Funds, hold comparatively little or no cash as it is transferred from the Secretariat accounts to local accounts as required. The inter-fund balances shown in Statement VI complete the picture of each entity's net asset position.

In accordance with Financial Regulation 5.02, funds not needed for immediate requirements are pooled in bank accounts administered by the Secretariat and invested in the form of money market deposits. Those deposits with an initial maturity of 3 months or less were classified as cash equivalents.

EUR '000	As at 31 December 2021				As at 31 December 2020
	Unified Budget and Cash Pools	Special Purpose Funds	Extra- Budgetary	Total	
Cash	146	168	-	314	401
Bank	85,424	825	14,450	100,699	83,984
Short-term Deposits	-	-	3,524	3,524	6,674
Total	85,570	993	17,974	104,537	91,059

3.2 – Investments

Investments consist of money-market deposits with initial maturity over 3 months. At the end of the reporting period, investments (including Revolving and Contingency Funds) amounted to EUR 28,809 thousand (EUR 43,685 thousand in 2020) consisted of EUR 18,809 thousand related to Extra-Budgetary Funds and EUR 10,000 thousand related to Unified Budget.

3.3 – Contributions Receivable

Contributions receivable include assessments billed to participating States and extra-budgetary contributions billed to donors that have not yet been received by OSCE.

EUR '000	2021	2020
Unified Budget Assessed Contributions Receivable	3,384	4,634
Special Monitoring Mission to Ukraine Assessed Contributions Receivable	11,783	5,014
Extra-budgetary Contributions Receivable	17,732	13,566
Total Contributions Receivable	32,898	23,213
Allowance for Doubtful Debts	(3,769)	(4,352)
Total Net Contributions Receivable	29,129	18,861

Based on each participating State's historical pattern of payments, an allowance for doubtful debts has been established to bring the balance of assessed contributions receivable in line with its fair value:

EUR '000	2021	2020
Unified Budget Assessed Contributions Receivable	3,384	4,634
Allowance for Doubtful Debts	(3,352)	(3,960)
Net Unified Budget Assessed Contributions Receivable	31	674
Special Monitoring Mission Assessed Contributions Receivable	11,783	5,014
Allowance for Doubtful Debts	(417)	(393)
Net Special Purpose Funds Assessed Contributions Receivable	11,365	4,621
Total Net Assessed Contributions Receivable	11,397	5,295

3.3.1 - Unified Budget Assessed Contributions Receivable

A schedule of outstanding Assessed Contributions Receivable by participating State is shown below:

EUR '000	Outstanding for 2019 and Prior Years	2020	2021	Adjustments for 2021 Approved Budget	Outstanding Balance as at 31 December 2021
Participating State					
France	-	-	629	(16)	613
Kyrgyzstan	912	46	43	-	1,001
Mongolia	-	-	23	-	23
Tajikistan	-	-	2	-	2
Uzbekistan	1,264	247	224	3	1,738
Total Due Balance	2,176	293	921	(13)	3,377
Bills to other participating States	-	-	-	7	7
Total	2,176	293	905	(6)	3,384

The allowance for doubtful debts for 2021 and its change compared to 2020 are as follows:

EUR '000 Participating State	Outstanding Balance as at 1 January 2021	Payments Received in 2021	Assessments / Credits for 2021	Cash Surplus Credits in 2021	Outstanding Balance as at 31 December 2021	2021 Allowance	Change in Allowance from 2020
France	502	(14,004)	14,277	(162)	613	613	613
Kyrgyzstan	1,057	(99)	46	(3)	1,001	1,001	(56)
Uzbekistan	2,903	(1,389)	250	(26)	1,738	1,738	(1,165)
Total	4,462	(15,492)	14,573	(191)	3,352	3,352	(607)

The Republic of Uzbekistan made significant payments in 2019, 2020 and 2021, reducing its arrears, and the allowance for doubtful debt has been reduced commensurately.

The Republic of France declared in a letter dated 14 December 2021 that it does not recognise a portion of its Assessed Contribution for 2021 and will not pay it. An allowance has therefore been created in a departure from the general policy set out in note 2.4.

3.3.2 - Special Purpose Funds Assessed Contributions Receivable

Assessed Contributions Receivable for Special Purpose Funds related to the bills issued for the financing of the Special Monitoring Mission to Ukraine are tabulated below:

EUR '000 Participating State	Outstanding for 2019 and Prior Years	2020	2021	Outstanding Balance as at 31 December 2021
Albania	-	-	17	17
Italy	-	-	3,815	3,815
Kyrgyzstan	19	17	17	53
Moldova	-	-	17	17
Spain	-	3,280	4,224	7,504
Tajikistan	-	-	12	12
Turkmenistan	68	17	17	102
Uzbekistan	177	43	42	262
Total	264	3,357	8,162	11,783

The allowance for doubtful debts for 2021 and its change compared to 2020 are as follows:

EUR '000 Participating State	Outstanding Balance as at 1 January 2021	Payments Received in 2021	Assessments/ Credits for 2021	Outstanding Balance as at 31 December 2021	2021 Allowance	Change in Allowance from 2020
Kyrgyzstan	88	(52)	17	53	53	(35)
Turkmenistan	220	-	42	262	262	42
Uzbekistan	85	-	17	102	102	17
Total	393	(52)	76	417	417	24

3.3.3 – Extra-budgetary Contributions Receivable

Extra-budgetary contributions receivable relates to the agreements and pledge acceptances with donors which are due for payment. The breakdown by Extra-budgetary Funds is as follows:

EUR' 000	2021	2020
Fund to Support OSCE Action for Peace, Democracy and Stability in Bosnia and Herzegovina	955	287
Fund for Activities Relating to Economic and Environmental Aspects of Security	449	279
Fund for Activities Related to Special Monitoring Mission to Ukraine	117	17
Other PC Established Funds – Partnership Fund	119	119
Other Activities and Special Projects	16,092	12,864
Total	17,732	13,566

The aging of the extra-budgetary accounts receivable is as follows:

EUR' 000	Outstanding Balance	Less than one year	1 – 3 years	3 – 4 years	More than 4 years
Fund to Support OSCE Action for Peace, Democracy and Stability in Bosnia and Herzegovina	955	897	58	-	-
Fund for Activities Relating to Economic and Environmental Aspects of Security	449	254	195	-	-
Fund for Activities Related to Special Monitoring Mission to Ukraine	117	100	17	-	-
Other PC Established Funds - Partnership Fund	119	-	-	-	119
Other Activities and Special Projects	16,092	9,863	4,529	1,161	539
Total	17,732	11,114	4,799	1,161	658

3.4 – Accounts Receivable

Accounts receivable are carried at the original invoice amount, less an allowance for estimated doubtful debts based on a review of all outstanding amounts at the year-end. Accounts receivable consist mainly of recoverable Value Added Tax and other receivables.

EUR '000	2021	2020
Tax Receivable from Governments	1,980	1,539
Receivable from Customers	700	617
Other Receivables	1,947	1,493
Accrued Interest Receivable	9	9
Allowance for Doubtful Debts	(190)	(113)
Total	4,446	3,545

3.5 – Prepayments

Prepayments do not meet the definition of financial instruments as defined by *IPSAS 28 – Financial Instruments: Presentation* because they are intended to be settled through delivery of goods or services, rather than cash. Furthermore, prepayments are considered non-monetary items as defined by *IPSAS 4 - The Effects of Changes in Foreign Exchange Rates*, and therefore are translated at the transaction exchange rate.

EUR '000	2021	2020 (Restated)
Prepayments to Suppliers	4,261	3,134
Prepayments to Implementing Partners	1,385	1,265
Prepayments to Staff	716	935
Other Prepayments	281	209
Total	6,643	5,543

The 2020 comparative amount for Prepayments to Staff has been restated as described in note 2.2. The amount reported in the 2020 Financial Statements was EUR 214 thousand.

3.6 – Inventory

Inventory recognized in the Statement of Financial Position consists of project assets held for distribution to beneficiaries and vehicle spare parts held by Special Monitoring Mission to Ukraine. The total amount of inventories recognized as an expense during 2021 was EUR 4,378 thousand (EUR 1,677 thousand in 2020).

EUR '000	2021	2020
Project assets held for distribution to beneficiaries	473	960
Special Monitoring Mission to Ukraine vehicle spare parts	1,136	1,077
Total	1,609	2,037

There were no write downs of inventories during the reporting period.

3.7 – Other Current and Non-Current Assets

Other current and non-current assets include payroll prepayments, deposits for rent recoverable after the termination of the leases and insurance premium receivable.

The insurance premium non-current receivable represents the OSCE share of funds for excess premiums to the insurance company Cigna, which will be used in the future to defray cost increases or provide additional services. As at 31 December, the insurance premium fund was in deficit and can be found in Note 4.10.

EUR '000	2021	2020
Current Payroll Prepayments	11	42
Total Other Current Assets	11	42
Non-Current Insurance Premium Receivable	-	61
Long Term Deposit for Rent	20	20
Total Other Non-Current Assets	20	81
Total	31	123

3.8 – Property, Plant and Equipment

Property, Plant and Equipment is initially recognized at cost and subsequently depreciated using the straight line method over the assets' useful life to an assumed residual value of zero.

2021

EUR'000	ICT Equipment	Vehicles	Household and Office Equipment	Security and Safety Equipment	Leasehold Improvements	Other Equipment	Total Property, Plant and Equipment
<i>Cost as at 1 January 2021</i>	10,200	46,271	6,000	3,844	4,381	466	71,162
Additions	1,958	4,514	359	169	0	54	7,054
Disposals	(500)	(1,227)	(234)	(434)	0	(17)	(2,412)
<i>Cost as at 31 December 2021</i>	11,658	49,557	6,125	3,579	4,381	504	75,804
<i>Accumulated Depreciation as at 1 January 2021</i>	8,020	36,955	4,925	2,598	2,794	415	55,707
Depreciation	1,290	3,704	405	498	200	23	6,120
Disposals	(408)	(1,223)	(138)	(213)	0	(7)	(1,988)
Impairments	0	0	0	0	0	0	0
<i>Accumulated Depreciation and Impairment Losses as at 31 December 2021</i>	8,902	39,436	5,192	2,884	2,994	431	59,838
Net Carrying Amount as at 31 December 2021	2,756	10,122	933	695	1,387	73	15,966

2020

EUR'000	ICT Equipment	Vehicles	Household and Office Equipment	Security and Safety Equipment	Leasehold Improvements	Other Equipment	Total Property, Plant and Equipment
<i>Cost as at 1 January 2020</i>	9,690	39,898	5,792	3,256	4,381	456	63,472
Additions	888	6,898	298	646	-	14	8,744
Disposals	(378)	(525)	(89)	(58)	-	(4)	(1,053)
<i>Cost as at 31 December 2020</i>	10,200	46,271	6,000	3,844	4,381	466	71,162
<i>Accumulated Depreciation as at 1 January 2020</i>	7,155	32,814	4,543	2,095	2,594	394	49,595
Depreciation	1,226	4,633	436	555	200	24	7,074
Disposals	(361)	(493)	(53)	(51)	-	(4)	(962)
Impairments	-	-	-	-	-	-	-
<i>Accumulated Depreciation and Impairment Losses as at 31 December 2020</i>	8,020	36,955	4,925	2,598	2,794	415	55,707
Net Carrying Amount as at 31 December 2020	2,180	9,316	1,075	1,246	1,587	51	15,456

The Property, Plant and Equipment total cost as at 31 December 2021 of EUR 75,804 thousand includes fully depreciated assets still in use to the amount of EUR 44,725 thousand (EUR 36,752 thousand in 2020).

3.9 – Intangible Assets

Internally developed software and intangible assets under development consist of software licenses and costs incurred to make the software operational. These costs include salaries and professional fees.

2021

EUR'000	Software Licenses Purchased	Internally Developed Software	Intangible Assets under Development	Total Intangible Assets
<i>Cost as at 1 January 2021</i>	1,691	4,145	1,353	7,188
Additions	691	0	1,834	2,525
Disposals	(167)	0	0	(167)
Assets under Construction Capitalized	0	1,657	(1,657)	0
<i>Cost as at 31 December 2021</i>	2,215	5,802	1,530	9,546
<i>Accumulated Amortization as at 1 January 2021</i>	1,271	3,631	-	4,903
Amortization	236	403	0	639
Disposals	(120)	0	0	(120)
Impairments	0	0	0	0
<i>Accumulated Amortization and Impairment Losses as at 31 December 2021</i>	1,387	4,034	0	5,421
Net Carrying Amount as at 31 December 2021	828	1,767	1,530	4,125

2020

EUR'000	Software Licenses Purchased	Internally Developed Software	Intangible Assets under Development	Total Intangible Assets
<i>Cost as at 1 January 2020</i>	1,608	4,145	-	5,753
Additions	199	-	1,353	1,551
Disposals	(116)	-	-	(116)
Assets under Construction Capitalized	-	-	-	-
<i>Cost as at 31 December 2020</i>	1,691	4,145	1,353	7,188
<i>Accumulated Amortization as at 1 January 2020</i>	1,141	3,039	-	4,180
Amortization	201	592	-	793
Disposals	(70)	-	-	(70)
Impairments	-	-	-	-
<i>Accumulated Amortization and Impairment Losses as at 31 December 2020</i>	1,271	3,631	-	4,903
Net Carrying Amount as at 31 December 2020	420	513	1,353	2,286

3.10 - Impairment of Assets

No impairment losses or reversals of impairment were recorded in 2021 or 2020.

NOTE 4: LIABILITIES

4.1 – Accounts Payable

Accounts Payable consisted mainly of invoiced amounts due to suppliers and payments due to OSCE staff.

EUR '000	2021	2020
Payables to Suppliers	1,582	2,472
Payables to Implementing Partners	-	-
Amounts Owed to Staff	436	384
Total	2,018	2,856

4.2 – Accruals

Accruals include liabilities for goods and services delivered during the year, but for which invoices were not received at the year-end.

Payroll-related accruals are reported as part of Employee Benefits Current.

Unliquidated obligations (ULOs) represent obligations for goods ordered but not yet delivered to the Organization at the year-end. ULOs are recognized for budgetary purposes, but do not satisfy the delivery principle under IPSAS and are therefore not included in these financial statements, except for the actuals in Statement V - Statement of Comparison of Budget and Actual Amounts.

4.3 – Deferred Revenue

The Permanent Council approved deferral of the use by the Office for Democratic Institutions and Human Rights of EUR 849 thousand (PC.DEC/1288) which was originally approved through a supplementary budget in 2016 (PC.DEC/1177) and carried forward to 2017 (PC.DEC/1240). This amount is deferred until the time the observations of local elections are carried out in certain areas of the Donetsk and Luhansk regions of Ukraine.

The Special Funds deferred revenue consists of advance payments by participating States to be applied against the next available bill.

Total deferred revenue is summarized by source of funds in the table below:

EUR '000	2021	2020
Advance UB contributions payments by participating States	3,932	4,644
Deferred funds per PC.DEC/1288	849	849
Total Unified Budget Deferred Revenue	4,781	5,493
Advance Special Purpose contributions payments by participating States	4,350	3,458
Total Special Purpose Funds Deferred Revenue	4,350	3,458
Total Deferred Revenue	9,131	8,951

4.4 – Conditional Extra-Budgetary Contributions

In line with the requirements of IPSAS 23 - *Revenue from Non-Exchange Transactions*, extra-budgetary contributions subject to conditions are classified as deferred revenue. As the conditions are satisfied, the carrying amount of the liability is reduced and an amount of revenue equal to that reduction is recognized.

The amount recognized as a liability is the best estimate of the amount that would be required to settle the obligation as at the reporting date. As the conditions on extra-budgetary contributions are satisfied through performance as set within projects, the carrying amount of the liability is reduced and an amount of revenue

is recognized equal to the amount expensed in the period for the activities specified in the extra-budgetary projects.

EUR '000	2021	2020
Extra-Budgetary Contributions Subject to Conditions	93,942	71,617
Extra-Budgetary Contributions Advances	53	3,926
Total Extra-Budgetary Contributions	93,995	75,543

4.5 – Funds Held for Third Parties

Funds held for Third Party Funds are mainly funds received from participating States for payment on their behalf of salaries to personnel seconded to the OSCE at no cost to the Organization. In 2021 there were five participating States on whose behalf the salary is paid by OSCE. The services of these personnel are donated by participating States. The personnel concerned are paid by the OSCE on behalf of the States concerned from the third-party funds held in its accounts for this purpose. Depending on the timing differences between receipt of funds from the participating States concerned and disbursements to individuals, large sums may be held for salary payments at the end of the reporting period.

4.6 – Employee Benefits

Actuarial assumptions are required to be disclosed in the Financial Statements in accordance with *IPSAS 39 – Employee Benefits*. The following key assumptions and methods have been used by the actuary to determine the value of non-current employee benefits in order to estimate the liability.

Discount rate of 0.00% (0.00% in 2020) derived in reference to market yields of high quality corporate bonds - iBoxx Euro Corporate AA Euro bonds, with a duration of 1.6 years, which approximates the maturity terms of the related liabilities;

Present value of future benefits based on salary projections;

Increase in salary of 2.5% per year;

No increase in shipment costs;

No increase in travel costs; and

Estimated years of service based on OSCE's historical averages.

The actuarial valuation of the defined benefits obligation is determined by discounting the probable future payment required to settle the obligation resulting from employee service rendered in the current and prior periods.

Actuarial gains or losses arise when the actuarial assessment differs from the long term expectation on the obligations: they result from experience adjustments (differences between the previous actuarial assumptions and what has actually occurred) and the effects of change in actuarial assumptions. Actuarial gains or losses for non-current benefit obligation are recognized directly in Equity/Net Assets. Current service cost is the increase in the present value of the defined obligation resulting from employee service in the current period.

Due to the discount rate of 0.00% in 2020 there is no interest cost increase during the period in the present value of the defined benefit obligation.

The service cost is recognized in the Statement of Financial Performance.

The following table provides more details regarding how the different types of benefits have changed in 2021:

EUR'000	Defined Benefit Obligation as at 1 January 2021 (Restated)	Current Service Cost	Interest Cost	Actual Payments	Actuarial (Gains)/ Losses	Defined Benefit Obligation as at 31 December 2021
Home leave and rest and recuperation	524	816	-	(878)	-	462
Annual leave	7,662	29	-	(551)	-	7,140
<i>Total annual leave, home leave and rest and recuperation</i>	<i>8,186</i>	<i>845</i>	<i>-</i>	<i>(1,429)</i>	<i>-</i>	<i>7,602</i>
Repatriation grant	2,251	478	-	(509)	167	2,387
Repatriation shipment	823	199	-	(367)	154	809
Repatriation travel	361	81	-	(96)	2	348
<i>Total repatriation benefits</i>	<i>3,435</i>	<i>758</i>	<i>-</i>	<i>(972)</i>	<i>323</i>	<i>3,544</i>
Total	11,621	1,603	-	(2,401)	323	11,146

Liabilities for current employee benefits also include payroll-related accruals in the amount of EUR 440 thousand, for total current employees liabilities of EUR 8,042 thousand.

The Annual Leave balance as at 1 January 2021 has been restated as described in note 2.2. The amount reported in the 2020 Financial Statements was EUR 7,132 thousand.

The repatriation benefits estimates in the table are based on the actuarial assumptions set out above. If these assumptions were to change, the effects on the defined benefit obligation would be as tabulated below.

Discount Rate	Effect
Effect on Defined Benefit Obligation in % of +0.1%	-0.17%
Effect on Defined Benefit Obligation in % of -0.1%	+0.17%
Future salary increase	
Effect on Defined Benefit Obligation in % of +1%	+1.59%
Effect on Defined Benefit Obligation in % of -1%	-1.56%

The post-employment repatriation benefits are entirely unfunded and the liabilities will be met from budget allotments for the years in which they fall due, or from extra-budgetary revenue, as appropriate. The expected servicing cost of repatriation liabilities, net of payments, in 2022 amount to minus EUR 684 thousand.

4.6.1 - Provident Fund

The Provident Fund is a defined contribution plan. The employer contributions of 15% of staff salaries are fixed and are recognized as payroll expense. Employees contribute 7.5% of their salary and may make additional voluntary contributions of up to 15%. The assets are held by Utmost Worldwide in the beneficial ownership of the employee. The Secretary General's responsibility is to establish arrangements to provide a Provident Fund facility to employees and to monitor these arrangements. The balance of funds held for the benefit of OSCE Staff by the Provident Fund as at 31 December 2021 was EUR 125,730 thousand.

The Provident Fund is administered by Utmost Worldwide in accordance with the contract. The OSCE obtains the Financial Statements of Utmost Worldwide Limited on an annual basis. The latest available Financial Statements were in respect of the year ended 31 December 2021 and were audited by PricewaterhouseCoopers CI LLP, Chartered Accountants, who gave an unqualified opinion on the Financial Statements.

The Provident Fund summary statement for the year ending 31 December 2021 is shown in the Appendix.

4.7 – Related Party Disclosures

4.7.1 - Governing Bodies

Based in Vienna, the Permanent Council is the body for regular political consultation and decision-making on all issues pertinent to the OSCE and is responsible for the day-to-day business of the Organization.

The OSCE Permanent Council is formed by the delegates of the 57 participating States. Representatives of the OSCE Parliamentary Assembly and of executive structures may attend meetings of the decision-making bodies as observers. The OSCE's 11 Partners for Co-operation may be invited to attend as observers. A delegation to the Permanent Council consists of a team of diplomats of the participating State headed by an ambassador. Members of the delegations are appointed separately by the Governments of each participating State and are not considered key management personnel as defined by IPSAS. They do not receive remuneration from the Organization.

OSCE decisions have to be taken by consensus and the Chairman seeks approval from all delegations. In the case of one or more delegations opposing a decision, the issue is renegotiated. If all delegates agree, the decision becomes politically binding for all participating States.

During periods between Summits, decision-making and governing power lies with the Ministerial Council, whose members are the Foreign Ministers of the OSCE participating States. The Ministerial Council meets once a year towards the end of every term of chairmanship to consider issues relevant to the OSCE and make appropriate decisions.

At OSCE Summits, the Heads of State or Government of the OSCE participating States set the Organization's priorities and provide orientation for several years. There are no general rules determining how often Summits take place. Any participating State can propose a Summit. The decision to hold it, like all OSCE decisions, must then be taken by consensus. The last OSCE summit took place in 2010 in Astana (Kazakhstan).

4.7.2 - Key Management Personnel

The Secretary General, Heads of Institutions and Heads of Missions, including Personal Representatives who are Fund Managers, as well as the Secretariat's Main Programme Managers at the Director level represent the key management personnel as they have authority for planning, directing and controlling the activities of OSCE.

The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment, entitlements such as allowances, grants and subsidies, and employer contributions to the provident fund and health insurance. As defined in the Staff Regulations and Rules, Heads of Mission and Personal Representatives who are Fund Managers are seconded by or through a participating State and therefore do not receive a salary remuneration from OSCE, but are entitled to a board and lodging allowance.

Advances are those made against entitlements in accordance with Staff Regulations and Rules and are available to all OSCE staff. The table below details the number of key management personnel positions and the number of key management staff who held these positions over the course of the year.

EUR'000	Number of Individuals	Number of Posts	Remuneration and Post Adjustment	Entitlements	Provident Fund and Health Plan	Total Remuneration 2021	Outstanding Advances Against Entitlements
SG and Heads of Institutions	4	4	750	89	125	964	-
Secretariat's Directors	10	8	928	290	157	1,375	-
Heads of Mission and Personal Representatives	31	24	64	1,282	3	1,350	-
Key Management Personnel	45	38	1,742	1,661	285	3,689	-

4.8 – Current Cash Surplus

Unless otherwise determined by the Permanent Council, the cash surplus is credited against assessed contributions of the participating States in the year following the year in which the financial statements are accepted by the Permanent Council. The Permanent Council accepted the Financial Statements for 2019 on 30 July 2020 (PC.DEC/1373) and the Cash Surplus of EUR 2,778 thousand became payable by the end of 2021. The Permanent Council decided during 2021 to apply EUR 1,514 thousand as set out below, and the balance of EUR 1,264 was returned to participating States.

The Permanent Council accepted the Financial Statements for 2020 on 23 September 2021 (PC.DEC/1414) and the Cash Surplus of EUR 4,040 thousand became payable by the end of 2022. The Permanent Council made no decisions to apply any of the 2020 Cash Surplus during 2021 and, in accordance with Financial Regulation 7.07(b), the full balance will be credited to participating States before the end of 2022 unless otherwise decided by the Permanent Council before that time.

EUR '000	Secretariat & Institutions	Field Operations	Total
<i>2019 Cash Surplus as at 1 January 2021</i>	704	2,074	2,778
PC.DEC/1400 – Extension of the Deployment of OSCE Observers to Two Russian Checkpoints on the Russian-Ukrainian Border until 31 May 2021	119	349	468
PC.DEC/1402 – Extension of the Deployment of OSCE Observers to Two Russian Checkpoints on the Russian-Ukrainian Border until 31 July 2021	59	175	234
PC.DEC/1415 – Extension of the Deployment of OSCE Observers to Two Russian Checkpoints on the Russian-Ukrainian Border until 30 September 2021	59	175	234
PC.DEC/1409 – Decision on the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border	24	72	96
PC.DEC/1422 - Establishment of a Technical Fund for the Purpose of Financing Agreed Capital Requirements, Agreeing Projects to be Implemented In 2021–2022, and Supplementing The IT Infrastructure Upgrade Fund	122	360	482
Credit of residual 2019 Cash Surplus to participating States	320	944	1,264
<i>Remaining 2019 Cash Surplus</i>	-	-	-
2020 Cash Surplus transferred from Net Assets/Equity	2,315	1,725	4,040
Total Current Cash Surplus as at 31 December 2021	2,315	1,725	4,040

4.9 – Provisions

The provision for unearned revenue of extra-budgetary pledges currently expiring on or before 31 December 2021 amounts to EUR 7,089 thousand (EUR 14,304 thousand in 2020).

4.10 – Other Current and Non-Current Liabilities

Other current liabilities consist primarily of pending refunds of Provident Fund reimbursements to staff and refunds of office rent received in advance from Governments.

The insurance premium payable represents a cumulative excess in medical claims settled over premiums paid to the insurance company Cigna. This excess is forecast to be cleared during 2022 and is thus shown as a current liability. The OSCE share of the surplus as at 31 December 2020 can be found in Note 3.7.

EUR '000	2021	2020
Governments Advance Refunds	711	835
Insurance premium payable	16	-
Other Current Liabilities	105	197
Total Other Current Liabilities	832	1,032
Non-Current Extra-Budgetary Revenue	-	-
Total Other Non-Current Liabilities	-	-
Total	832	1,032

NOTE 5: RESERVES

5.1 - Cash Surplus

The cash surplus for 2021 is not due for settlement until the year following acceptance of these Financial Statements, and it is therefore classified as Equity until the date of that acceptance. The total cash surplus for 2021 is calculated as shown in Statement V and reconciled to the IPSAS Surplus/(Deficit) in Note 9.1. Unless otherwise determined by the Permanent Council, it will be credited against assessed contributions of the participating States during 2023, in accordance with Financial Regulation 7.07(b).

The 2020 comparative amount remains unchanged but has been restated as described in note 2.2 to enable comparison with the 2021 amount.

5.2 - Cash Surplus Withheld

The cash surplus for those participating States that have not settled their assessed contributions in full is withheld by the OSCE until the outstanding payments are received.

Cash surplus withheld does not meet the definition of a liability and is therefore included in the reserves. The table below is a summary of the cash surplus withheld by participating State and by year. There were no cash surplus distributions related to the fiscal years 2014 through 2017 and cash surpluses for 2020 and 2021 are not yet due for distribution, and therefore none are retained for those years. The longest outstanding cash surplus withheld is from the fiscal year 2002.

In 2021 Kyrgyzstan released EUR 99 thousand against the outstanding receivables, while Uzbekistan released EUR 1,389 thousand against 2008 through 2013 and partly against the 2014 contribution receivable, resulting in a decrease of cash surplus withheld in the amount of EUR 25 thousand.

EUR '000	2017 and Prior Years	2018	2019	Total
Kyrgyzstan	38.4	0.1	0.3	38.8
Uzbekistan	-	0.3	1.6	1.9
Total Cash Surplus Withheld	38.4	0.4	1.9	40.7

5.3 – Revolving and Contingency Funds

The Revolving Fund, in the amount of EUR 2,710 thousand, was established by the Permanent Council (PC.DEC/133 dated 27 June 1996) to meet the short-term cash requirements of duly authorized OSCE activities that could result from the period between the billing and payment of assessed contributions.

The Contingency Fund, in the amount of EUR 2,180 thousand, was established by the Permanent Council (PC.DEC/182 dated 17 July 1997) to allow OSCE to act immediately after the adoption of a Permanent Council decision on a new activity and to cover the corresponding financial requirements prior to the approval of the relevant supplementary budget.

5.4 – Other Reserves

Other Reserves consists of actuarial gains and losses related to employee benefits of EUR 2,524 thousand in 2021 (EUR 2,201 thousand in 2020).

5.5 – Accumulated Surplus/(Deficit)

The increase in the Accumulated Surplus/Deficit during 2021 to EUR 44,146 thousand (EUR 42,231 thousand in 2020) as shown in Statement IV includes the Cash Surplus for 2021 in the amount of EUR 3,827 thousand (see Note 5.1 – Cash Surplus) and surplus for the period in the amount of EUR 12,584 thousand (see Note 9.1 – Reconciliation of Surplus/(Deficit) for the Period).

NOTE 6: REVENUE

6.1 – Assessed Contributions

Accrued revenue from assessed contributions amounted to EUR 229,570 thousand (EUR 227,218 thousand in 2020). It includes the 2021 Unified Budget (also EUR 138,204 thousand in 2020) and revenue from assessed contributions for the Special Monitoring Mission to Ukraine which amounts to EUR 91,366 thousand (EUR 89,014 thousand in 2020).

EUR '000	2021
PC.DEC/1413 – Approval of the 2021 Unified Budget	138,204
Total Unified Budget Revenue from Assessed Contributions	138,204
PC.DEC/1366 – Extension of the mandate of the OSCE Special Monitoring Mission to Ukraine – Second Bill	22,879
PC.DEC/1401 – Extension of the mandate of the OSCE Special Monitoring Mission to Ukraine – First Bill	68,487
Total Special Purpose Funds Revenue from Assessed Contributions	91,366
Total Revenue from Assessed Contributions	229,570

At the end of the 2020-21 Mandate, SMM had a budgetary surplus of approximately EUR 7 million from prior Mandates. These savings from prior budgets, in the sum of EUR 6,843 thousand, were used to reduce the amounts billed to participating States for the 2021-22 Mandate to EUR 61,644 thousand.

6.2 – Extra-Budgetary Contributions

Revenue from extra-budgetary contributions includes revenue received in 2021, as well as revenue from conditional agreements previously recorded as deferred revenue, for which conditions were satisfied in 2021.

EUR '000	2021	2020
Revenue from Extra-Budgetary Contributions	51,429	40,139
Revenue from Conditional Agreements Recognized/(Deferred) during the period	(16,658)	(10,197)
Reallocation of Project Funds	128	570
Total	34,899	30,512

The reallocation of project funds resulted in a net inflow of EUR 128 thousand from Third Party Funds to Extra-Budgetary Funds.

6.3 – Finance Revenue

Finance revenue includes interest from bank balances and short-term cash deposits.

EUR '000	2021	2020
Interest received from banks	75	263
Accrual adjustments	0	(85)
Total	75	178

6.4 – Contributions In-Kind

Revenue from contributions in-kind consists of contributions in-kind from seconded staff, ancillary services and donated goods as shown in the table below:

EUR '000	2021	2020
Seconded Staff	69,438	66,350
Ancillary Services	832	784
Goods In-Kind	5,221	4,908
Total Contributions In-Kind	75,491	72,042

The total value of contributions in-kind of the services of seconded staff is recorded as Contributions In-Kind in the Statement of Financial Performance. The estimated value of seconded personnel is based on a calculation of what it would cost to employ international contracted staff and mission members in their place, and does not reflect the actual costs to the participating States seconding them.

EUR '000	2021	2020
Unified Budget and Extra-Budgetary Funds Seconded Staff	22,562	21,528
Special Purpose Funds Seconded Staff	46,876	44,822
Total Contributions In-Kind of Seconded Staff Services	69,438	66,350

In addition, certain ancillary services, such as security, maintenance and utilities, were provided in respect of premises provided free of charge.

EUR '000	2021	2020
Ancillary Services	832	784
Total Contributions In-Kind of Ancillary Services	832	784

Contributions in-kind in the form of goods (including supplies, inventory, property, plant and equipment and intangible assets) are measured at fair value and recorded as Contributions In-Kind in the Statement of Financial Performance. The total fair value of goods in-kind received consists of the following items:

EUR '000	2021	2020
<i>Supplies</i>	-	-
IT Hardware	3	30
Armoured Vehicles	108	-
<i>Donated Property, Plant and Equipment</i>	<i>111</i>	<i>30</i>
Premises	5,058	4,821
Equipment	52	57
<i>Premises and Equipment provided rent-free</i>	<i>5,110</i>	<i>4,878</i>
Total Revenue from Goods In-Kind	5,221	4,908

6.5 – Revenue from Exchange Transactions

Revenue from Exchange Transactions refers to gains and losses related to the sale of assets and minor equipment.

6.6 – Other Revenue

Revenue Reallocated from Internal Sources represents funds reallocated from Cash Surplus to finance the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border and supplementing the OSCE IT Infrastructure Upgrade Fund.

Indirect Common Costs (ICC) revenue of EUR 72 thousand (EUR 65 thousand in 2020) derived from charges for the processing on behalf of participating States of salaries for personnel seconded by them to OSCE. The remaining EUR 1,376 thousand (EUR 734 thousand in 2020) of ICC revenue recognised in segment report H.2 represents charges levied on extra-budgetary projects and is recorded as Extra-Budgetary Revenue.

Other revenue includes, inter alia, revenue from certain shared conference services, insurance claims and discounts taken.

EUR '000	2021	2020
Revenue Reallocated from Internal Sources	1,514	1,404
Indirect Common Costs Revenue	72	65
Other Revenue	1,476	4,042
Total	3,062	5,511

NOTE 7: EXPENSES

7.1 – Staff Costs

Salaries include amounts paid to international and local contracted staff, local professional staff, and temporary assistance.

The board and lodging allowance (BLA) consists of a daily allowance payable by the OSCE which is intended to partially cover the living costs incurred by international mission members. BLA is paid to international contracted and seconded staff. The BLA rates are established for each Mission by the Secretary General in December each year and remain valid for the following year.

Other staff costs include hazard pay, personal income tax, medical services, overtime and vacancy advertisement costs.

Insurance refers to health, life and accident insurance.

Other employee benefits include education grant, child and spouse allowance, appointment travel, assignment grant, rental subsidy, training, interns compensation and service cost for employee benefits (see Note 2.10 - Employee Benefits).

EUR '000	2021	2020 (Restated)
Salaries	73,155	69,890
BLA for international seconded staff	47,520	48,388
BLA for international contracted staff	3,440	3,106
Provident fund	9,755	9,246
Other staff costs	5,584	5,485
Insurance	2,970	3,124
Other employee benefits	5,812	9,231
In-kind seconded staff costs	69,438	66,350
Total	217,674	214,820

The 2020 comparative amount for other employee benefits has been restated as described in note 2.2. The amount reported in the 2020 Financial Statements was EUR 10,419 thousand.

The in-kind seconded staff costs recognize the value to the Organisation of staff seconded free of charge by participating States. The estimated value is based on a calculation of what it would cost to employ international contracted staff and mission members in their place, and does not reflect the actual costs to the participating States seconding them.

7.2 – Consultancy and Subcontracting

Other contractual services include, inter alia, subcontracting services related to the implementation of projects and paramedical services in the Special Monitoring Mission to Ukraine.

EUR '000	2021	2020
Special Services Agreements	16,758	13,505
Implementing Partner costs	5,760	4,755
Paramedical services	7,687	7,773
Other contractual services	5,030	5,163
Total	35,235	31,196

7.3 – Travel Expenses

Travel expenses include travel ticket costs, daily subsistence allowance, local transportation, terminal allowances and other travel costs. Travel of non-OSCE officials includes the same types of cost and is related mainly to their attendance at conferences and seminars and recruitment of new staff.

EUR '000	2021	2020
Travel of non-OSCE officials	4,153	1,756
Duty travel for OSCE officials	7,463	5,993
Travel for training of OSCE officials	178	239
Total	11,794	7,988

7.4 – Services and Office Costs

Communication services include, among others, internet access fees, rental of communication equipment and leased lines. IT services refer to software maintenance and support fees, as well as rental and installation of IT equipment.

EUR '000	2021	2020
Rental and maintenance of buildings	17,527	15,835
Conferences, seminars, workshops	5,406	2,554
Communication services	2,856	2,953
Interpreters, translators and typing services	2,555	2,298
IT services	5,147	3,661
Printing and copying services	587	720
Vehicles maintenance costs	1,236	1,508
Freight and transportation	277	390
Insurance other than staff	718	662
Bank charges	1,097	765
Ancillary services in-kind	832	784
Total	38,238	32,130

Incurred costs of EUR 496 thousand of services and office costs relates to the agreements with third parties which are fully reimbursable.

7.5 – Consumables and Supplies

Consumables and supplies include items that are either used or consumed in rendering services, such as office supplies, ICT supplies and spare parts. Other supplies include mainly safety and security supplies and stationery.

EUR '000	2021	2020 (Restated)
Fuel and lubricants	788	712
Other supplies	2,229	2,426
Communication and IT supplies	2,835	2,190
Publications, newspapers and printed materials	362	338
Spare parts	463	552
Building/Household Supplies	489	773
Inventory Consumption	283	326
Total	7,449	7,317

7.6 – Depreciation and Amortization

Amortization charges are applied to intangible assets capitalized on the OSCE Statement of Financial Position. Depreciation relates to tangible property, plant and equipment.

EUR '000	2021	2020
Amortization	639	793
Depreciation	6,119	7,074
Total	6,758	7,867

7.7 – Equipment Expense

Equipment expenses include costs related to the acquisition of equipment which would otherwise meet the definition of Property, Plant and Equipment but are below the capitalization threshold of EUR 1 thousand, both those purchased by OSCE and those donated to the Organization. Also included is the estimated value of equipment loaned by donors on cost-free rentals. Inventory donated to third parties includes all items donated and is not subject to the capitalisation threshold.

EUR '000	2021	2020 (Restated)
Equipment Purchased	3,031	2,783
Inventory Donated to Third Parties	4,095	1,351
Equipment Received In-kind	52	57
Equipment Received Rent-Free	-	-
Total Equipment Expenses	7,178	4,192

7.8 – Other Operating Expenses

EUR '000	2021	2020
Unmanned Aerial Vehicle Services	7,266	10,628
Other Operating Costs	501	1,595
Representation Costs	213	270
Project Costs	212	73
Change in Allowance for Doubtful Debts	24	78
Total	8,216	12,644

7.8.1 - Ex Gratia Payments

Ex gratia payments are made in extraordinary situations when the OSCE has a moral obligation or it is in the overall interest of the Organization to do so. Disclosure of ex gratia payments is required by Financial Regulation 6.05. During 2021 ex gratia payments totalling EUR 16 thousand were approved by the Secretary General. The list of Executive Structures concerned is as follows:

EUR '000	2021
Mission to Bosnia and Herzegovina	8
The Secretariat	6
Project Co-ordinator in Ukraine	2
Total	16

7.8.2 – Cash and Other Losses and Write-Offs

A case involving significant discrepancies in the area of fuel management in one executive structure was first mentioned in the Report of the External Auditor for the year ended 31 December 2015 and was disclosed in subsequent Financial Statements. During the course of 2018, the Secretary General initiated disciplinary action against the individuals involved and this is ongoing. In addition, administrative action continues with a view to recovering, to the maximum extent possible, the amounts deemed to have been lost. During 2020 the organisation recovered amounts from some former mission members in an effort to recoup losses attributable to their actions or omissions.

The Joint Consultative Group (JCG) on the Conventional Forces in Europe Treaty has been underpaying by 9% its invoiced contributions to the costs of the Hofburg. OSCE continues to press its claim for these funds without success to date. Consequently, a bad debt allowance has been created with a corresponding write-

down in 2021 of EUR 78 thousand. This allowance does not represent an abandonment of the claim or release the JCG from its obligation to pay under the terms of its Financial Agreement with the OSCE.

NOTE 8: FOREIGN EXCHANGE GAINS/(LOSSES)

Gains and losses made on transactions in currencies other than the Euro consist of amounts realized when the payable balance is settled and those not yet realized because the payable remains open. The latter may change with future exchange rate movements until the moment that they are realized.

EUR '000	2021	2020
Unrealized Gains/(Losses) – cash and cash equivalents	581	(988)
Unrealized Gains/(Losses) – other	864	(775)
<i>Subtotal Unrealized Gains/(Losses)</i>	<i>1,445</i>	<i>(1,763)</i>
Realized Gains/(Losses)	(135)	(112)
Total	1,310	(1,875)

The 2020 comparative amount remains unchanged but has been restated as described in note 2.2 to enable comparison with the 2021 amount.

NOTE 9: RECONCILIATIONS OF BUDGETS TO FINANCIAL STATEMENTS

Statement V (comparison of budget and actual amounts) is provided in accordance with IPSAS 24, which requires “a comparison of budget amounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s), and for which they are, therefore, held publicly accountable”. Since only the Unified Budget is publicly available, Statement V does not consider the Special Purpose or extra-budgetary Funds and other projects.

The original budget of EUR 138,204 thousand was approved by the Permanent Council on 18 August 2021 under PC.DEC/1413 and covered the financial and calendar year 2021.

The difference of EUR 2,481 thousand between the approved budget and the actual amounts are tabulated by Fund and Secretariat Main Programme in Statement V and are further broken down by Programme in the Budget and Expenditure Report at Annex 2 to these Statements.

Performance against the budget is discussed in summary in the Financial Report that accompanies these Statements, and more detail is available to participating States in the Programme Budget Performance Report (PBPR) submitted to the Advisory Committee on Management and Finance (ACMF).

Budgetary reallocations were made in accordance with Financial Regulation 3.02. Transfers approved by the Permanent Council in PC.DEC/1436 of 16 December 2021 are identified in the Budget and Expenditure Report at Annex 2 to these Statements, with subsequent adjustments made under Financial Regulation 3.02(b) identified separately. All transfers were budget-neutral at both the Fund and Organisation levels.

9.1 - Reconciliation of Surplus/ (Deficit) for the Period

The Financial Statements are prepared on an accrual basis, while the budget is prepared on a modified cash basis. The following table shows a reconciliation of the Cash Surplus in the Statement of Comparison of Budget and Actual Amounts (Statement V), and the Surplus/(Deficit) for the Period as reported in the Statement of Financial Performance (Statement II). The differences are due to IPSAS adjustments affecting revenue and expenses.

EUR '000	2021	2020 (Restated)
Cash Surplus for the year	3,827	4,040
Assessed Contributions receivable as at 1 January	(4,634)	(6,068)
Assessed Contributions receivable as at 31 December	3,384	4,634
Budgetary Excess of Income over Expenditure	2,577	2,606
IPSAS Adjustments:		
Revenue		
Accrued Interest	243	(86)
Contributions In-Kind	28,416	26,962
Revenue from Exchange Transactions	(38)	(11)
Other Revenue	(107)	31
Revenue from Change in Allowance for Doubtful Debts	607	1,147
Subtotal Revenue	29,120	28,044
Expense		
Expense from Change in Allowances for Doubtful Debts	-	-
Negative Bank Interest	(243)	-
Unliquidated Obligations	(2,154)	3,623
Accruals Adjustments	59	1,122
Budget Deferrals	(1,504)	3,477
Prepayments Adjustments	621	363
Employee Benefits	695	(2,194)
Contributions In-Kind Expense	(28,305)	(26,960)
Insurance Adjustments	(66)	(381)
Inventory Adjustments	(357)	262
Property, plant and equipment Adjustments	1,125	(379)
Intangibles Adjustments	1,548	530
Subtotal Expense	(28,581)	(20,537)
Gains/(Losses)		
Total IPSAS Adjustments	540	7,506
IPSAS Unified Budget Surplus/(Deficit) for the Period	3,117	10,112
Special Purpose Funds Surplus/(Deficit) for the Period	8,319	5,836
Extra-Budgetary Surplus/(Deficit) for the Period	567	(470)
IPSAS Total OSCE Surplus/(Deficit) for the Period	12,003	15,478

9.2 – Reconciliation of Actual Amounts on a Comparable Basis and Cash Flow Statement

The Unified Budget is calculated on a modified cash basis (actual expenditure plus contractual and other obligations), whereas the Financial Statements are prepared on an accrual basis, which therefore differs from the budget basis. For the purpose of preparing the comparison of budget and actuals in the Statement of Comparison of Budget and Actual Amounts, actuals are calculated on a modified cash basis comparable with the budget.

Since the Financial Statements and the budget are prepared on different bases, the actual amounts presented on a comparable basis to the budget in Statement V - Statement of Comparison of Budget and Actual Amounts need to be reconciled to the net cash flow from operating, investing and financing activities as required under *IPSAS 24 – Presentation of Budget Information in Financial Statements*.

The reconciliation requires that any differences be separately identified:

- *Basis differences* - in order to reconcile the Budget results to the Cash Flow Statement, differences between the budgetary framework and IPSAS such as unliquidated obligations, prepayments and depreciation need to be considered as basis differences;
- *Presentation differences* - differences in the content and classification used in the Statement of Cash Flow versus the Statement of Comparison of Budget and Actual Amounts; for example, the budgetary framework makes no distinction between operating, investing and financing activities;
- *Timing differences* - occur in such cases when the budget cycle differs from the financial reporting cycle. For Unified Budget Funds there are no timing differences, since both cycles coincide.
- *Entity differences* - the Statement of Comparison of Budget and Actual Amounts refers to the Unified Budget only whereas the Cash Flow Statement includes also the OSCE Special Monitoring Mission to Ukraine, other Special Purpose Funds and Extra-Budgetary funds. The latter are excluded from Statement V because annual budgets are not publicly available.

EUR'000	Operating Activities	Investing Activities	Financing Activities	Total
<i>Actual Amount on Comparable Basis</i>	2,481	0	0	2,481
Basis Differences	23,465	0	0	23,465
Presentation Differences	9,724	(5,560)	(4,067)	96
Timing Differences	0	0	0	0
Entity Differences	(17,392)	11,090	(6,843)	(13,145)
Actual Amount in the Cash Flow Statement	18,278	5,530	(10,910)	12,898

The following table breaks down the Operating Activities basis differences into its constituent parts:

EUR'000	Operating Activities
Cash and other transfers to/from Special Purpose and Extra-Budgetary Funds	35,385
Decrease in accruals and Unliquidated Obligations	(3,281)
Cash Surplus movements	(2,805)
Decrease in funds held for third parties	(1,571)
Decrease in budget deferrals	(1,504)
Increase in contributions receivable	1,250
Decrease in accounts payable	(1,105)
Other differences	(2,904)
Total basis differences	23,465

The transfers to Extra-Budgetary Funds consist mainly of cash moved to the Secretariat cash pool from Extra-Budgetary cash and investments.

NOTE 10: OTHER DISCLOSURES

10.1 - Financial Risk Management

Financial risk management is carried out by the Treasury Unit in the Secretariat under policies approved by the Investment Committee and by applying the guidelines included in OSCE's Financial/Administrative Instruction Five - Income and Cash Management. *IPSAS 30 - Financial Instruments: Disclosures* states the types of risks that the Organization should disclose:

- (a) *Liquidity risk* – is the risk that an entity will encounter difficulty in receiving funds to meet its financial commitments. The OSCE invests funds not required for immediate operational purposes in short-term deposits up to a maximum of nine months. Maturities are scheduled on the basis of operational requirements as identified by the Treasury Unit and OSCE Executive Structures' cash flow forecasts.

Liquidity is monitored through cash flow forecast reports for a period of 12 months into the future. The timing of payment of assessed contributions by participating States has an impact on the liquidity of the Organization. Delays in payment by large contributors can affect normal operations, although the comfortable Cash position is available to meet short-term cash requirements.

- (b) Currency risk - is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The OSCE has a policy of not using derivative financial instruments to hedge against currency risk. Risk is mitigated by limiting the amount of cash held in currencies other than euro; by concluding most of the OSCE contracts in euro; and by not converting one currency to another to avoid realization of gains and losses. In 2021, the majority of net expenditures were transacted in euro or currencies pegged to the euro.

Transactions in foreign currencies are recorded in euro at the UN Operational Rates of Exchange in effect on the date of the transactions. At the end of the reporting period assets and liabilities are valued at the rates applicable as at 31 December 2021. Gains and losses arising from transactions and translation are recorded as currency exchange adjustments. In compliance with Financial Administrative Instruction Five (FAI 5) on Income and Cash Management, large exchange rate gains or losses incurred under Extra-Budgetary Funds have been credited or charged to the respective Fund.

- (c) Interest rate risk – is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The OSCE did not enter into any transactions involving variable interest rates in 2021 and only made short-term deposits for fixed durations and fixed interest rates. Fluctuations in interest rates only affect the interest revenue from short-term deposits to be concluded in the future; however, the OSCE is not dependent on interest revenue for the continuation of its activities.
- (d) Market risk – is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. None of the OSCE's financial instruments in 2021 were affected by changes in market prices.
- (e) Credit risk – is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The largest exposures to such risk for the OSCE are Assessed Contributions Receivable and bank risk. The Treasury Unit monitors the creditworthiness of its banks on a regular basis and has strict guidelines to limit the amount deposited with each approved bank. The table below shows the amounts deposited with banks according to their credit rating. At the end of the reporting period, 98.34% of the total was held in bank accounts carrying an investment grade (BBB- and above). The table reflects the fact that due to the financial crisis most bank ratings have been revised downwards in recent years. The remaining balances are held in non-investment grade or unrated banks to support OSCE local operational needs.

At the end of the reporting period, 97.75% of the total cash was held in bank accounts administered by the Treasury Unit. The remaining 2.25% was held in bank accounts throughout OSCE locations for daily operational purposes.

EUR '000	Rating	Total as at 31 December 2021	%	Total as at 31 December 2020
High Grade	AA- to AA+	14,468	10.9%	15,871
Upper Medium Grade	A- to A+	40,442	30.3%	43,344
Lower Medium Grade	BBB- to BBB+	76,219	57.2%	73,727
Non-Investment Grade	BB- to BB+	1,446	1.1%	948
Highly Speculative	B- to B+	-	0.0%	-
Unrated	N/A	458	0.3%	454
Total Bank Balances		133,033	99.8%	134,344
Cash	N/A	314	0.2%	400
Total Cash and Bank Balances		133,347	100.0%	134,744

- (f) Cash flow risk – is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. For the OSCE such fluctuations relate to future money-market deposits in the event

of changes in interest rates. As mentioned in (b) above, the OSCE is not dependent on the cash flows resulting from money-market deposits for the continuation of its activities.

(g) There were no significant changes in the OSCE's exposure to risk or to its risk management policies during the reporting period.

10.2 – Contingent Assets and Contingent Liabilities

The OSCE has no contingent assets.

Contingent liabilities consist of multiple claims received from different entities requesting payment of back rent for four premises, namely former logistics compound known as the BBC, the former headquarters of the Mission in Kosovo, the former Regional Centre in Mitrovicë/Mitrovica and the former Rilindja Parking Lot. The Mission in Kosovo no longer occupies any of these properties and so the principal figure of these contingent liabilities is no longer rising. Since the last reporting period the former Regional Centre in Mitrovicë/Mitrovica and the former Rilindja Parking Lot claims have not been actively pursued.

No claimant has yet sufficiently substantiated their claim for any of the four premises. Consequently, there remain numerous uncertainties regarding the legality of these claims that prevent the OSCE from estimating an amount, if any, of a contingent liability.

On 28 July 2020, the Mission was informed that a notice of civil suit had been filed before the basic Court of Leskovac, Serbia, for one of these premises. Since then, no further claims have been received by the Mission.

Additionally, the Mission in Kosovo in 2017 settled a claim for the use of its former antenna site, which it vacated in May 2016. However, a contingent liability of EUR 10,000 remains in respect of the Mission's use of this site, as the owner of 1/3 of the property in question was not a party in the settled claim, and did not submit any claim in 2018, 2019 or 2020. The figure is derived from the amount agreed in 2017 settlements.

10.3 – Leases and Contractual Obligations

Lease agreements in the Secretariat, Institutions and Field Offices refer to leases of premises and office equipment. These agreements are classified as operating leases and the related payments are charged as an expense over the period of the lease. The total lease expense for the year 2021 amounted to EUR 8,151 thousand (EUR 7,693 thousand in 2020).

Future minimum lease payments include payments for such rented premises that would be required until the earliest possible termination date under the respective agreements. The minimum lease payments also include Host Country reimbursements in the amount of EUR 2,503 thousand expected to be received. There are no agreements that contain purchase options.

The total amount of future minimum lease payments under non-cancellable operating leases is as follows:

EUR '000	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
Minimum Lease Payments	3,846	787	-	4,633

In the majority of cases operating lease arrangements for field office premises can be cancelled by providing notice up to 30 days. Also the majority of the operating lease agreements contain renewal clauses which enable the Organization to extend the terms of the leases at the end of the original lease terms.

10.4 – Events After the Reporting Date

The Financial Statements were submitted to the External Auditors on 31 March 2022 and were authorized for issuance by the Secretary General on 30 June 2022.

In pursuance of the requirements set out in *IPSAS 14 - Events After the Reporting Date*, significant events which occurred between the reporting date and the date of issuance are set out below.

10.4.1 - Adjusting Events

There are no adjusting events.

10.4.2 - Non-Adjusting Events

The OSCE Chairman-in-Office, Foreign Minister of Poland Zbigniew Rau and OSCE Secretary General Helga Maria Schmid announced on 28 April 2022 that the OSCE would take immediate steps to implement the closure of the Special Monitoring Mission to Ukraine (SMM). This decision followed the lack of consensus at the OSCE Permanent Council on 31 March 2022 to extend the Mission's mandate. These recent developments in Ukraine are clearly a post-closing event with no direct impact on OSCE's 2021 financial statements.

It is not possible at the present time to make a reliable estimate of the financial effects of these developments on the OSCE, but the maximum write off exposure as at 31 December 2021 is the EUR 24 million of assets excluding Inter-Fund Balances that can be seen in Schedule J.1, and total revenue of the Organization for the year 2022 is likely to be materially reduced. Cashflow projections for the year 2022 are positive, both for SMM and for the OSCE as a whole.

II

ANNEXES TO THE
FINANCIAL STATEMENTS

ANNEX 1
SEGMENTAL REPORTING BY FUND

Fund Accounting and Segment Reporting

For purposes of the presentation and approval of the 2021 Unified Budget, Funds were grouped under Secretariat and Institutions; and Field Operations, with the latter, in turn, being grouped into Regions. This presentation is also followed in the segmental reports. In addition, the segmental information is presented based on the main sources of financing of the Organization (Unified Budget Funds, Special Purpose Funds, Extra-Budgetary Funds and other Extra-Budgetary projects undertaken in accordance with Article IX of the Financial Regulations and not specifically approved by the Permanent Council). The segmental information also includes consolidated reports for the OSCE Special Monitoring Mission to Ukraine (SMM) and an analysis of extra-budgetary expenses broken down by Executive Structure.

The Funds listed below were operational in 2021. The letters indicated in brackets correspond to the Reporting Segment in this Annex. Segments A to F reflect the structure of the approved Unified Budget while G and H report Special Purpose and extra-budgetary Funds and projects respectively, and J presents the consolidated reports for the Special Monitoring Mission to Ukraine. These annexes are not separately audited and do not fall within the scope of the audit opinion.

Secretariat and Institutions (A)

These Funds are financed through the Standard Scale of Contributions for 2019 (PC.DEC/1325) on a provisional basis, pending agreement of Scales for 2021:

The Secretariat

Office for Democratic Institutions and Human Rights

High Commissioner on National Minorities

Representative on Freedom of the Media

Field Operations (B)

Segment B presents the Missions funded through the Unified Budget, aggregated into the geographical Regions in the approved 2021 budget.

These Funds are financed through the Field Operations Scale of Contributions for 2019 (PC.DEC/1325) on a provisional basis, pending agreement of Scales for 2021:

South-Eastern Europe (C)	Eastern Europe (D)
Augmentations ¹	Mission to Moldova
Mission in Kosovo	Project Co-ordinator in Ukraine
Mission to Bosnia and Herzegovina	Representative to the Latvian-Russian Joint Commission on Military Pensioners
Mission to Serbia	
Presence in Albania	
Mission to Skopje	
Mission to Montenegro	
Caucasus (E)	Central Asia (F)
High Level Planning Group	Programme Office in Nur-Sultan
The Minsk Process	Centre in Ashgabat

¹ The Augmentations Fund, including posts based in the Secretariat and in the Office for Democratic Institutions and Human Rights, was established on a provisional basis under PC.DEC/827 dated 21 December 2007 and is financed on the basis of the Field Operations Scale of Contributions. Its continued existence was approved as part of the Unified Budget under PC.DEC/1413 dated 18 August 2021.

Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference	Programme Office in Bishkek Project Co-ordinator in Uzbekistan Programme Office in Dushanbe
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Closed Funds (B)

Missions and Field Operations whose mandate has expired are grouped under Closed Funds and included in Field Operations:

Action Against Terrorism Assistance Group to Chechnya Mission to Croatia Office in Zagreb Mission to Estonia Representative to the Estonian Commission on Military Pensioners Mission to Georgia End of Mandate Procedure Mission to Georgia Project Co-ordinator in Baku	Mission to Latvia Representative to the Joint Committee on the Skrunda Radar Station Missions of Long Duration to Kosovo, Sandjak and Vojvodina Sanctions Assistance Missions Office in Minsk Expert Mission to Ukraine Office in Yerevan
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Special Purpose Funds (G)

The Information Security Enhancement Fund was established by PC.DEC/1247 dated 6 April 2017 to finance the strengthening of OSCE information security and was allocated total funding of EUR 800 thousand. The Fund initially covered an implementation period extending to 24 months, with the balance carried forward from one year to the next, and was extended until 6 October 2020 by PC.DEC/1324 dated 4 April 2019. The validity of the Fund was further extended until 6 July 2021 by PC.DEC/1374 dated 30 July 2020.

The IT Infrastructure Upgrade Fund was established by PC.DEC/1322 dated 28 March 2019 for the financing of the upgrade to the latest version of the ICT core platform technologies and the re-architecture and deployment of a secure OSCE IT infrastructure and was allocated EUR 3,560 thousand. This amount was supplemented by PC.DEC/1345 to finance necessary 2019 measures aimed at mitigating the risk of vendor support expiration for the ICT Core Platform Infrastructure in the amount of EUR 630 thousand, and further supplemented by PC.DEC/1422 dated 25 November 2021 in the sum of EUR 482 thousand taking the total to EUR 4,672 thousand. The Fund covers the implementation period, with the balance carried forward from one year to the next.

The CIP Technical Fund was established by PC.DEC/1422 dated 25 November 2021 for the purpose of financing agreed capital requirements under the Capital Investment Programme (CIP) and was allocated an amount of EUR 960 thousand taken from identified 2021 underspending. Unless otherwise decided by the Permanent Council, the Fund will be closed upon completion of the agreed capital investment projects. No transactions were booked to this Fund in 2021 and it is therefore not shown in Schedule G.

The Special Monitoring Mission to Ukraine, originally established pursuant to PC.DEC/1117 dated 21 March 2014, is financed through provisional assessed contributions on the basis of the Field Operations Scale of Contributions set out in PC.DEC/1325 dated 11 April 2019, and through voluntary contributions, the latter reported as part of segment H. Its mandate does not correspond with the calendar year; therefore the figures reported in the 2021 Financial Statements represent part of the mandate ending 31 March 2021 under PC.DEC/1366 dated 19 March 2020, and part of the mandate ending 31 March 2022 under PC.DEC/1401 of 31 March 2021.

The Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border, established by PC.DEC/1130 dated 24 July 2014, deployed observers to the two Russian checkpoints of Donetsk and Gukovo until the expiry of the mandate on 30 September 2021 and subsequent winding down operation approved by PC.DEC/1415 dated 23 September 2021. The Border Observer Mission operated under a series of mandates whose durations were decided by the Permanent Council. The figures reported in the 2021 Financial Statements represent part of the mandate ending 31 January 2021 under PC.DEC/1375 dated 3 September 2020, the whole of the mandates under

PC.DEC/1400 dated 21 January 2021, PC.DEC/1402 dated 28 May 2021 and PC.DEC/1409 dated 22 July 2021, and the winding down operation. During 2021 the Mission was financed from the 2018 and 2019 cash surpluses.

Extra-Budgetary Funds (H)

The following Extra-Budgetary Funds were established by Permanent Council decisions and are shown individually in the segment reports:

The Fund to support OSCE Action for Peace, Democracy and Stability in Bosnia and Herzegovina (PC.DEC/101 dated 11 January 1996);

The Fund for Activities Related to Economic Aspects of Security (PC.DEC/150 dated 19 December 1996);

The following Extra-Budgetary Funds, established by Permanent Council decisions are grouped together and shown as Other PC Established Funds in the segment reports:

The Fund to foster the integration of recently admitted participating States (PC.DEC/23 dated 2 March 1995);

The Fund related to the Stability Pact for South Eastern Europe (PC.DEC/306 dated 1 July 1999);

The Fund for Activities Related to the Removal and Destruction of Russian Ammunition and Armaments from Moldova (PC.DEC/329 dated 9 December 1999);

The Fund for Activities related to the reduction of Military Forces and equipment from Georgia (293rd Reinforced Meeting of the Permanent Council on Georgia dated 17 July 2000);

The Bishkek International Conference on Enhancing Security and Stability in Central Asia: Strengthening Comprehensive Efforts to Counter Terrorism (PC.DEC/440 dated 11 October 2001);

The Partnership Fund (PC.DEC/812 dated 30 November 2007).

That element of the Special Monitoring Mission to Ukraine financed through voluntary contributions in accordance with PC.DEC/1366 dated 19 March 2020 and PC.DEC/1401 of 31 March 2021.

Extra-budgetary contributions accepted under Article IX of the Financial Regulations are not individually approved by the Permanent Council and are shown under a separate Extra-Budgetary grouping of projects called Other Activities and Special Projects. Indirect Common Costs levied on these projects and certain third-party payments as described in note 2.18 are also disclosed separately. Expenses of other activities and special projects are shown inclusive of Indirect Common Costs, and an eliminations column eliminates these internal revenues and expenses to reconcile to the totals in the statement of financial performance.

The OSCE Special Monitoring Mission to Ukraine (J)

The Special Monitoring Mission to Ukraine (SMM) operates under Mandates and budgets approved by the Permanent Council as described above and is funded through a mixture of Assessed and Voluntary Contributions from participating States. The Assessed portion is presented as part of segment G and the Voluntary element as part of segment H. Segment J presents the consolidated results to show a complete picture of the financial position and performance of the Mission.

Extra-Budgetary Expenditure by Location (K)

Extra-budgetary expenditure shown in Segment report H.2 is summarised by Executive Structure in Schedule K.

1. Segment Reporting
Schedule of Financial Position
Summary by Source of Funds

As at 31 December 2021

EUR '000		Total Secretariat and Institutions		Total Field Operations		Total Unified Budget		Total Special Purpose Funds		Total Extra-Budgetary Funds		TOTAL OSCE	
	Note	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
		<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>	
ASSETS													
Current Assets													
Cash and Cash Equivalents	3.1	83,903	57,115	1,666	2,141	85,570	59,256	994	838	17,974	30,965	104,537	91,059
Investments	3.2	10,000	10,000	0	0	10,000	10,000	0	0	18,809	33,685	28,809	43,685
Contributions Receivable	3.3	22	325	9	349	31	674	11,365	4,621	17,732	13,566	29,129	18,861
Accounts Receivable	3.4	2,893	2,398	1,077	738	3,970	3,136	476	409	0	0	4,446	3,545
Prepayments	3.5	3,683	2,484	2,000	1,996	5,683	4,480	925	1,031	34	33	6,643	5,543
Inventory	3.6	0	0	91	347	91	347	1,136	1,077	382	613	1,609	2,037
Inter-Fund Balances		(75,545)	(39,242)	11,475	10,556	(64,070)	(28,685)	13,565	15,311	50,506	13,374	0	0
Other Current Assets	3.7	11	42	0	0	11	42	0	0	0	0	11	42
		24,967	33,122	16,318	16,126	41,285	49,248	28,461	23,287	105,438	92,237	175,183	164,772
Non-Current Assets													
Property, Plant and Equipment	3.8	3,021	2,549	3,757	3,224	6,777	5,773	7,458	7,974	1,730	1,709	15,966	15,456
Intangible Assets	3.9	3,235	1,710	47	39	3,282	1,749	149	224	693	313	4,125	2,286
Other Non-Current Assets	3.7	20	49	0	23	20	72	0	9	0	0	20	81
		6,275	4,308	3,804	3,286	10,079	7,595	7,608	8,206	2,423	2,022	20,110	17,823
Total Assets		31,242	37,430	20,122	19,413	51,364	56,843	36,069	31,493	107,861	94,259	195,294	182,594
LIABILITIES													
Current Liabilities													
Accounts Payable	4.1	940	1,997	594	642	1,534	2,639	483	217	0	0	2,018	2,856
Accruals	4.2	1,724	2,672	3,854	4,187	5,579	6,859	2,745	771	2,987	1,270	11,310	8,900
Deferred Revenue	4.3	4,781	5,493	0	0	4,781	5,493	4,350	3,458	0	0	9,131	8,951
Conditional ExB Contributions	4.4	0	0	0	0	0	0	0	0	93,995	75,543	93,995	75,543
Funds Held for Third Parties	4.5	5,345	6,907	24	34	5,370	6,941	0	0	0	0	5,370	6,941
Employee Benefits Current	4.6	2,842	3,067	3,710	4,183	6,552	7,250	1,030	1,093	460	358	8,042	8,701
Cash Surplus Current	4.8	2,315	705	1,725	2,074	4,040	2,778	0	0	0	0	4,040	2,778
Provisions	4.9	0	0	0	0	0	0	0	0	7,089	14,304	7,089	14,304
Other Current Liabilities	4.10	733	850	78	176	811	1,026	20	6	0	0	832	1,032
		18,681	21,689	9,986	11,297	28,667	32,986	8,629	5,545	104,530	91,475	141,825	130,007
Non-Current Liabilities													
Employee Benefits Non-Current	4.6	2,922	2,756	178	271	3,100	3,027	265	297	178	110	3,544	3,434
Other Non-Current Liabilities	4.10	0	0	0	0	0	0	0	0	0	0	0	0
		2,922	2,756	178	271	3,100	3,027	265	297	178	110	3,544	3,434
Total Liabilities		21,603	24,445	10,164	11,568	31,767	36,013	8,894	5,842	104,708	91,586	145,369	133,441
Net Assets		9,639	12,985	9,958	7,845	19,597	20,830	27,175	25,650	3,153	2,673	49,924	49,154
NET ASSETS													
Cash Surplus	5.1	1,093	2,315	2,734	1,725	3,827	4,040	0	0	0	0	3,827	4,040
Cash Surplus Withheld	5.2	28	53	13	14	41	68	0	0	0	0	41	68
Revolving Fund	5.3	2,710	2,710	0	0	2,710	2,710	0	0	0	0	2,710	2,710
Contingency Fund	5.3	2,180	2,180	0	0	2,180	2,180	0	0	0	0	2,180	2,180
Other Reserves	5.4	(2,861)	(2,502)	546	469	(2,315)	(2,033)	125	78	(334)	(247)	(2,524)	(2,201)
Accumulated Surplus/(Deficit)	5.5	6,489	8,228	6,665	5,637	13,154	13,865	27,049	25,572	3,487	2,920	43,691	42,357
Total Net Assets		9,639	12,985	9,958	7,845	19,597	20,830	27,175	25,650	3,153	2,673	49,924	49,154

2. Segment Reporting
Schedule of Financial Performance
Summary by Source of Funds

For the Year Ended 31 December 2021

EUR '000		Total Secretariat and Institutions		Total Field Operations		Total Unified Budget		Total Special Purpose Funds		Total Extra-Budgetary Funds		Total OSCE	
	Note	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
		<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>	
REVENUE													
Assessed Contributions	6.1	59,485	59,485	78,720	78,720	138,204	138,204	91,366	89,014	0	0	229,570	227,218
Extra-Budgetary Contributions	6.2	(0)	0	0	0	(0)	0	0	0	34,899	30,512	34,899	30,512
Finance Revenue	6.3	75	177	1	1	75	178	0	0	0	0	75	178
Contributions In-Kind	6.4	12,498	12,495	15,918	14,467	28,416	26,962	46,921	44,907	154	172	75,491	72,042
Revenue from Exchange Transactions	6.5	11	6	234	78	245	85	50	6	(156)	(46)	139	45
Other Revenue	6.6	453	1,817	963	328	1,416	2,145	1,854	3,284	(208)	82	3,062	5,511
Total Revenue		72,521	73,980	95,835	93,594	168,356	167,574	140,191	137,211	34,689	30,722	343,236	335,506
EXPENSES													
Staff Costs	7.1	46,640	46,633	60,520	61,722	107,160	108,355	100,465	94,692	10,049	11,773	217,674	214,820
Consultancy and Subcontracting	7.2	6,692	6,361	8,068	7,065	14,760	13,427	7,417	6,544	13,058	11,225	35,235	31,196
Travel Expenses	7.3	1,631	1,041	3,270	1,501	4,902	2,542	5,071	4,599	1,821	847	11,794	7,988
Services and Office Costs	7.4	14,903	11,514	11,228	10,507	26,131	22,021	8,587	8,279	3,521	1,830	38,238	32,130
Consumables and Supplies	7.5	1,084	636	2,631	2,756	3,715	3,392	2,957	3,059	777	866	7,449	7,316
Depreciation and Amortisation	7.6	1,363	1,343	1,512	1,480	2,875	2,823	3,055	3,947	829	1,096	6,758	7,867
Equipment Expenses	7.7	759	(1,068)	4,537	4,070	5,296	3,002	656	663	1,225	527	7,178	4,192
Other Operating Expenses	7.8	385	536	232	206	617	742	3,505	9,539	4,093	2,363	8,216	12,644
Total Expenses		73,457	66,997	91,998	89,306	165,455	156,304	131,714	131,322	35,373	30,528	332,542	318,153
Foreign Exchange Gains/(Losses)	8	291	(1,158)	(75)	0	216	(1,158)	(157)	(54)	1,252	(664)	1,310	(1,875)
Surplus/(Deficit) for the Period	9.1	(646)	5,824	3,762	4,288	3,117	10,112	8,319	5,836	567	(470)	12,003	15,478

3. Segment Reporting
Cash Flow Schedule
Summary by Source of Funds

For the Year Ended 31 December 2021

EUR '000	Note	Total Secretariat and Institutions		Total Field Operations		Total Unified Budget		Total Special Purpose Funds		Total Extra-Budgetary Funds		Total OSCE	
		2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES													
Surplus/(Deficit) for the Period	9.1	(646)	5,824	3,762	4,288	3,117	10,112	8,319	5,836	567	(470)	12,003	15,478
Non-Cash Movements													
Deduction of Unrealized Foreign Exchange Gains/Losses on Cash and Cash Equivalents	8	(265)	693	(6)	70	(272)	763	(17)	102	(292)	123	(581)	988
Deduction of Depreciation, Amortisation and Impairments	7.6, 3.10	1,363	1,343	1,512	1,480	2,875	2,823	3,055	3,947	829	1,096	6,758	7,867
Deduction of Loss on Disposal of PP&E	6.5	4	(16)	144	1	148	(15)	(386)	65	476	36	239	86
Deduction of Non-Cash Changes in Net Assets	5.4	(359)	(77)	77	80	(282)	3	47	34	(88)	(38)	(323)	(1)
(Increase) / Decrease in Contributions Receivable	3.3	303	424	339	(137)	643	287	(6,745)	(4,424)	(4,166)	2,173	(10,268)	(1,964)
(Increase) / Decrease in Accounts Receivable	3.4	(495)	(80)	(339)	391	(834)	311	(66)	20	0	0	(901)	331
(Increase) / Decrease in Prepayments	3.5	(1,199)	265	(4)	(260)	(1,203)	4	106	1,765	(2)	(14)	(1,099)	1,755
(Increase) / Decrease in Inventory	3.6	0	0	256	(260)	256	(260)	(60)	(155)	231	(148)	428	(562)
(Increase) / Decrease in Other Current/Non-Current Assets	3.7	61	189	23	167	84	357	9	62	0	0	93	419
Increase /(Decrease) in Accounts Payable	4.1	(1,057)	488	(48)	(1,150)	(1,105)	(662)	266	(102)	0	0	(839)	(765)
Increase /(Decrease) in Accruals	4.2	(947)	(890)	(333)	1,477	(1,280)	588	1,973	(126)	1,717	(116)	2,410	346
Increase /(Decrease) in Deferred Revenue	4.3	(712)	3,896	0	0	(712)	3,896	892	(4,240)	0	0	180	(344)
Increase /(Decrease) in Conditional ExB Contributions	4.4	0	0	0	0	0	0	0	0	18,452	4,114	18,452	4,114
Increase /(Decrease) in Funds Held for Third Parties	4.5	(1,561)	1,626	(10)	3	(1,571)	1,629	0	0	0	0	(1,571)	1,629
Increase /(Decrease) in Employee Benefits	4.6	(59)	826	(566)	1,400	(625)	2,226	(94)	488	170	159	(549)	2,873
Increase /(Decrease) in Cash Surplus Payable	4.8	1,611	430	(349)	1,117	1,262	1,547	0	0	0	0	1,262	1,547
Increase /(Decrease) in Provisions	4.9	0	0	0	0	0	0	0	0	(7,216)	5,793	(7,216)	5,793
Increase /(Decrease) in Other Liabilities	4.1	(116)	112	(98)	132	(214)	243	14	(3)	0	0	(200)	240
Increase /(Decrease) in Inter-Fund Balances		36,304	(30,707)	(919)	(4,594)	35,385	(35,301)	1,746	3,537	(37,131)	31,764	0	0
Net Cash Flows from Operating Activities		32,228	(15,654)	3,442	4,206	35,670	(11,448)	9,061	6,805	(26,453)	44,472	18,278	39,829
CASH FLOWS FROM INVESTING ACTIVITIES													
(Purchase) / Sale of Investments	3.2	0	(3,637)	0	0	0	(3,637)	0	0	14,876	(26,077)	14,876	(29,714)
(Addition) / Disposal of PP&E and Intangibles	3.8, 3.9	(3,364)	(1,622)	(2,196)	(1,359)	(5,560)	(2,981)	(2,080)	(6,645)	(1,706)	(618)	(9,346)	(10,244)
Net Cash Flows from Investing Activities		(3,364)	(5,259)	(2,196)	(1,359)	(5,560)	(6,618)	(2,080)	(6,645)	13,169	(26,695)	5,530	(39,958)
CASH FLOWS FROM FINANCING ACTIVITIES													
Credits for Cash Surplus Withheld	5.2	(26)	(105)	(1)	(35)	(27)	(140)	0	0	0	0	(27)	(140)
Allocation of Cash Surplus	4.8	(2,315)	(705)	(1,725)	(2,074)	(4,040)	(2,778)	0	0	0	0	(4,040)	(2,778)
Allocation of SMM Savings	6.1.1	0	0	0	0	0	0	(6,842)	0	0	0	(6,842)	0
Refund of Unspent Extra-budgetary Contributions		0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Flows from Financing Activities		(2,341)	(810)	(1,726)	(2,108)	(4,067)	(2,919)	(6,842)	0	0	0	(10,910)	(2,919)
Net Increase/(Decrease) in Cash and Cash Equivalents	3.1	26,523	(21,723)	(481)	739	26,042	(20,984)	139	160	(13,283)	17,777	12,898	(3,047)
Cash and Cash Equivalents at Beginning of Period	3.1	57,115	79,531	2,141	1,472	59,256	81,003	838	780	30,965	13,311	91,059	95,094
Foreign Exchange Gains/(Losses) on Cash and Cash Equivalents	8	265	(693)	6	(70)	272	(763)	17	(102)	292	(123)	581	(988)
Cash and Cash Equivalents at End of Period		83,903	57,115	1,666	2,141	85,570	59,256	994	838	17,974	30,965	104,537	91,059

A.1. Segment Reporting
Schedule of Financial Position
Secretariat and Institutions

As at 31 December 2021

EUR '000		The Secretariat		Office for Democratic Institutions and Human Rights		High Commissioner on National Minorities		Representative on Freedom of the Media		Total Institutions	
	Note	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)
ASSETS											
Current Assets											
Cash and Cash Equivalents	3.1	83,654	56,341	61	305	188	469	0	0	83,903	57,115
Investments	3.2	10,000	10,000	0	0	0	0	0	0	10,000	10,000
Contributions Receivable	3.3	14	209	6	88	1	19	1	9	22	325
Accounts Receivable	3.4	2,520	2,082	258	289	116	27	0	0	2,893	2,398
Prepayments	3.5	2,831	1,569	753	769	95	140	5	6	3,683	2,484
Inventory	3.6	0	0	0	0	0	0	0	0	0	0
Inter-Fund Balances		(80,135)	(41,623)	3,528	2,033	610	35	451	314	(75,545)	(39,242)
Other Current Assets	3.7	0	30	10	5	1	7	0	0	11	42
		18,884	28,607	4,615	3,489	1,011	697	457	329	24,967	33,122
Non-Current Assets											
Property, Plant and Equipment	3.8	2,903	2,387	78	116	30	42	9	3	3,021	2,549
Intangible Assets	3.9	3,230	1,698	5	12	0	0	0	0	3,235	1,710
Other Non-Current Assets	3.7	20	40	0	7	0	1	0	1	20	49
		6,153	4,126	83	135	30	44	9	4	6,275	4,308
Total Assets		25,037	32,733	4,698	3,625	1,041	741	466	332	31,242	37,430
LIABILITIES											
Current Liabilities											
Accounts Payable	4.1	680	1,903	254	91	6	3	1	0	940	1,997
Accruals	4.2	919	1,392	645	1,058	126	176	35	45	1,724	2,672
Deferred Revenue	4.3	3,932	4,644	849	849	0	0	0	0	4,781	5,493
Conditional ExB Contributions	4.4	0	0	0	0	0	0	0	0	0	0
Funds Held for Third Parties	4.5	5,290	6,825	56	82	0	0	0	0	5,345	6,907
Employee Benefits Current	4.6	1,995	2,217	502	606	226	145	118	99	2,842	3,067
Cash Surplus Current	4.8	929	687	920	(48)	292	7	173	60	2,315	705
Provisions	4.9	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	4.10	626	795	1	(1)	106	56	0	0	733	850
		14,371	18,462	3,227	2,636	755	387	328	204	18,681	21,689
Non-Current Liabilities											
Employee Benefits Non-Current	4.6	1,623	1,678	922	839	268	169	108	69	2,922	2,756
Other Non-Current Liabilities	4.10	0	0	0	0	0	0	0	0	0	0
		1,623	1,678	922	839	268	169	108	69	2,922	2,756
Total Liabilities		15,994	20,141	4,149	3,475	1,024	556	436	273	21,603	24,445
Net Assets		9,042	12,592	550	149	18	185	30	59	9,639	12,985
NET ASSETS											
Cash Surplus	5.1	223	929	552	920	192	292	125	173	1,093	2,315
Cash Surplus Withheld	5.2	26	51	1	2	0	0	0	0	28	53
Revolving Fund	5.3	2,710	2,710	0	0	0	0	0	0	2,710	2,710
Contingency Fund	5.3	2,180	2,180	0	0	0	0	0	0	2,180	2,180
Other Reserves	5.4	(1,431)	(1,326)	(1,152)	(978)	(187)	(137)	(91)	(61)	(2,861)	(2,502)
Accumulated Surplus/(Deficit)	5.5	5,334	8,048	1,148	205	12	29	(5)	(54)	6,489	8,228
Total Net Assets		9,042	12,592	550	149	18	185	30	59	9,639	12,985

A.2. Segment Reporting
Schedule of Financial Performance
Secretariat and Institutions

For the Year Ended 31 December 2021

EUR '000		The Secretariat		Office for Democratic Institutions and Human Rights		High Commissioner on National Minorities		Representative on Freedom of the Media		Total Institutions	
	Note	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)
REVENUE											
Assessed Contributions	6.1	38,212	38,212	16,160	16,160	3,504	3,504	1,609	1,609	59,485	59,485
Extra-Budgetary Contributions	6.2	0	0	(0)	0	0	0	0	0	(0)	0
Finance Revenue	6.3	74	176	1	1	0	0	0	0	75	177
Contributions In-Kind	6.4	9,398	9,388	2,301	2,218	465	470	333	418	12,498	12,495
Revenue from Exchange Transactions	6.5	(2)	5	12	0	0	1	0	0	11	6
Other Revenue	6.6	(638)	1,439	838	240	176	61	77	77	453	1,817
Total Revenue		47,045	49,220	19,312	18,619	4,145	4,036	2,019	2,104	72,521	73,980
EXPENSES											
Staff Costs	7.1	33,112	32,883	8,610	9,013	3,265	3,070	1,653	1,668	46,640	46,633
Consultancy and Subcontracting	7.2	1,290	1,470	5,188	4,706	160	158	53	27	6,692	6,361
Travel Expenses	7.3	733	444	676	552	166	40	56	6	1,631	1,041
Services and Office Costs	7.4	11,760	8,309	2,875	2,827	209	246	58	133	14,903	11,514
Consumables and Supplies	7.5	692	313	294	262	84	55	14	5	1,084	636
Depreciation and Amortisation	7.6	1,282	1,228	62	91	16	22	4	2	1,363	1,343
Equipment Expenses	7.7	614	(1,663)	73	426	66	62	5	107	759	(1,068)
Other Operating Expenses	7.8	349	450	31	83	4	3	2	0	385	536
Total Expenses		49,833	43,435	17,810	17,959	3,970	3,655	1,844	1,948	73,457	66,997
Foreign Exchange Gains/(Losses)	8	298	(1,144)	(7)	(14)	(0)	(0)	0	(0)	291	(1,158)
Surplus/(Deficit) for the Period	9.1	(2,490)	4,642	1,495	646	176	381	174	156	(646)	5,824

B.1. Segment Reporting
Schedule of Financial Position
Field Operations by Region

As at 31 December 2021

EUR '000		Augmentations		South-Eastern Europe		Eastern Europe		Caucasus		Central Asia		Total Regions		Closed Funds		Total Field Operations	
	Note	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
		(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)			(Restated)	(Restated)
ASSETS																	
Current Assets																	
Cash and Cash Equivalents	3.1	0	0	524	718	337	585	45	98	760	739	1,666	2,141	0	0	1,666	2,141
Investments	3.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contributions Receivable	3.3	0	13	6	208	1	26	0	10	2	91	9	349	0	0	9	349
Accounts Receivable	3.4	0	0	340	297	154	163	0	0	582	278	1,077	738	0	0	1,077	738
Prepayments	3.5	0	0	851	807	73	182	8	4	1,068	1,004	2,000	1,996	0	0	2,000	1,996
Inventory	3.6	0	0	47	168	0	9	0	0	43	169	91	347	0	0	91	347
Inter-Fund Balances		1,006	(19)	5,133	5,122	237	90	1,423	1,075	3,464	3,938	11,264	10,205	211	351	11,475	10,556
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		1,007	(6)	6,902	7,320	802	1,055	1,476	1,187	5,920	6,219	16,107	15,775	211	351	16,318	16,126
Non-Current Assets																	
Property, Plant and Equipment	3.8	0	0	2,486	2,140	213	302	214	130	844	653	3,757	3,224	0	0	3,757	3,224
Intangible Assets	3.9	0	0	39	19	5	15	0	0	3	5	47	39	0	0	47	39
Other Non-Current Assets	3.7	0	0	0	17	0	2	0	0	0	4	0	23	0	0	0	23
		0	0	2,525	2,176	217	318	214	130	847	662	3,804	3,286	0	0	3,804	3,286
Total Assets		1,007	(6)	9,427	9,496	1,019	1,373	1,691	1,318	6,767	6,881	19,911	19,061	211	351	20,122	19,413
LIABILITIES																	
Current Liabilities																	
Accounts Payable	4.1	0	0	368	364	36	169	16	15	175	94	594	642	(0)	(0)	594	642
Accruals	4.2	43	31	1,937	1,797	70	171	37	24	1,767	2,164	3,854	4,187	0	0	3,854	4,187
Deferred Revenue	4.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Conditional ExB Contributions	4.4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Funds Held for Third Parties	4.5	0	0	24	33	0	0	0	0	0	0	24	34	0	0	24	34
Employee Benefits Current	4.6	177	207	2,655	3,144	233	231	39	41	607	559	3,710	4,183	0	0	3,710	4,183
Cash Surplus Current	4.8	5	54	372	1,024	263	50	380	700	598	(4)	1,618	1,824	107	249	1,725	2,074
Provisions	4.9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	4.10	0	0	70	68	4	0	0	0	5	108	78	176	0	0	78	176
		225	292	5,425	6,432	606	621	471	781	3,152	2,921	9,879	11,047	107	249	9,986	11,297
Non-Current Liabilities																	
Employee Benefits Non-Current	4.6	69	170	70	67	6	6	2	2	31	27	178	271	0	0	178	271
Other Non-Current Liabilities	4.10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		69	170	70	67	6	6	2	2	31	27	178	271	0	0	178	271
Total Liabilities		294	462	5,495	6,499	611	627	474	783	3,183	2,948	10,057	11,318	107	249	10,164	11,568
Net Assets		713	(468)	3,931	2,997	408	746	1,217	535	3,584	3,933	9,854	7,743	104	102	9,958	7,845
NET ASSETS																	
Cash Surplus	5.1	983	5	613	372	58	263	834	380	201	598	2,690	1,618	44	107	2,734	1,725
Cash Surplus Withheld	5.2	0	0	7	6	0	0	1	1	1	2	9	9	4	5	13	14
Revolving Fund	5.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contingency Fund	5.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserves	5.4	355	276	337	332	1	1	(5)	(5)	(135)	(127)	553	477	(8)	(8)	546	469
Accumulated Surplus/(Deficit)	5.5	(626)	(748)	2,974	2,287	349	481	387	158	3,517	3,461	6,601	5,639	64	(2)	6,665	5,637
Total Net Assets		713	(468)	3,931	2,997	408	746	1,217	535	3,584	3,933	9,854	7,743	104	102	9,958	7,845

B.2. Segment Reporting
Schedule of Financial Performance
Field Operations by Region

For the Year Ended 31 December 2021

EUR '000	Note	Augmentations		South-Eastern Europe		Eastern Europe		Caucasus		Central Asia		Total Regions		Closed Funds		Total Field Operations	
		2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020	2021	2020 (Restated)
REVENUE																	
Assessed Contributions	6.1	2,896	2,896	47,043	47,043	5,927	5,927	2,339	2,339	20,516	20,516	78,720	78,720	0	0	78,720	78,720
Extra-Budgetary Contributions	6.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Finance Revenue	6.3	0	0	0	0	1	1	0	0	0	0	1	1	0	0	1	1
Contributions In-Kind	6.4	0	0	11,083	10,305	971	886	912	772	2,951	2,504	15,918	14,467	0	0	15,918	14,467
Revenue from Exchange Transactions	6.5	0	0	252	35	(14)	4	0	3	(4)	36	234	78	0	0	234	78
Other Revenue	6.6	41	(41)	529	92	53	41	26	(17)	204	156	853	230	110	98	963	328
Total Revenue		2,937	2,855	58,906	57,474	6,938	6,858	3,277	3,097	23,667	23,212	95,725	93,496	110	98	95,835	93,594
EXPENSES																	
Staff Costs	7.1	1,672	2,719	43,385	44,169	3,640	3,606	1,539	1,532	10,285	9,696	60,520	61,722	0	0	60,520	61,722
Consultancy and Subcontracting	7.2	136	106	3,023	2,844	935	801	0	0	3,974	3,313	8,068	7,065	0	0	8,068	7,065
Travel Expenses	7.3	7	0	936	443	433	296	268	196	1,626	565	3,270	1,501	0	0	3,270	1,501
Services and Office Costs	7.4	16	8	6,145	5,445	1,290	1,159	268	480	3,509	3,415	11,228	10,507	0	0	11,228	10,507
Consumables and Supplies	7.5	0	0	1,343	1,331	261	215	42	32	985	1,179	2,631	2,756	0	0	2,631	2,756
Depreciation and Amortisation	7.6	0	0	1,011	980	126	144	63	57	312	299	1,512	1,480	0	0	1,512	1,480
Equipment Expenses	7.7	0	0	1,684	1,163	254	220	14	409	2,585	2,278	4,537	4,070	0	0	4,537	4,070
Other Operating Expenses	7.8	0	0	99	80	21	33	18	20	94	73	232	206	0	0	232	206
Total Expenses		1,832	2,833	57,626	56,456	6,960	6,474	2,211	2,726	23,369	20,818	91,998	89,306	0	0	91,998	89,306
Foreign Exchange Gains/(Losses)	8	0	0	20	2	(52)	20	(2)	(1)	(41)	(20)	(75)	0	0	0	(75)	0
Surplus/(Deficit) for the Period	9.1	1,105	22	1,300	1,020	(73)	404	1,063	369	257	2,374	3,652	4,190	110	98	3,762	4,288

C.1. Segment Reporting
Schedule of Financial Position
South-Eastern Europe

As at 31 December 2021

EUR '000	Note	Mission in Kosovo		Mission to Bosnia and Herzegovina		Mission to Serbia		Presence in Albania		Mission to Skopje		Mission to Montenegro		Total South-Eastern Europe	
		2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)
ASSETS															
Current Assets															
Cash and Cash Equivalents	3.1	75	132	159	59	110	169	114	135	149	189	(83)	35	524	718
Investments	3.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contributions Receivable	3.3	2	77	1	52	1	28	0	13	1	29	0	10	6	208
Accounts Receivable	3.4	0	0	105	90	0	0	59	47	176	161	0	(2)	340	297
Prepayments	3.5	276	150	138	135	273	326	34	77	100	88	30	31	851	807
Inventory	3.6	0	0	6	38	2	13	0	10	19	97	20	9	47	168
Inter-Fund Balances		1,726	1,929	722	682	557	760	387	329	1,020	645	720	776	5,133	5,122
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		2,079	2,288	1,132	1,055	944	1,296	595	612	1,465	1,208	687	860	6,902	7,320
Non-Current Assets															
Property, Plant and Equipment	3.8	1,097	1,092	579	444	216	150	74	99	477	337	42	18	2,486	2,140
Intangible Assets	3.9	29	7	7	11	1	0	2	0	0	0	0	0	39	19
Other Non-Current Assets	3.7	0	7	0	5	0	2	0	0	0	2	0	1	0	17
		1,126	1,107	587	460	217	152	76	100	477	339	42	19	2,525	2,176
Total Assets		3,206	3,395	1,719	1,515	1,161	1,448	671	711	1,942	1,548	729	879	9,427	9,496
LIABILITIES															
Current Liabilities															
Accounts Payable	4.1	154	149	35	27	51	16	95	65	63	98	(31)	8	368	364
Accruals	4.2	617	520	232	133	513	670	132	130	336	225	106	119	1,937	1,797
Deferred Revenue	4.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Conditional ExB Contributions	4.4	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Funds Held for Third Parties	4.5	0	0	5	10	2	2	0	0	17	22	0	0	24	33
Employee Benefits Current	4.6	1,063	1,364	779	862	333	369	137	138	281	345	62	66	2,655	3,144
Cash Surplus Current	4.8	(13)	276	(12)	124	9	99	92	105	191	103	106	318	372	1,024
Provisions	4.9	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	4.10	49	44	13	22	2	0	(0)	(0)	5	1	2	2	70	68
		1,870	2,353	1,053	1,178	909	1,155	457	438	892	794	245	514	5,425	6,432
Non-Current Liabilities															
Employee Benefits Non-Current	4.6	28	25	15	13	6	6	7	7	12	13	2	3	70	67
Other Non-Current Liabilities	4.10	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		28	25	15	13	6	6	7	7	12	13	2	3	70	67
Total Liabilities		1,898	2,379	1,068	1,190	915	1,161	464	445	904	806	247	517	5,495	6,499
Net Assets		1,308	1,016	651	324	246	287	207	266	1,037	741	482	362	3,931	2,997
NET ASSETS															
Cash Surplus	5.1	75	(13)	159	(12)	15	9	65	92	132	191	167	106	613	372
Cash Surplus Withheld	5.2	3	5	1	2	2	1	1	1	1	(1)	0	0	7	6
Revolving Fund	5.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contingency Fund	5.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserves	5.4	255	250	28	28	30	29	14	12	9	14	1	0	337	332
Accumulated Surplus/(Deficit)	5.5	975	775	463	307	200	249	128	161	894	539	314	256	2,974	2,287
Total Net Assets		1,308	1,016	651	324	246	287	207	266	1,037	741	482	362	3,931	2,997

C.2. Segment Reporting
Schedule of Financial Performance
South-Eastern Europe

For the Year Ended 31 December 2021

EUR '000	Note	Mission in Kosovo		Mission to Bosnia and Herzegovina		Mission to Serbia		Presence in Albania		Mission to Skopje		Mission to Montenegro		Total South-Eastern Europe	
		2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)
REVENUE															
Assessed Contributions	6.1	17,463	17,463	11,682	11,682	6,259	6,259	2,981	2,981	6,506	6,506	2,152	2,152	47,043	47,043
Extra-Budgetary Contributions	6.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Finance Revenue	6.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contributions In-Kind	6.4	4,655	4,502	1,837	1,453	1,300	1,159	1,072	992	1,871	1,779	348	421	11,083	10,305
Revenue from Exchange Transactions	6.5	75	1	49	1	34	1	5	0	90	34	0	0	252	35
Other Revenue	6.6	139	24	151	14	84	(6)	47	43	89	18	20	(1)	529	92
Total Revenue		22,331	21,990	13,718	13,149	7,676	7,412	4,105	4,016	8,557	8,336	2,520	2,571	58,906	57,474
EXPENSES															
Staff Costs	7.1	17,375	17,798	10,556	10,557	5,289	5,278	3,061	2,965	5,877	6,128	1,227	1,442	43,385	44,169
Consultancy and Subcontracting	7.2	795	877	590	555	633	588	170	182	438	482	396	160	3,023	2,844
Travel Expenses	7.3	248	198	156	89	256	50	86	68	144	27	46	12	936	443
Services and Office Costs	7.4	2,059	1,772	1,303	1,223	1,040	929	461	437	1,003	778	278	305	6,145	5,445
Consumables and Supplies	7.5	493	509	293	236	140	158	121	99	228	290	66	38	1,343	1,331
Depreciation and Amortisation	7.6	499	508	211	185	81	64	46	53	154	150	20	21	1,011	980
Equipment Expenses	7.7	572	370	268	232	234	77	135	83	222	128	253	272	1,684	1,163
Other Operating Expenses	7.8	15	5	24	9	29	35	12	9	11	11	7	11	99	80
Total Expenses		22,056	22,037	13,402	13,086	7,703	7,179	4,091	3,896	8,079	7,995	2,294	2,262	57,626	56,456
Foreign Exchange Gains/(Losses)	8	(0)	(0)	0	(0)	(8)	(5)	18	8	10	(1)	(0)	0	20	2
Surplus/(Deficit) for the Period	9.1	275	(48)	316	63	(35)	227	31	127	488	339	225	310	1,300	1,020

D.1. Segment Reporting
Schedule of Financial Position
Eastern Europe

As at 31 December 2021

EUR '000		Mission to Moldova		Project Co-ordinator in Ukraine		Representative on the Latvian-Russian Joint Commission on Military Pensioners		Total Eastern Europe	
	Note	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020	2021	2020 (Restated)
ASSETS									
Current Assets									
Cash and Cash Equivalents	3.1	45	42	292	543	0	0	337	585
Investments	3.2	0	0	0	0	0	0	0	0
Contributions Receivable	3.3	0	10	0	16	0	0	1	26
Accounts Receivable	3.4	7	19	147	143	0	0	154	163
Prepayments	3.5	28	42	45	140	0	0	73	182
Inventory	3.6	0	1	0	8	0	0	0	9
Inter-Fund Balances		334	365	(104)	(280)	7	4	237	90
Other Current Assets	3.7	0	0	0	0	0	0	0	0
		415	480	381	571	7	4	802	1,055
Non-Current Assets									
Property, Plant and Equipment	3.8	146	215	67	87	0	0	213	302
Intangible Assets	3.9	3	0	2	15	0	0	5	15
Other Non-Current Assets	3.7	0	1	0	1	0	0	0	2
		149	215	68	103	0	0	217	318
Total Assets		564	695	449	673	7	4	1,019	1,373
LIABILITIES									
Current Liabilities									
Accounts Payable	4.1	(10)	137	46	32	0	0	36	169
Accruals	4.2	30	37	39	134	0	0	70	171
Deferred Revenue	4.3	0	0	0	0	0	0	0	0
Conditional ExB Contributions	4.4	0	0	0	0	0	0	0	0
Funds Held for Third Parties	4.5	0	0	0	0	0	0	0	0
Employee Benefits Current	4.6	51	64	181	167	0	0	233	231
Cash Surplus Current	4.8	73	(4)	187	53	4	1	263	50
Provisions	4.9	0	0	0	0	0	0	0	0
Other Current Liabilities	4.10	1	0	3	0	0	0	4	0
		146	233	456	387	4	1	606	621
Non-Current Liabilities									
Employee Benefits Non-Current	4.6	5	5	1	1	0	0	6	6
Other Non-Current Liabilities	4.10	0	0	0	0	0	0	0	0
		5	5	1	1	0	0	6	6
Total Liabilities		151	239	457	388	4	1	611	627
Net Assets		413	456	(8)	286	4	4	408	746
NET ASSETS									
Cash Surplus	5.1	39	73	16	187	3	4	58	263
Cash Surplus Withheld	5.2	0	0	0	0	0	0	0	0
Revolving Fund	5.3	0	0	0	0	0	0	0	0
Contingency Fund	5.3	0	0	0	0	0	0	0	0
Other Reserves	5.4	(7)	(6)	7	7	0	0	1	1
Accumulated Surplus/(Deficit)	5.5	380	389	(31)	92	0	0	349	481
Total Net Assets		413	456	(8)	286	4	4	408	746

D.2. Segment Reporting
Schedule of Financial Performance
Eastern Europe

For the Year Ended 31 December 2021

EUR '000		Mission to Moldova		Project Co-ordinator in Ukraine		Representative on the Latvian-Russian Joint Commission on Military Pensioners		Total Eastern Europe	
	Note	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020	2021	2020 (Restated)
REVENUE									
Assessed Contributions	6.1	2,303	2,303	3,619	3,619	6	6	5,927	5,927
Extra-Budgetary Contributions	6.2	0	0	0	0	0	0	0	0
Finance Revenue	6.3	0	0	1	1	0	0	1	1
Contributions In-Kind	6.4	724	701	189	185	59	0	971	886
Revenue from Exchange Transactions	6.5	0	0	(14)	4	0	0	(14)	4
Other Revenue	6.6	24	33	30	8	0	(0)	53	41
Total Revenue		3,050	3,037	3,823	3,816	65	5	6,938	6,858
EXPENSES									
Staff Costs	7.1	1,854	1,851	1,727	1,755	59	0	3,640	3,606
Consultancy and Subcontracting	7.2	315	235	620	566	0	0	935	801
Travel Expenses	7.3	46	19	385	276	2	1	433	296
Services and Office Costs	7.4	418	406	872	753	0	0	1,290	1,159
Consumables and Supplies	7.5	165	127	96	87	0	0	261	215
Depreciation and Amortisation	7.6	85	100	40	44	0	0	126	144
Equipment Expenses	7.7	126	94	128	125	0	1	254	220
Other Operating Expenses	7.8	13	13	8	20	0	0	21	33
Total Expenses		3,021	2,844	3,877	3,628	61	2	6,960	6,474
Foreign Exchange Gains/(Losses)	8	2	(5)	(54)	25	0	0	(52)	20
Surplus/(Deficit) for the Period	9.1	30	187	(107)	214	3	4	(73)	404

E.1. Segment Reporting
Schedule of Financial Position
Caucasus

As at 31 December 2021

EUR '000		High-Level Planning Group		The Minsk Process		Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference		Total Caucasus	
	Note	2021	2020 (Restated)	2021	2020	2021	2020 (Restated)	2021	2020 (Restated)
ASSETS									
Current Assets									
Cash and Cash Equivalents	3.1	0	0	0	0	45	98	45	98
Investments	3.2	0	0	0	0	0	0	0	0
Contributions Receivable	3.3	0	1	0	4	0	5	0	10
Accounts Receivable	3.4	0	0	0	0	0	0	0	0
Prepayments	3.5	1	1	0	0	7	3	8	4
Inventory	3.6	0	0	0	0	0	0	0	0
Inter-Fund Balances		170	154	746	494	508	427	1,423	1,075
Other Current Assets	3.7	0	0	0	0	0	0	0	0
		171	156	746	499	560	533	1,476	1,187
Non-Current Assets									
Property, Plant and Equipment	3.8	2	2	0	0	213	128	214	130
Intangible Assets	3.9	0	0	0	0	0	0	0	0
Other Non-Current Assets	3.7	0	0	0	0	0	0	0	0
		2	2	0	0	213	128	214	130
Total Assets		173	158	746	499	772	661	1,691	1,318
LIABILITIES									
Current Liabilities									
Accounts Payable	4.1	1	0	0	0	15	15	16	15
Accruals	4.2	1	1	22	2	14	21	37	24
Deferred Revenue	4.3	0	0	0	0	0	0	0	0
Conditional ExB Contributions	4.4	0	0	0	0	0	0	0	0
Funds Held for Third Parties	4.5	0	0	0	0	0	0	0	0
Employee Benefits Current	4.6	11	14	0	0	28	27	39	41
Cash Surplus Current	4.8	67	51	188	469	125	180	380	700
Provisions	4.9	0	0	0	0	0	0	0	0
Other Current Liabilities	4.10	0	0	0	0	0	0	0	0
		80	66	210	472	182	243	471	781
Non-Current Liabilities									
Employee Benefits Non-Current	4.6	0	0	0	0	2	2	2	2
Other Non-Current Liabilities	4.10	0	0	0	0	0	0	0	0
		0	0	0	0	2	2	2	2
Total Liabilities		80	66	210	472	184	245	474	783
Net Assets		93	92	535	27	588	416	1,217	535
NET ASSETS									
Cash Surplus	5.1	63	67	586	188	186	125	834	380
Cash Surplus Withheld	5.2	0	0	1	1	0	0	1	1
Revolving Fund	5.3	0	0	0	0	0	0	0	0
Contingency Fund	5.3	0	0	0	0	0	0	0	0
Other Reserves	5.4	0	0	0	0	(5)	(5)	(5)	(5)
Accumulated Surplus/(Deficit)	5.5	30	26	(51)	(163)	407	295	387	158
Total Net Assets		93	92	535	27	588	416	1,217	535

E.2. Segment Reporting
Schedule of Financial Performance
Caucasus

For the Year Ended 31 December 2021

EUR '000	Note	High-Level Planning Group		The Minsk Process		Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference		Total Caucasus	
		2021 <i>(Restated)</i>	2020 <i>(Restated)</i>	2021	2020	2021 <i>(Restated)</i>	2020 <i>(Restated)</i>	2021 <i>(Restated)</i>	2020 <i>(Restated)</i>
REVENUE									
Assessed Contributions	6.1	248	248	911	911	1,180	1,180	2,339	2,339
Extra-Budgetary Contributions	6.2	0	0	0	0	0	0	0	0
Finance Revenue	6.3	0	0	0	0	0	0	0	0
Contributions In-Kind	6.4	487	490	0	0	425	282	912	772
Revenue from Exchange Transactions	6.5	0	0	0	0	0	3	0	3
Other Revenue	6.6	2	(0)	10	(3)	14	(14)	26	(17)
Total Revenue		737	737	921	908	1,619	1,451	3,277	3,097
EXPENSES									
Staff Costs	7.1	574	585	0	0	964	946	1,539	1,532
Consultancy and Subcontracting	7.2	0	0	0	0	0	0	0	0
Travel Expenses	7.3	17	3	208	218	42	(26)	268	196
Services and Office Costs	7.4	75	76	2	135	191	269	268	480
Consumables and Supplies	7.5	2	1	0	0	39	31	42	32
Depreciation and Amortisation	7.6	1	1	0	0	63	57	63	57
Equipment Expenses	7.7	1	10	0	350	13	49	14	409
Other Operating Expenses	7.8	0	0	12	13	5	7	18	20
Total Expenses		670	676	223	717	1,318	1,333	2,211	2,726
Foreign Exchange Gains/(Losses)	8	0	0	0	0	(2)	(1)	(2)	(1)
Surplus/(Deficit) for the Period	9.1	68	61	697	191	298	116	1,063	369

F.1. Segment Reporting
Schedule of Financial Position
Central Asia

As at 31 December 2021

EUR '000		Programme Office in Nur-Sultan		Centre in Ashgabat		Programme Office in Bishkek		Project Co-ordinator in Uzbekistan		Programme Office in Dushanbe		Total Central Asia	
	Note	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)
ASSETS													
Current Assets													
Cash and Cash Equivalents	3.1	138	225	232	125	34	46	240	252	116	91	760	739
Investments	3.2	0	0	0	0	0	0	0	0	0	0	0	0
Contributions Receivable	3.3	0	10	0	7	1	30	0	11	1	32	2	91
Accounts Receivable	3.4	0	0	0	0	113	47	105	44	363	188	582	278
Prepayments	3.5	20	17	20	15	666	701	206	122	155	149	1,068	1,004
Inventory	3.6	0	4	0	0	30	72	0	52	13	42	43	169
Inter-Fund Balances		580	369	271	271	655	1,240	254	387	1,704	1,671	3,464	3,938
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0
		739	624	524	419	1,499	2,136	806	867	2,353	2,173	5,920	6,219
Non-Current Assets													
Property, Plant and Equipment	3.8	167	99	24	37	129	147	247	143	276	227	844	653
Intangible Assets	3.9	0	0	0	0	0	0	0	0	3	5	3	5
Other Non-Current Assets	3.7	0	0	0	0	0	1	0	0	0	2	0	4
		167	99	24	38	129	148	247	144	279	233	847	662
Total Assets		906	724	548	456	1,628	2,284	1,053	1,011	2,632	2,406	6,767	6,881
LIABILITIES													
Current Liabilities													
Accounts Payable	4.1	24	3	8	0	15	32	3	(3)	125	62	175	94
Accruals	4.2	135	158	96	227	717	830	336	415	484	535	1,767	2,164
Deferred Revenue	4.3	0	0	0	0	0	0	0	0	0	0	0	0
Conditional ExB Contributions	4.4	0	0	0	0	0	0	0	0	0	0	0	0
Funds Held for Third Parties	4.5	0	0	0	0	0	0	0	0	0	0	0	0
Employee Benefits Current	4.6	89	56	53	57	164	132	63	60	238	255	607	559
Cash Surplus Current	4.8	204	80	32	19	(25)	65	165	(158)	222	(11)	598	(4)
Provisions	4.9	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	4.10	0	2	1	99	0	1	2	1	2	4	5	108
		452	299	190	402	871	1,061	567	315	1,072	845	3,152	2,921
Non-Current Liabilities													
Employee Benefits Non-Current	4.6	4	3	5	3	7	6	3	1	13	14	31	27
Other Non-Current Liabilities	4.10	0	0	0	0	0	0	0	0	0	0	0	0
		4	3	5	3	7	6	3	1	13	14	31	27
Total Liabilities		456	302	195	405	877	1,066	570	316	1,085	859	3,183	2,948
Net Assets		450	422	353	51	751	1,218	483	695	1,547	1,548	3,584	3,933
NET ASSETS													
Cash Surplus	5.1	67	204	15	32	(9)	(25)	39	165	88	222	201	598
Cash Surplus Withheld	5.2	0	0	0	0	0	0	0	0	0	1	1	2
Revolving Fund	5.3	0	0	0	0	0	0	0	0	0	0	0	0
Contingency Fund	5.3	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserves	5.4	(17)	(15)	(7)	(3)	(56)	(56)	(10)	(8)	(44)	(45)	(135)	(127)
Accumulated Surplus/(Deficit)	5.5	400	233	345	23	816	1,298	454	538	1,503	1,369	3,517	3,461
Total Net Assets		450	422	353	51	751	1,218	483	695	1,547	1,548	3,584	3,933

F.2. Segment Reporting
Schedule of Financial Performance
Central Asia

For the Year Ended 31 December 2021

EUR '000		Programme Office in Nur-Sultan		Centre in Ashgabat		Programme Office in Bishkek		Project Co-ordinator in Uzbekistan		Programme Office in Dushanbe		Total Central Asia	
	Note	2021 (Restated)	2020 (Restated)	2021 (Restated)	2020 (Restated)	2021 (Restated)	2020 (Restated)	2021 (Restated)	2020 (Restated)	2021 (Restated)	2020 (Restated)	2021 (Restated)	2020 (Restated)
REVENUE													
Assessed Contributions	6.1	2,233	2,233	1,661	1,661	6,811	6,811	2,499	2,499	7,312	7,312	20,516	20,516
Extra-Budgetary Contributions	6.2	0	0	0	0	0	0	0	0	0	0	0	0
Finance Revenue	6.3	0	0	0	0	0	0	0	0	0	0	0	0
Contributions In-Kind	6.4	420	375	322	247	861	745	283	204	1,066	933	2,951	2,504
Revenue from Exchange Transactions	6.5	18	9	0	33	(5)	(6)	(17)	0	0	0	(4)	36
Other Revenue	6.6	23	1	16	1	63	(6)	22	148	79	11	204	156
Total Revenue		2,694	2,618	2,000	1,942	7,731	7,544	2,786	2,851	8,456	8,256	23,667	23,212
EXPENSES													
Staff Costs	7.1	1,198	1,149	1,114	1,034	3,062	2,782	1,043	917	3,868	3,815	10,285	9,696
Consultancy and Subcontracting	7.2	452	196	270	193	1,607	1,669	617	542	1,028	714	3,974	3,313
Travel Expenses	7.3	233	14	22	49	673	172	171	100	527	230	1,626	565
Services and Office Costs	7.4	377	337	128	442	1,460	1,118	472	425	1,073	1,093	3,509	3,415
Consumables and Supplies	7.5	48	32	46	46	274	500	84	151	533	450	985	1,179
Depreciation and Amortisation	7.6	49	29	22	23	54	48	52	48	135	152	312	299
Equipment Expenses	7.7	81	512	57	128	1,046	599	375	128	1,027	912	2,585	2,278
Other Operating Expenses	7.8	14	7	8	10	8	8	25	27	40	21	94	73
Total Expenses		2,450	2,275	1,665	1,925	8,184	6,895	2,838	2,337	8,231	7,386	23,369	20,818
Foreign Exchange Gains/(Losses)	8	(9)	(6)	3	(6)	(38)	(56)	7	(19)	(3)	66	(41)	(20)
Surplus/(Deficit) for the Period	9.1	234	337	337	11	(492)	594	(45)	496	222	936	257	2,374

G.1. Segment Reporting
Schedule of Financial Position
Special Purpose Funds

As at 31 December 2021

EUR '000		Information Security Enhancement		IT Infrastructure Upgrade Fund		Special Monitoring Mission to Ukraine		Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border		Total Special Purpose Funds	
	Note	2021	2020	2021	2020	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)
ASSETS											
Current Assets											
Cash and Cash Equivalents	3.1	0	0	0	0	994	764	0	74	994	838
Investments	3.2	0	0	0	0	0	0	0	0	0	0
Contributions Receivable	3.3	0	0	0	0	11,365	4,621	0	0	11,365	4,621
Accounts Receivable	3.4	0	0	0	0	476	409	0	0	476	409
Prepayments	3.5	45	83	13	369	865	572	2	7	925	1,031
Inventory	3.6	0	0	0	0	1,136	1,077	0	0	1,136	1,077
Inter-Fund Balances		1	200	1,205	1,200	12,162	13,663	196	247	13,565	15,311
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0
		46	283	1,219	1,569	26,998	21,106	198	328	28,461	23,287
Non-Current Assets											
Property, Plant and Equipment	3.8	36	52	42	74	7,323	7,705	58	143	7,458	7,974
Intangible Assets	3.9	27	30	33	44	89	150	0	0	149	224
Other Non-Current Assets	3.7	0	0	0	0	0	8	0	0	0	9
		63	82	75	118	7,412	7,864	58	143	7,608	8,206
Total Assets		109	365	1,293	1,687	34,410	28,970	256	471	36,069	31,493
LIABILITIES											
Current Liabilities											
Accounts Payable	4.1	0	0	4	0	479	216	0	1	483	217
Accruals	4.2	0	0	31	116	2,712	654	2	1	2,745	771
Deferred Revenue	4.3	0	0	0	0	4,350	3,458	0	0	4,350	3,458
Conditional ExB Contributions	4.4	0	0	0	0	0	0	0	0	0	0
Funds Held for Third Parties	4.5	0	0	0	0	0	0	0	0	0	0
Employee Benefits Current	4.6	0	0	6	0	1,024	1,084	0	9	1,030	1,093
Cash Surplus Current	4.8	0	0	0	0	0	0	0	0	0	0
Provisions	4.9	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	4.10	0	0	0	0	20	8	0	(2)	20	6
		0	0	42	116	8,586	5,420	2	9	8,629	5,545
Non-Current Liabilities											
Employee Benefits Non-Current	4.6	0	0	0	0	265	289	0	8	265	297
Other Non-Current Liabilities	4.10	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	265	289	0	8	265	297
Total Liabilities		0	0	42	116	8,851	5,709	2	17	8,894	5,842
Net Assets		109	365	1,252	1,571	25,559	23,261	254	453	27,175	25,650
NET ASSETS											
Cash Surplus	5.1	0	0	0	0	0	0	0	0	0	0
Cash Surplus Withheld	5.2	0	0	0	0	0	0	0	0	0	0
Revolving Fund	5.3	0	0	0	0	0	0	0	0	0	0
Contingency Fund	5.3	0	0	0	0	0	0	0	0	0	0
Other Reserves	5.4	0	0	0	0	126	81	(1)	(3)	125	78
Accumulated Surplus/(Deficit)	5.5	109	365	1,252	1,571	25,433	23,180	255	457	27,049	25,572
Total Net Assets		109	365	1,252	1,571	25,559	23,261	254	453	27,175	25,650

G.2. Segment Reporting
Schedule of Financial Performance
Special Purpose Funds

For the Year Ended 31 December 2021

EUR '000		Information Security Enhancement		IT Infrastructure Upgrade Fund		Special Monitoring Mission to Ukraine		Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border		Total Special Purpose Funds	
	Note	2021	2020	2021	2020	2021 (Restated)	2020 (Restated)	2021 (Restated)	2020 (Restated)	2021 (Restated)	2020 (Restated)
REVENUE											
Assessed Contributions	6.1	0	0	0	0	91,366	89,014	0	0	91,366	89,014
Extra-Budgetary Contributions	6.2	0	0	0	0	0	0	0	0	0	0
Finance Revenue	6.3	0	0	0	0	0	0	0	0	0	0
Contributions In-Kind	6.4	0	0	0	0	45,962	43,737	959	1,170	46,921	44,907
Revenue from Exchange Transactions	6.5	0	0	(1)	0	52	6	(1)	0	50	6
Other Revenue	6.6	0	(15)	483	(4)	457	1,899	915	1,404	1,854	3,284
Total Revenue		0	(15)	481	(4)	137,836	134,656	1,873	2,574	140,191	137,211
EXPENSES											
Staff Costs	7.1	52	45	41	62	98,399	92,151	1,973	2,434	100,465	94,692
Consultancy and Subcontracting	7.2	143	0	7	147	7,267	6,396	0	0	7,417	6,544
Travel Expenses	7.3	0	0	45	5	5,017	4,585	10	9	5,071	4,599
Services and Office Costs	7.4	38	86	30	466	8,480	7,684	39	42	8,587	8,279
Consumables and Supplies	7.5	0	50	631	853	2,311	2,144	16	10	2,957	3,059
Depreciation and Amortisation	7.6	23	14	42	38	2,958	3,874	32	22	3,055	3,947
Equipment Expenses	7.7	0	0	5	18	651	645	0	(0)	656	663
Other Operating Expenses	7.8	0	0	0	0	3,501	9,534	4	5	3,505	9,539
Total Expenses		255	195	800	1,591	128,584	127,014	2,074	2,522	131,714	131,322
Foreign Exchange Gains/(Losses)	8	0	0	0	0	(158)	(48)	0	(5)	(157)	(54)
Surplus/(Deficit) for the Period	9.1	(255)	(211)	(319)	(1,595)	9,095	7,594	(201)	47	8,319	5,836

H.1. Segment Reporting
Schedule of Financial Position
Extra-Budgetary Funds

As at 31 December 2021

EUR '000		Fund to Support OSCE Action for Peace, Democracy and Stability in Bosnia and Herzegovina		Fund for Activities Related to Economic and Environmental Aspect of Security		Funds for Activities Related to Special Monitoring Mission to Ukraine		Other PC Established Funds		Other Activities and Special Projects		Indirect Common Costs Fund		Total Extra-Budgetary Funds	
	Note	2021	2020 (Restated)	2021	2020	2021	2020	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)
ASSETS															
Current Assets															
Cash and Cash Equivalents	3.1	0	0	0	0	0	0	3,524	1,674	14,450	29,291	0	0	17,974	30,965
Investments	3.2	0	0	0	0	0	0	18,809	13,685	0	20,000	0	0	18,809	33,685
Contributions Receivable	3.3	955	287	449	279	117	17	119	119	16,093	12,864	0	0	17,732	13,566
Accounts Receivable	3.4	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prepayments	3.5	0	0	0	0	0	0	0	0	34	32	0	0	34	33
Inventory	3.6	3	196	0	0	0	0	0	0	380	418	0	0	382	613
Inter-Fund Balances		3,811	689	3,633	1,577	11,620	5,353	(13,491)	(7,572)	42,391	11,762	2,542	1,565	50,506	13,374
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		4,769	1,172	4,082	1,856	11,737	5,370	8,961	7,906	73,347	74,367	2,542	1,565	105,438	92,237
Non-Current Assets															
Property, Plant and Equipment	3.8	6	183	9	17	1,492	1,246	0	0	223	263	0	0	1,730	1,709
Intangible Assets	3.9	0	45	0	0	5	17	0	0	688	252	0	0	693	313
Other Non-Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		6	228	9	17	1,497	1,262	0	0	911	514	0	0	2,423	2,022
Total Assets		4,776	1,401	4,090	1,873	13,234	6,632	8,961	7,906	74,258	74,882	2,542	1,565	107,861	94,259
LIABILITIES															
Current Liabilities															
Accounts Payable	4.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accruals	4.2	107	12	569	94	504	18	37	0	1,752	1,146	16	0	2,987	1,270
Deferred Revenue	4.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Conditional ExB Contributions	4.4	5,063	1,362	3,211	1,475	11,254	4,377	7,688	441	66,779	67,888	0	0	93,995	75,543
Funds Held for Third Parties	4.5	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Employee Benefits Current	4.6	27	16	2	7	0	0	5	6	396	308	29	21	460	358
Cash Surplus Current	4.8	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Provisions	4.9	241	152	981	481	381	917	187	7,372	5,298	5,382	0	0	7,089	14,304
Other Current Liabilities	4.10	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		5,438	1,543	4,764	2,056	12,139	5,312	7,918	7,818	74,226	74,725	45	21	104,530	91,475
Non-Current Liabilities															
Employee Benefits Non-Current	4.6	2	1	0	1	0	0	0	0	170	106	6	3	178	110
Other Non-Current Liabilities	4.10	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		2	1	0	1	0	0	0	0	170	106	6	3	178	110
Total Liabilities		5,440	1,544	4,764	2,057	12,139	5,312	7,918	7,818	74,396	74,831	51	24	104,708	91,586
Net Assets		(665)	(143)	(673)	(184)	1,095	1,320	1,043	88	(138)	51	2,491	1,541	3,153	2,673
NET ASSETS															
Cash Surplus	5.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Surplus Withheld	5.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revolving Fund	5.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contingency Fund	5.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserves	5.4	0	2	7	8	(5)	(4)	0	0	(332)	(248)	(5)	(3)	(334)	(247)
Accumulated Surplus/(Deficit)	5.5	(665)	(145)	(681)	(191)	1,100	1,325	1,043	88	194	299	2,496	1,545	3,487	2,920
Total Net Assets		(665)	(143)	(673)	(184)	1,095	1,320	1,043	88	(138)	51	2,491	1,541	3,153	2,673

H.2. Segment Reporting
Schedule of Financial Performance
Extra-Budgetary Funds

For the Year Ended 31 December 2021

EUR '000	Note	Fund to Support OSCE Action for Peace, Democracy and Stability in Bosnia and Herzegovina		Fund for Activities Related to Economic and Environmental Aspect of Security		Funds for Activities Related to Special Monitoring Mission to Ukraine		Other PC Established Funds		Other Activities and Special Projects		Indirect Common Costs Fund		Eliminations		Total Extra-Budgetary Funds	
		2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020 (Restated)	2021	2020	2021	2020 (Restated)
REVENUE																	
Assessed Contributions	6.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Extra-Budgetary Contributions	6.2	699	796	1,234	1,263	8,375	11,622	40	74	24,551	16,757	1,376	734	(1,376)	(734)	34,899	30,512
Finance Revenue	6.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contributions In-Kind	6.4	0	0	0	0	0	0	0	0	154	172	0	0	0	0	154	172
Revenue from Exchange Transactions	6.5	(186)	0	0	0	22	(10)	0	0	8	(35)	0	0	0	0	(156)	(46)
Other Revenue	6.6	0	0	0	0	(280)	18	0	0	0	(1)	72	65	0	0	(208)	82
Total Revenue		513	796	1,234	1,263	8,117	11,630	40	74	24,713	16,894	1,448	799	(1,376)	(734)	34,689	30,722
EXPENSES																	
Staff Costs	7.1	448	397	174	250	1,632	5,387	27	37	7,368	5,410	400	291	0	0	10,049	11,773
Consultancy and Subcontracting	7.2	205	177	1,441	875	2,168	3,034	37	5	9,186	7,129	22	7	0	0	13,058	11,225
Travel Expenses	7.3	16	6	41	39	94	0	6	5	1,664	797	0	(0)	0	0	1,821	847
Services and Office Costs	7.4	72	192	49	42	(33)	337	4	1	3,355	1,201	75	58	0	0	3,521	1,830
Consumables and Supplies	7.5	60	14	5	5	180	393	0	0	531	454	0	1	0	0	777	866
Depreciation and Amortisation	7.6	39	83	8	8	731	951	0	0	50	53	0	0	0	0	829	1,096
Equipment Expenses	7.7	263	71	1	1	(308)	30	0	0	1,269	426	0	0	0	0	1,225	527
Other Operating Expenses	7.8	0	0	1	1	3,862	2,315	7	0	1,599	772	0	10	(1,376)	(734)	4,093	2,363
Total Expenses		1,102	940	1,720	1,220	8,328	12,446	81	48	25,022	16,242	496	366	(1,376)	(734)	35,373	30,528
Foreign Exchange Gains/(Losses)	8	15	7	(4)	(3)	40	14	997	(478)	204	(203)	0	0	0	0	1,252	(664)
Surplus/(Deficit) for the Period	9.1	(574)	(137)	(490)	40	(171)	(802)	955	(453)	(105)	449	951	433	0	0	567	(470)

J Segment Reporting
Special Monitoring Mission to Ukraine

The Permanent Council approved the mandates of the Special Monitoring Mission to Ukraine as described in Note 8.2.2 and elsewhere. It approved a single budget for each mandate, with funding split between assessed and voluntary contributions. The assessed portion is shown in Segments G.1 and G.2, and the voluntary element in Segments H.1 and H.2. The following tables combine the two to present a complete picture of the Mission's financial position and performance.

J.1. Segment Reporting
Schedule of Financial Position

For the Year Ended 31 December 2021

	Note	2021	2020 (Restated)
ASSETS			
Current Assets			
Cash and Cash Equivalents	3.1	994	764
Investments	3.2	-	-
Contributions Receivable	3.3	11,482	4,638
Accounts Receivable	3.4	476	409
Prepayments	3.5	865	572
Inventory	3.6	1,136	1,077
Inter-Fund Balances		23,782	19,016
Other Current Assets	3.7	-	-
		38,735	26,476
Non-Current Assets			
Property, Plant and Equipment	3.8	8,815	8,951
Intangible Assets	3.9	94	167
Other Non-Current Assets	3.7	-	8
		8,909	9,126
Total Assets		47,644	35,603
LIABILITIES			
Current Liabilities			
Accounts Payable	4.1	479	216
Accruals	4.2	3,216	672
Deferred Revenue	4.3	4,350	3,458
Conditional ExB Contributions	4.4	11,254	4,377
Funds Held for Third Parties	4.5	-	-
Employee Benefits Current	4.6	1,024	1,084
Cash Surplus Current	4.8	-	-
Provisions	4.9	381	917
Other Current Liabilities	4.10	20	8
		20,725	10,732
Non-Current Liabilities			
Employee Benefits Non-Current	4.6	265	289
Other Non-Current Liabilities	4.10	-	-
		265	289
Total Liabilities		20,990	11,021
TOTAL ASSETS LESS TOTAL LIABILITIES		26,654	24,582
NET ASSETS			
Cash Surplus	5.1	-	-
Cash Surplus Withheld	5.2	-	-
Revolving Fund	5.3	-	-
Contingency Fund	5.3	-	-
Other Reserves	5.4	122	77
Accumulated Surplus/(Deficit)	5.5	26,532	24,505
Total Net Assets		26,654	24,582

J.2. Segment Reporting
Schedule of Financial Performance
Special Monitoring Mission to Ukraine
For the Year Ended 31 December 2021

	Note	2021	2020 <i>Restated</i>)
REVENUE			
Assessed Contributions	6.1	91,366	89,014
Extra-Budgetary Contributions	6.2	8,375	11,622
Finance Revenue	6.3	0	0
Contributions In-Kind	6.4	45,962	43,737
Revenue from Exchange Transactions	6.5	74	(5)
Other Revenue	6.7	177	1,917
Total Revenue		145,953	146,285
EXPENSES			
Staff Costs	7.1	100,031	97,538
Consultancy and Subcontracting	7.2	9,435	9,430
Travel Expenses	7.3	5,111	4,585
Services and Office Costs	7.4	8,447	8,021
Consumables and Supplies	7.5	2,491	2,537
Depreciation and Amortisation	7.6	3,689	4,825
Equipment Expenses	7.7	343	674
Other Operating Expenses	7.8	7,363	11,849
Total Expenses		136,912	139,459
Gains/Losses	8	(118)	(34)
Surplus/(Deficit) for the Period	9.1	8,924	6,792

K Segment Reporting

Extra-budgetary expenditure by Executive Structure

Extra-budgetary and Indirect Common Cost (ICC) sub-fund expenditure shown in Segment report H.2 is presented by Executive Structure in the table below. Various IPSAS adjustments are not attributed to individual Executive Structures and are summarized at the foot of the table to show the total spent on an IPSAS basis.

Project Costs include ICC charges, which are removed to reconcile to total Extra-budgetary expenses presented in Segment report H2.

	Project Costs	ICC	Total
Secretariat	9,055	129	9,184
Office for Democratic Institutions and Human Rights	4,373	358	4,731
High Commissioner on National Minorities	647	-	647
Representative on Freedom of the Media	393	-	393
Total – Secretariat and Institutions	14,468	487	14,955
Mission in Kosovo	439	-	439
Mission to Bosnia and Herzegovina	852	-	852
Mission to Serbia	953	-	953
Presence in Albania	1,286	-	1,286
Mission to Skopje	871	-	871
Mission to Montenegro	230	-	230
Total – South-Eastern Europe	4,631	-	4,631
Mission to Moldova	115	-	115
Project Co-ordinator in Ukraine	2,955	-	2,955
Representative on the Latvian-Russian Joint Commission on Military Pensioners	-	-	-
Total – Eastern Europe	3,070	-	3,070
Office in Yerevan	-	-	-
Project Co-ordinator in Baku	-	-	-
High Level Planning Group	-	-	-
The Minsk Process	-	-	-
Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference	-	-	-
Total - Caucasus	-	-	-
Programme Office in Nur-Sultan	187	-	187
Centre in Ashgabat	122	-	122
Programme Office in Bishkek	1,096	-	1,096
Project Co-ordinator in Uzbekistan	444	-	444
Programme Office in Dushanbe	2,911	-	2,911
Total – Central Asia	4,760	-	4,760
Special Monitoring Mission to Ukraine	8,005	-	8,005
Total	34,934	487	35,421
<i>IPSAS Adjustments:</i>			
Staff Costs	210	10	220
Depreciation and Amortisation	829	-	829
Other	279	-	279
Total – IPSAS Adjustments	1,318	10	1,328
GRAND TOTAL	36,252	497	36,749
Elimination of ICC charges			(1,376)
NET TOTAL EXTRA-BUDGETARY EXPENSES			35,373

ANNEX 2

**BUDGET AND EXPENDITURE REPORT
AND STAFFING OVERVIEW**

OSCE 2021 Year-end Unified Budget Report

Fund Main Programme Programme	Approved Budget	PC Authorised Transfers	Revised Budget	Transfers Fin. Reg. 3.02(b)	Revised Allotment after Transfers	Expenditure	Approved Budget Utilisation (%)	Revised Allotment Utilisation (%)
Programme	A	B	C = A+B	D	E = C+D	F	G = F/A	H = F/E
Figures in EUR '000								
I. FUNDS RELATED TO SECRETARIAT AND INSTITUTIONS								
The Secretariat								
Secretary General and Central Services								
Executive Management	1,191		1,191	12	1,202	1,202	101	100
Security Management	637		637	19	656	655	103	100
External Co-operation	654		654	(85)	569	568	87	100
Office of Legal Affairs	787		787	(15)	772	771	98	100
Communication and Media Relations Section	1,664		1,664	(20)	1,644	1,644	99	100
Conference and Language Services	5,438	255	5,693	132	5,824	5,801	107	100
The OSCE Documentation Centre in Prague	640		640	(40)	600	599	94	100
Gender Issues	437		437	(3)	435	435	99	100
TOTAL	11,446	255	11,701		11,701	11,675	102	100
Chairman-in-Office								
Short-Term Mission/Visits of CiO and PR of the CiO	500		500		500	408	82	82
Advisory Committee on Management and Finance (ACMF)	11		11		11	8	72	72
Panel of Adjudicators	33		33		33	12	37	37
Audit Committee	34		34		34	12	35	35
External Auditors	85		85		85	45	52	52
TOTAL	663		663		663	485	73	73
Internal Oversight								
Internal Oversight	1,829	(100)	1,729		1,729	1,728	94	100
TOTAL	1,829	(100)	1,729		1,729	1,728	94	100
Office of the Special Representative/Co-ordinator for Combating Trafficking in Human Beings								
Office of the Special Representative/Co-ordinator for Combating Trafficking in Human Beings	1,074		1,074		1,074	1,073	100	100
TOTAL	1,074		1,074		1,074	1,073	100	100
Addressing Transnational Threats								
Co-ordination of TNT Activities	547		547		547	546	100	100
Strategic Police Matters Unit	707	(15)	692	2	694	690	98	99
Action Against Terrorism	831	(30)	801	(2)	798	796	96	100
Borders Security and Management	685	(30)	655		655	651	95	99
TOTAL	2,770	(75)	2,695		2,695	2,684	97	100

Fund	Approved Budget	PC Authorised Transfers	Revised Budget	Transfers Fin. Reg. 3.02(b)	Revised Allotment after Transfers	Expenditure	Approved Budget Utilisation (%)	Revised Allotment Utilisation (%)
Main Programme Programme	A	B	C = A+B	D	E = C+D	F	G = F/A	H = F/E
Figures in EUR '000								
Activities Related to the Economic and Environmental Aspects of Security								
Co-ordinator of OSCE Economic and Environmental Activities	1,979	(80)	1,899		1,899	1,689	85	89
Economic and Environmental Forum	257		257		257	256	100	100
TOTAL	2,236	(80)	2,156		2,156	1,945	87	90
Conflict Prevention								
CPC Direction and Management	460		460	45	505	505	110	100
Policy Support Service	1,474		1,474	(8)	1,466	1,466	99	100
Operations Service	1,185		1,185	2	1,187	1,186	100	100
Programming and Evaluation Support Unit	530		530	(37)	493	492	93	100
FSC Chairmanship	13		13		13	11	84	84
FSC Support	696		696	(2)	694	693	100	100
Communications and Technology Unit	634		634		634	632	100	100
TOTAL	4,992		4,992		4,992	4,985	100	100
Human Resources Management								
Department of Human Resources	4,172		4,172		4,172	4,170	100	100
TOTAL	4,172		4,172		4,172	4,170	100	100
Department of Management and Finance								
Management and Co-ordination	888		888	29	917	917	103	100
Budget and Finance Services	2,162		2,162	16	2,178	2,178	101	100
Information and Communication Technology Services	4,371		4,371	(7)	4,364	4,353	100	100
Mission Support Services	2,518		2,518	(37)	2,481	2,478	98	100
TOTAL	9,939		9,939		9,939	9,925	100	100
TOTAL FOR THE SECRETARIAT	39,120		39,120		39,120	38,669	99	99
Office for Democratic Institutions and Human Rights								
Direction and Policy	1,295		1,295	53	1,347	1,344	104	100
Fund Administration Unit	2,971		2,971	(177)	2,794	2,792	94	100
Human Dimension Meetings	603		603		603	423	70	70
Democratization	1,580		1,580	(17)	1,564	1,539	97	98
Human Rights	1,232		1,232	48	1,280	1,266	103	99
Elections	6,505		6,505	237	6,742	6,736	104	100
Tolerance and Non-Discrimination	1,418		1,418	(88)	1,330	1,316	93	99
Roma and Sinti Issues	556		556	(56)	500	492	89	99
TOTAL	16,160		16,160		16,160	15,907	98	98
High Commissioner on National Minorities								
Fund Administration Unit	545		545	31	575	558	102	97
Office of the High Commissioner	2,959		2,959	(31)	2,929	2,814	95	96
TOTAL	3,504		3,504		3,504	3,372	96	96
Representative on Freedom of the Media								
Freedom of the Media	1,609		1,609		1,609	1,509	94	94
TOTAL	1,609		1,609		1,609	1,509	94	94
TOTAL FOR FUNDS RELATED TO THE SECRETARIAT AND INSTITUTIONS	60,392		60,392		60,392	59,458	98	98

Fund		PC	Transfers	Revised	Expenditure	Approved	Revised	
Main Programme	Approved	Authorised	Fin. Reg.	Allotment after		Budget	Allotment	
Programme	Budget	Transfers	3.02(b)	Transfers		Utilisation (%)	Utilisation (%)	
	A	B	C = A+B	D	E = C+D	F	G = F/A	H = F/E
	Figures in EUR '000							
II. FUNDS RELATED TO OSCE FIELD OPERATIONS								
AUGMENTATIONS								
Secretariat Augmentations								
Policy Support Service	248		248	(16)	232	215	87	93
Information and Communication Technology Services	768		768	(3)	765	762	99	100
Mission Support Service	738		738	19	758	757	103	100
TOTAL	1,754		1,754		1,754	1,734	99	99
ODIHR Augmentations								
ODIHR Democratization	234		234		234	215	92	92
TOTAL	234		234		234	215	92	92
TOTAL FOR AUGMENTATIONS	1,988		1,988		1,988	1,949	98	98
SOUTH-EASTERN EUROPE								
Mission in Kosovo								
Office of Head of Mission	2,750		2,750	(83)	2,668	2,667	97	100
Fund Administration Unit	5,495		5,495	138	5,633	5,633	103	100
Security and Public Safety	1,583		1,583	69	1,651	1,651	104	100
Democratization	1,745		1,745	(147)	1,598	1,598	92	100
Human Rights and Communities	5,890		5,890	23	5,913	5,912	100	100
TOTAL	17,463		17,463		17,463	17,462	100	100
Mission to Bosnia and Herzegovina								
Office of Head of Mission	1,593		1,593		1,593	1,573	99	99
Fund Administration Unit	3,975		3,975	(20)	3,955	3,951	99	100
Shared Service Centre, ICT Help Desk	254		254		254	234	92	92
Security Co-operation	581		581	20	601	586	101	98
Human Dimension	5,279		5,279		5,279	5,224	99	99
TOTAL	11,682		11,682		11,682	11,569	99	99
Mission to Serbia								
Office of Head of Mission	995		995	44	1,039	1,039	104	100
Fund Administration Unit	1,701		1,701	(1)	1,699	1,699	100	100
Security Co-operation	951		951	(56)	895	895	94	100
Democratization	1,115		1,115	3	1,118	1,118	100	100
Media	443		443	28	471	471	106	100
Rule of Law and Human Rights	1,053		1,053	(17)	1,036	1,036	98	100
TOTAL	6,259		6,259		6,259	6,258	100	100

Fund		PC	Transfers	Revised	Expenditure	Approved	Revised	
Main Programme	Approved	Authorised	Fin. Reg.	Allotment after		Budget	Allotment	
Programme	Budget	Transfers	3.02(b)	Transfers		Utilisation (%)	Utilisation (%)	
	A	B	C = A+B	D	E = C+D	F	G = F/A	H = F/E
	Figures in EUR '000							
Presence in Albania								
Office of Head of Mission	487		487	(6)	482	475	97	99
Fund Administration Unit	1,036		1,036	61	1,097	1,095	106	100
Security Co-operation	346		346	(8)	339	333	96	98
Governance in Economic and Environmental Issues	308		308	(19)	289	283	92	98
Democratization	432		432	(19)	413	408	94	99
Rule of Law and Human Rights	372		372	(10)	362	358	96	99
TOTAL	2,981		2,981		2,981	2,951	99	99
Mission to Skopje								
Office of Head of Mission	987		987		987	968	98	98
Fund Administration Unit	1,940		1,940	53	1,993	1,972	102	99
Public Safety and Community Outreach	1,779		1,779		1,779	1,753	99	99
Human Dimension	1,801		1,801	(53)	1,748	1,719	95	98
TOTAL	6,506		6,506		6,506	6,412	99	99
Mission to Montenegro								
Office of Head of Mission	316		316		316	296	94	94
Fund Administration Unit	604		604	(37)	567	528	87	93
Democratization	468		468		468	436	93	93
Media	362		362		362	351	97	97
Security Co-operation and Governance	403		403	37	440	379	94	86
TOTAL	2,152		2,152		2,152	1,990	92	92
TOTAL FOR SOUTH-EASTERN EUROPE	47,043		47,043		47,043	46,641	99	99
EASTERN EUROPE								
Mission to Moldova								
Office of Head of Mission	421		421	(27)	395	385	91	97
Fund Administration Unit	874		874	65	939	938	107	100
Conflict Prevention/Resolution	532		532	(27)	506	496	93	98
Human Rights	475		475	(12)	463	452	95	98
TOTAL	2,303		2,303		2,303	2,270	99	99
Project Co-ordinator in Ukraine								
Office of Head of Mission	387		387	(5)	382	367	95	96
Fund Administration Unit	924		924	(20)	904	891	96	99
Democratization and Good Governance	484		484	(8)	476	467	96	98
Rule of Law and Human Rights	722		722	33	755	749	104	99
Human Security	590		590		590	574	97	97
Economic, Environmental and Politico-Military Projects	512		512		512	507	99	99
TOTAL	3,619		3,619		3,619	3,555	98	98
Representative to the Latvian-Russian Joint Commission on Military Pensioners								
Office of Head of Mission	6		6		6	2	38	38
TOTAL	6		6		6	2	38	38
TOTAL FOR EASTERN EUROPE	5,927		5,927		5,927	5,827	98	98

Fund		Approved Budget	PC Authorised Transfers	Revised Budget	Transfers Fin. Reg. 3.02(b)	Revised Allotment after Transfers	Expenditure	Approved Budget Utilisation (%)	Revised Allotment Utilisation (%)
Main Programme		A	B	C = A+B	D	E = C+D	F	G = F/A	H = F/E
Programme	Figures in EUR '000								
CAUCASUS									
High-Level Planning Group									
	Office of Head of Mission	248		248		248	185	75	75
	TOTAL	248		248		248	185	75	75
The Minsk Process									
	Office of Head of Mission	911		911		911	328	36	36
	TOTAL	911		911		911	328	36	36
Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference									
	Office of Head of Mission	467		467		467	367	79	79
	Fund Administration Unit	712		712		712	627	88	88
	TOTAL	1,180		1,180		1,180	995	84	84
	TOTAL FOR CAUCASUS	2,339		2,339		2,339	1,508	65	65
CENTRAL ASIA									
Programme Office in Nur-Sultan									
	Office of Head of Mission	225		225		225	222	98	98
	Fund Administration Unit	670		670	4	674	644	96	96
	Politico-Military Activities	445		445	15	460	455	102	99
	Economic and Environmental Activities	448		448	(11)	437	436	97	100
	Human Dimension Activities	445		445	(8)	437	424	95	97
	TOTAL	2,233		2,233		2,233	2,179	98	98
Centre in Ashgabat									
	Office of Head of Mission	407		407	22	430	429	105	100
	Fund Administration Unit	547		547	(4)	544	543	99	100
	Conflict Prevention and Confidence and Security Building	233		233	(19)	214	209	90	98
	Economic and Environmental Activities	249		249	1	250	249	100	99
	Human Dimension Activities	225		225	(1)	224	223	99	99
	TOTAL	1,661		1,661		1,661	1,652	99	99
Programme Office in Bishkek									
	Office of Head of Mission	1,240		1,240	(46)	1,195	1,188	96	99
	Fund Administration Unit	1,427		1,427	41	1,468	1,462	102	100
	Politico-Military Activities	1,490		1,490	(22)	1,469	1,469	99	100
	Economic and Environmental Activities	1,450		1,450	(36)	1,414	1,414	98	100
	Human Dimension Activities	1,203		1,203	62	1,265	1,262	105	100
	TOTAL	6,811		6,811		6,811	6,795	100	100

Fund		PC		Transfers	Revised		Approved	Revised
Main Programme	Approved	Authorised	Revised	Fin. Reg.	Allotment after	Expenditure	Budget	Allotment
Programme	Budget	Transfers	Budget	3.02(b)	Transfers		Utilisation (%)	Utilisation (%)
	A	B	C = A+B	D	E = C+D	F	G = F/A	H = F/E
Figures in EUR '000								
Project Co-ordinator in Uzbekistan								
Office of Head of Mission	261		261	11	272	269	103	99
Fund Administration Unit	530		530	(21)	509	506	95	99
Politico-Military Activities	532		532	(2)	530	528	99	100
Economic and Environmental Activities	640		640	22	662	652	102	99
Human Dimension Activities	536		536	(10)	526	516	96	98
TOTAL	2,499		2,499		2,499	2,471	99	99
Programme Office in Dushanbe								
Office of Head of Mission	1,169		1,169	(121)	1,048	1,033	88	99
Fund Administration Unit	2,036		2,036	(132)	1,904	1,903	94	100
Political and Military Aspects of Security	1,857		1,857	181	2,038	2,029	109	100
Economic and Environmental Activities	1,112		1,112	73	1,185	1,158	104	98
Human Dimension Activities	1,138		1,138		1,138	1,120	98	98
TOTAL	7,312		7,312		7,312	7,243	99	99
TOTAL FOR CENTRAL ASIA	20,516		20,516		20,516	20,340	99	99
TOTAL FOR FUNDS RELATED TO THE OSCE FIELD OPERATIONS	77,812		77,812		77,812	76,266	98	98
TOTAL OSCE UNIFIED BUDGET	138,204		138,204		138,204	135,723	98	98

Staffing Overview - Budget and Actual Staff Positions
Unified Budget
as at 31 December 2021

Fund number of positions	International Staff						Local Staff						Grand Total	
	Contracted		Seconded		Sub-Total		Professional		General Services		Sub-Total			
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
The Secretariat	142.0	119.0	73.0	54.0	215.0	173.0	0.0	0.0	183.6	177.0	183.6	177.0	398.6	350.0
Office for Democratic Institutions and Human Rights	63.0	57.0	24.0	17.0	87.0	74.0	0.0	0.0	56.0	47.5	56.0	47.5	143.0	121.5
High Commissioner on National Minorities	16.0	16.0	5.0	4.0	21.0	20.0	0.0	0.0	11.5	11.0	11.5	11.0	32.5	31.0
Representative on Freedom of the Media	7.0	7.0	6.0	6.0	13.0	13.0	0.0	0.0	4.0	4.0	4.0	4.0	17.0	17.0
Total for the Secretariat and Institutions	228.0	199.0	108.0	81.0	336.0	280.0	0.0	0.0	255.1	239.5	255.1	239.5	591.1	519.5
Mission in Kosovo	7.0	7.0	108.0	81.0	115.0	88.0	102.0	98.0	273.5	263.5	375.5	361.5	490.5	449.5
Mission to Bosnia and Herzegovina	5.0	4.0	29.0	27.0	34.0	31.0	135.0	127.0	145.5	137.5	280.5	264.5	314.5	295.5
Mission to Serbia	1.0	1.0	20.0	18.0	21.0	19.0	35.5	35.5	62.0	62.0	97.5	97.5	118.5	116.5
Presence in Albania	1.0	1.0	18.0	15.0	19.0	16.0	19.0	19.0	45.5	40.5	64.5	59.5	83.5	75.5
Mission to Skopje	2.0	1.0	36.0	28.0	38.0	29.0	26.0	26.0	89.5	80.5	115.5	106.5	153.5	135.5
Mission to Montenegro	1.0	1.0	8.0	7.0	9.0	8.0	8.0	8.0	15.0	15.0	23.0	23.0	32.0	31.0
South-Eastern Europe	17.0	15.0	219.0	176.0	236.0	191.0	325.5	313.5	631.0	599.0	956.5	912.5	1,192.5	1,103.5
Mission to Moldova	1.0	1.0	12.0	11.0	13.0	12.0	9.0	8.0	30.0	28.0	39.0	36.0	52.0	48.0
Project Co-ordinator in Ukraine	1.0	1.0	2.0	2.0	3.0	3.0	24.0	24.0	25.0	25.0	49.0	49.0	52.0	52.0
Eastern Europe	2.0	2.0	14.0	13.0	16.0	15.0	33.0	32.0	55.0	53.0	88.0	85.0	104.0	100.0
High Level Planning Group	0.0	0.0	8.0	6.0	8.0	6.0	0.0	0.0	1.0	1.0	1.0	1.0	9.0	7.0
Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference	1.0	1.0	5.0	5.0	6.0	6.0	0.0	0.0	11.0	11.0	11.0	11.0	17.0	17.0
Caucasus	1.0	1.0	13.0	11.0	14.0	12.0	0.0	0.0	12.0	12.0	12.0	12.0	26.0	24.0
Programme Office in Nur-Sultan	1.0	1.0	5.0	4.0	6.0	5.0	4.0	4.0	18.0	17.0	22.0	21.0	28.0	26.0
Centre in Ashgabat	1.0	1.0	5.0	5.0	6.0	6.0	2.0	2.0	21.0	20.0	23.0	22.0	29.0	28.0
Programme Office in Bishkek	3.0	3.0	10.0	9.0	13.0	12.0	23.0	23.0	87.0	71.0	110.0	94.0	123.0	106.0
Project Co-ordinator in Uzbekistan	0.0	0.0	4.0	4.0	4.0	4.0	6.0	5.0	30.0	30.0	36.0	35.0	40.0	39.0
Programme Office in Dushanbe	4.0	4.0	18.0	16.0	22.0	20.0	20.0	19.0	90.0	79.0	110.0	98.0	132.0	118.0
Central Asia	9.0	9.0	42.0	38.0	51.0	47.0	55.0	53.0	246.0	217.0	301.0	270.0	352.0	317.0
Total for Funds Related to OSCE Field Operations	29.0	27.0	288.0	238.0	317.0	265.0	413.5	398.5	944.0	881.0	1,357.5	1,279.5	1,674.5	1,544.5
Total OSCE 2021 Unified Budget Post Table	257.0	226.0	396.0	319.0	653.0	545.0	413.5	398.5	1,199.1	1,120.5	1,612.6	1,519.0	2,265.6	2,064.0

ANNEX 3
STATEMENT ON INTERNAL CONTROL



Organization for Security and Co-operation in Europe

Statement on Internal Control for 2021

22 March 2022

Scope of responsibility

As Secretary General of the OSCE, I am responsible to the Permanent Council (PC) for the efficient use of the Organization's resources, in accordance with the responsibility assigned to me, including under Ministerial Council Decision No. 15/04. To this end, I have established mechanisms of internal oversight and financial control in accordance with "Financial Regulation 6.01: Principles".

Purpose of the system of internal control

An internal control system is designed to reduce and manage the risk of failure and capitalize on opportunities to achieve an organization's aims, objectives, and related policies. It is based on an ongoing process designed to identify the principal risks, assess the nature and extent of those risks and manage them efficiently, effectively and economically.

Internal control is a process of systematic measures effected by the Permanent Council, the Secretary General, the Fund Managers, senior management, and other OSCE officials, and is designed to provide reasonable assurance on the following internal control objectives:

- Achievement of organizational program objectives and outcomes,
- Effectiveness and efficiency of operations,
- Safeguarding of assets,
- Reliability, accurateness and completeness of the recording of transactions and the related financial reporting process, and
- Compliance with the OSCE's Common Regulatory Management System (CRMS).

This statement on the OSCE's internal control system, as described above, applies for the year ended 31 December 2021, and up to the date of approval of the OSCE's financial statements.

Risk management and internal control framework

The OSCE established and continuously improves a risk management framework that sets out a risk management concept covering both major risks that affect the Organization as a whole, as well as operational risks that affect individual executive structures, programmes, and projects. The risk management framework allows for:

- Identification of risks classified according to relevance, impact and probability of occurrence based on the guidance on management of administrative, security and project-related risks. The guidance sets out the scope, basic concepts and mechanisms underlying risk management and enables OSCE staff to identify, assess, and manage risks applicable to their executive structures,
- Assessment of the major risks affecting the OSCE's mandate and objectives at senior management level, which utilizes the insight and judgement of senior management across the Organization,
- Continued training and awareness-raising in risk management,
- Periodic and ad hoc reviews of risk management and the operation of the risk management framework.

In this regard, I however take note that Risk Management has not been adequately reflected in the Organization's CRMS, the relevant processes still appear insufficiently integrated with strategy setting and results-based management, and that actual risk management practices require strengthening and harmonization across the Organization. In the last years, the OSCE Secretariat has initiated an effort to modernize and improve the Organization's risk management framework.

In addition, a comprehensive internal control framework that includes, along with the Risk Management process, the support of management, the CRMS, and established automated and manual control and monitoring activities, has been designed to ensure that the OSCE's objectives are achieved efficiently, underpinned by ethical values and principles. This framework comprises Ministerial Council/PC decisions related to management of the OSCE's activities, the OSCE Code of Conduct, the Financial Regulations, Staff Regulations and Staff Rules as well as staff, financial/ administrative and security instructions, which provide the mechanisms for managing the financial, human and material resources of the OSCE. The framework also includes a co-ordinated review of the Secretariat and Field Operations' Unified Budget programmes, application of Performance Based Programme Budgeting, to ensure compliance with the CRMS and respective mandates. The institutions conduct their own reviews. The framework also includes management of Unified budget projects for the implementation of the UB programmes. The application of Performance Based Programme Budgeting methodology will need to be further updated and strengthened. The implementation of the recommendations resulting from the 2021 evaluation on result-based management is ongoing.

The resources entrusted to the OSCE by participating States demand that it is accountable for them and has a robust system of internal controls and that these controls are properly applied. The decentralized nature of the Organization and its limited central oversight capability require considerable reliance on the Fund Managers and CFAs' statements about the effectiveness of the internal controls at executive structures. Furthermore, a procedure is in place for consideration of Exception Requests, bringing deviations from the CRMS to my attention.

My senior management team and I are committed to a continuous improvement programme to strengthen the system of internal control across the OSCE, including through the implementation of IT-based solutions and improving and updating the CRMS as well as increasing monitoring control activities, where feasible within current resources' constraints.

Review of effectiveness

In accordance with Ministerial Council Decision No. 15/04, Permanent Council Decision No. 705, and other decisions of the participating States, I am the Chief Administrative Officer (CAO) for the Organization, vested with executive and administrative authorities to oversee the effective and efficient use of OSCE resources. I am committed to enhance the effectiveness of the Secretariat and I launched its functional review in 2021.

The governance structure of the OSCE relies on a decentralized fund management architecture with dual reporting lines for the executive structures. Fund Managers report directly to the Chairperson-in-Office on policy and programmatic matters and to me on administrative matters. This architecture has the potential to result in challenges when exercising my role as CAO. Director of the Department of Human Resources (DHR) and Director of the Department of Management and Finance (DMF) support me in my function as CAO in their respective areas, including by maintaining close contact with Chiefs of Fund Administration (CFA) in all Executive Structures who currently do not have direct reporting lines to me as CAO. Re-invigorating the discussions on strengthening the administrative reporting lines of the CFAs would have a positive effect on internal controls and translate into a reinforcement of the Common Regulatory Management System. As an interim step, the ongoing revision of Staff Instruction 17 on Recruitment will seek to strengthen my role in the appointments of CFAs.

Taking this into account, my review of the effectiveness of the system of internal controls is mainly informed by:

Fund Managers of the executive structures, as well as Main Programme Managers at the Secretariat, are accountable for expected results, performance, controlling their executive structure's activities and the resources entrusted to them. The Letters of Representation previously submitted by Fund Managers have been replaced with more comprehensive Letters of Attestation (LoA), which are cross checked with the

Office of Internal Oversight (OIO) based on their findings. With an effort to streamline the OSCE Internal Control system, the Internal Control Walkthroughs (ICW) process for 2021 has been amended to avoid duplication of efforts and taking stock of internal control activities performed throughout the year, as well as to take into account the internal audit activities in some ES. It is noteworthy in this regard that the ICW questionnaire was updated, increasing the focus on procedural aspects and discontinuing sample testing.

The Conflict Prevention Centre (CPC), which through its coordinated review of the implementation of Financial/Administrative Instruction 04/2004, ensures that all extra-budgetary projects planned by the Field Operations and the Secretariat comply with the CRMS and OSCE project management standards, while the Institutions carry out their own review. CPC also maintains a robust CRMS, implements some monitoring control activities and a regular review of UB and ExB project management. Specific internal audit reports, as well as project management internal control walkthrough results, highlighted uneven application of project management across the OSCE. Project development, monitoring, risk management and result reporting, remain to be further standardized. The OSCE's steadily increasing extra-budgetary portfolio, especially that of the Secretariat, requires enhanced management support.

The DMF and the DHR ensuring a robust CRMS.,

The OIO carrying out internal audits, evaluations, advisory services and investigations. Reports on the results of these activities include independent and objective information on the adequacy and effectiveness of the OSCE's system of internal controls and on programme effectiveness, together with recommendations for improvement.

The Audit Committee.

The External Auditors.

The participating States' (pS) observations.

Limitations on the effectiveness of internal controls

The effectiveness of the system of internal controls is subject to the limitations imposed by factors identified below. To date, these factors have been mitigated and managed by the Organization to the extent possible. The ability to continue to provide this mitigation is subject to sufficient resources, specific circumstances and vigilant monitoring.

Inadequate resources

Legal, structural, security and financial risks continue to exist and/or are increasing. This is exacerbated by continued underfunding of the Organization. As a result, the capacity of the Organization to implement and operate necessary procedures and controls across all executive structures is increasingly eroded. The Organization needs to have the resources to be able to react to internal control recommendations. Efforts to strengthen governance and the internal justice system remain high on the agenda with an emphasis on improving early resolution of disputes. The Audit Committee has also highlighted the risks to the Organization as a consequence of long-term underfunding. However, risk mitigating measures put forward as part of the 2020, 2021 and 2022 Unified Budget Proposals have not resulted in a significant strengthening of resources dedicated to internal controls.

In line with Audit Committee recommendations, a mapping of the "second line of defense" in the OSCE was completed in early 2020 by OIO, covering functional areas for which I fulfil organization-wide responsibilities and bear ultimate accountability to the participating States. OIO found that, in most of the functional areas reviewed, monitoring control activities required improvement.

However, this mapping also highlighted that the Secretariat is not adequately resourced to fulfil the Organization-wide responsibilities of the Secretary General through relevant monitoring control activities. As

a result, the first-line of defense (i.e. control activities performed within the various Executive Structures) is left as the only barrier for the Organization against a number of risks such as failure to achieve best value for money, noncompliance, fraud, abuses and other improprieties — with the exception of the periodical, limited assessments carried out by the Third Line of Defense. Despite some efforts being initiated to strengthen the Second Line of Defense, for example in the area of Procurement and contracting, this remained a cross-cutting issue in 2021. Other cross-cutting issues identified by the Third Line of Defense during internal audit activities of 2021 related *inter alia* to the areas of management of implementing partners, treasury management, assets and consumables, premises and vehicle fleet management, management of consultants and business continuity.

The OSCE's Performance Based Budget Process (including planning, monitoring and evaluation) needs improvement to monitor OSCE activities' results. This was highlighted by the "Independent evaluation of Results Based Management (RBM) in the OSCE, 2015-2020", conducted by OIO in 2021. I am committed to further enhance the current institutional framework in place with the introduction of an RBM Strategy, including through implementation of recommendations raised in the evaluation report, to the extent possible given the structural and political constraints inherent in the organization.

The Special Monitoring Mission in Ukraine (SMM), which is financed by assessed and voluntary contributions of pS, does not fully apply the Performance Based Programme Budgeting methodology standards of the OSCE for its budget submission and reporting.

Knowledge management challenges

Internal controls rely first and foremost on the competency, capacity and continuity of staff. High staff turnover, increases in the vacancy rate, underfunding of staff costs to meet financial targets, difficulties in attracting top talent and filling posts (due to non-competitive compensation and limited periods of service) continue to negatively affect knowledge management and retention in the Organization, and lead to higher costs over time. To mitigate some of these challenges, a set of proposals on modifying the international staffing policies were put forward to participating States and discussion on these continues.

The remote working situation, compounded with years of under-resourced Information and Communication technology (ICT) created significant challenges. Many of those could be overcome due to decisive action by the Secretariat. Others, including limited e-mail data storage, continues to create additional workload and necessitates manual work.

Impact of political environment on management

The OSCE operates in a political environment characterized by tensions and conflicts between OSCE participating States. Very often, this situation has a negative spillover into the governance and administration of the OSCE through a politicization of management-related decisions requiring the consensus of the participating States. Related delays in effectively responding to identified weaknesses have had a negative impact on organizational efficiency and resulted in additional risks for the organization. Beyond resourcing issues, such delays have also impacted the Organization's ability to improve and complement its regulatory framework.

Change of field operation mandates or closure of mission

The mandates of most field operations are subject to periodic renewal (annually or more frequently, depending on the mission) by the PC. It is therefore possible that a mandate is not renewed in good time; is subject to substantive changes at the request of the host country or other participating States; is not extended at the request of the host country; or when consensus on extension cannot be reached, is forced to close. This imposes significant administrative and resource burdens on the Organization and creates uncertainty as to the legal status of the affected field operations and the OSCE staff assigned to them, due to lack of clarity as to the continuing validity of the relevant bilateral agreement or Memorandum of Understanding (MoU). In 2021, such a situation affected in particular the Observer Mission at two Russian Checkpoints in Gukovo and

Donetsk. Its mandate was reduced from four to two months at the request of the host country, and then expired on 30 September following notification from the host country in early September that it saw no grounds for further mandate extension. Thus, the Mission was closed following the end of its mandate on 30 September 2021, as per PC.DEC/1415.

Security Environment of the Special Monitoring Mission to Ukraine

Despite the 22 July 2020 agreement on the Measures to strengthen the ceasefire resulted in a significant reduction of ceasefire violations, in 2021 the security situation in the Special Monitoring Mission (SMM) to Ukraine gradually deteriorated again, particularly in the second half of the year. Serious risks continued to exist, including; weapons being fired in close proximity to monitors or monitors being caught in exchanges of fire; presence of mines, unexploded ordnance and other explosive remnants of war; and road accidents. Threats included antagonistic behaviour towards monitors and other mission members, restrictions of movement. Interference with SMM technical assets, including jamming of Unmanned Aerial Vehicles (UAVs), as well as the direct targeting of mission assets (e.g., UAVs, cameras) increased throughout 2021, and challenges and potential liabilities relating to securing SMM accommodation in conflict-affected areas persisted.

Following withdrawal of the Russian Federation from the Joint Centre for Control and Co-ordination in Ukraine (JCCC) in December 2017, the SMM put procedures in place to continue to operate on both sides of the contact line. However, the SMM faced increasing freedom of movement impediments to its monitoring, predominantly in non-government-controlled areas. Restrictions imposed by the armed formations following the outbreak of the COVID-19 pandemic in 2020 continued to impact the Mission throughout 2021. Its movements across the contact line continued to be denied, delayed, or conditioned, which undermined the Mission's eastern teams of Donetsk and Luhansk in operational and administrative terms, including potential evacuation routes. In addition, for nearly 10 days in October 2021 Mission Members residing in the Park Inn hotel in non-government-controlled Donetsk city were prevented from exiting the building to conduct activities due to protests in front of the hotel. The same situation –for around 24 hours – occurred with protestors blocking the SMM monitors from the Forward Patrol Base in Horlivka.

After months of escalating rhetoric and an increasingly volatile situation at the contact line, the security situation across the entire country deteriorated towards the end of the 2021.

The recent developments in Ukraine are clearly a post-closing event with no direct impact on OSCE's 2021 financial statements. Subject to the availability of credible data, including its timing, the OSCE will make all efforts to provide information in Note 10.4 to the financial statement on their expected financial impact on OSCE's operations. The statement on financial position remains prepared on the assumption that OSCE is a going concern and will continue its operations for the foreseeable future.

Information Security

As reported previously, in recent years the OSCE has faced a series of major information security incidents, putting at risk the confidentiality, integrity and availability of our ICT systems and information. Despite recent strengthening measures and the migration of the Secretariat and most other executive structures to the Secure Microsoft Infrastructure, the ICT infrastructure remains vulnerable to cyber-attacks and there is still a risk of similar ongoing incidents recurring. The ICT and Information Security budgets and available human resources at the OSCE are well below averages at comparable organizations, preventing the timely adoption of innovative ICT solutions (e.g. for documents management) and impairing the level and scope of information security controls that we are able to offer. There is limited central oversight of the information security posture OSCE-wide, resulting in reduced enforcement of policies and standards across the executive structures.

To mitigate these risks, DMF has been implementing an Information Security Plan (ISP) and an Information Security Management System (ISMS) to bolster technical controls, enhance oversight and strengthen information security management across the OSCE. Several mitigation measures have already been put in place. These include the creation of a Security Operations Centre, the introduction of security controls for preventing and detecting cyber-security incidents, establishment of threat intelligence exchange with relevant external parties from international organizations and governments, inclusion of information security in the internal control walkthroughs and improved security awareness training for staff. In 2021, DMF implemented

an OSCE-wide information security management system (a new policy was published in January 2021), an OSCE-wide incident-detection system and migrated the Secretariat and some other executive structures to the Secure Microsoft Infrastructure. Other key measures are under development, including the enhancement of the second line of defense activities and the replacement of the compromised and vulnerable infrastructure in the rest of the executive structures.

Significant matters to report in 2021

The Significant Matters noted for 2020 affecting the integrity of the control environment of the OSCE continued to exist in 2021. The following is a summary of the issues and progress made since last year as well as new issues:

Challenges related to the COVID-19 Pandemic

The Covid-19 pandemic continued to affect all departments, adding to the workload by creating the need for innovative solutions to challenges that had not previously existed. This included the recourse to ‘blended’ meetings accessible both in person and online with consequent ICT and interpretation challenges; the need to ensure effective on-boarding of new staff members as well as to have sufficient workforce available to provide programmatic and operational work. The Secretariat followed the rules and regulations in host countries and provided working arrangements balancing the duty of care obligation with delivering the entrusted tasks.

In 2021, the first time appointment of an OSCE Chief Medical Officer (CMO), through a secondment, was a critical factor in ensuring that appropriate expert medical advice was available to the Organization in designing and delivering responses to COVID-19. This included administration of over 2,000 vaccines throughout all Executive Structures with the generous support of a number of participating States. The organization continued to deliver results despite the pandemic, with flexible working arrangements as a key ingredient in maintaining uninterrupted operations.

The Legal Framework of the OSCE

As noted in prior years, the lack of a uniform set of privileges and immunities across the Organization continues to pose legal, financial and compliance risks for the OSCE.

The Organization remains dependent on bilateral arrangements with, or the national legislation of, participating States to serve as various legal base for the legal capacity of executive structures as well as the privileges and immunities of executive structures and of the OSCE officials assigned to them. This fragmented structure results in a lack of uniformity and certainty regarding the existence, scope, and extent of such privileges and immunities and carries the added risk that a participating State may unilaterally cease to recognize a bilateral arrangement or terminate it. Similarly, in those participating States where the OSCE carries out activities but does not have an established field presence, and where there is no bilateral arrangement or national legislation in place granting the OSCE appropriate status and protection, the Organization’s ability to conduct basic operational functions can be impaired.

Extended negotiations over MoUs covering OSCE executive structures in certain countries mean continued uncertainty about matters concerning privileges and immunities and the tax status of certain staff in some field operations. The absence of MoUs or other agreements also means there is no clarity on the status of OSCE officials and activities in a number of countries where the OSCE is active but where there is no established field operation. Work continues, albeit with significant delays, to secure appropriate bilateral MOUs or other agreements to clarify the status of OSCE staff and activities in countries with field operations or significant programmatic activity.

Similarly, the Informal Working Group on OSCE Legal Personality continues to meet regularly, albeit with little or no progress due to diverging views by pS on the matter.

The issue of local staff income tax also continues to be of concern, despite a 2020 decision by the OSCE Panel of Adjudicators upholding the Secretary General’s decision not to refund taxes paid by a local

mission member where there was no reimbursement from the taxing state. The Local Staff Income Tax Task Force in the Secretariat continues to liaise with affected field operations with a view to developing recommended actions (both political and legal measures) to resolve the overall problem, as well as to find solutions to specific issues arising in this respect in individual field operations. Supported by CPC, DMF, and the Office of Legal Affairs, I intend to continue past practice of raising this issue with taxing States at the highest levels.

In 2021, DHR, OIO, OLA, and the Ethics Co-ordinator (EC) collaborated on updating and developing a range of policies to enhance the internal justice system and ensure a professional working environment grounded in respect. This exercise has considerably advanced thanks to my team in OSG. Building on work from 2020, OLA led the preparation of draft Staff Instruction No. 33 on the Prevention of Sexual Exploitation and Abuse. DHR led the revision of Staff Instruction No. 21 on the Professional Working Environment, for which additional considerations were made to ensure that this policy interconnects with all other relevant policies. Moreover, I tasked the EC with building an Informal Resolution Function, a function that will provide mediation and other related services aimed at de-escalating and resolving workplace conflicts at an early stage. Finally, in consultation with OIO, DHR, and OLA, the EC commenced development on Staff Instruction No. 32 on Whistleblowing and Protection Against Retaliation. In parallel, efforts commenced to develop outreach and training materials to ensure that all of these policies are properly communicated and well understood by staff. The number of internal justice system cases decreased mainly with regard to internal and external appeals. The number of disciplinary matters also decreased by almost 8% from the previous year.

Internal controls rely on a policy framework that is responsive to the Organization's needs, and informed by factors such as lessons learned in regular implementation and the recommendations of internal and external audits. Five new or revised HR policies were issued in 2020 and 2021. In addition to the internal justice related policies, in 2021 DHR initiated the revision of six further policies and these are envisaged to be finalized, endorsed by pS and issued in the course of 2022. These include key areas of Job Design & Classification, Recruitment and Flexible Working Arrangements.

In line with the OSCE strategic directions and operational requirements, the Security Management has organized and delivered two specialized training courses for Security Officials to ensure standard and effective implementation of the 2020 Security Instructions and Guidelines across Executive Structures.

General Data Protection Regulation

DMF and OLA developed the draft Administrative Instruction on Personal Data Protection. It was designed to balance best practices regarding data protection without becoming overly burdensome on the OSCE. The draft is pending the review by the Advisory Committee on Management and Finance (ACMF).

Scales of Contribution

The participating States have failed to reach consensus on a systematic reform of scales of contribution presented by the Informal Working Group in October 2021, while an interim arrangement for 2019 expired on 31 December 2019. Since that time, OSCE assessments have been billed on a provisional basis for the Unified Budget and the Special Monitoring Mission to Ukraine. Some participating States continue to find it difficult to pay their assessments based on expired Scales, which results in increased financial risk to the Organization. Overall, this situation is detrimental to the proper functioning of the Organization and is not sustainable.

Secondment; conditions and periods of service

The Organization's staffing levels and structure, the conditions and periods of service of OSCE staff and the continued issue of low numbers of nominations by participating States of qualified, in particular female

candidates for seconded posts, remain a challenge to the OSCE's efficiency and ability to deliver on its commitments.

In 2021, in order to enhance the effectiveness of the staffing framework, and strengthen the internal control framework through a better balance of turnover and limited fixed term extensions, proposals on a modified tenure policy (which foresees the preservation of the non-career nature of the OSCE's employment policy), have been developed and reached the stage of PC Draft Decision in the latter part of the year. In addition to increasing organizational effectiveness, the proposals would respond directly to requests of pS to find sustainable ways to reduce annual inflationary staff cost increases. Discussions with pS on these proposals continue.

Conclusion

Effective internal control, no matter how well designed, has inherent limitations – including the possibility of circumvention – and, therefore, can provide only reasonable assurance. Furthermore, because of changes in conditions, the effectiveness of internal control may vary over time.

I am committed to improving the internal control environment, as well as accountability and oversight. As a priority, we will continue to work on initiatives to safeguard the OSCE's capacity to deliver on its mandate, increase its effectiveness and efficiency and strengthen the internal control system; noting that decentralization continues to be a risk.

Based on the above, I conclude that, to the best of my knowledge and information, there are no material weaknesses which would prevent the External Auditor from providing an unqualified opinion on the OSCE's financial statements, nor are there other significant matters arising which would need to be raised in the present document for the year ended 31 December 2021.



Helga Maria Schmid
OSCE Secretary General

ANNEX 4
REPORT OF THE EXTERNAL AUDITOR



**EXTERNAL AUDIT OF THE
ORGANISATION FOR SECURITY
AND CO-OPERATION IN EUROPE
2021 FINANCIAL STATEMENTS**

AUDIT REPORT

Financial year 2021

COUR DES COMPTES REFERENCE: OSCE-2022-3



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I. OBJECTIVES AND SCOPE OF THE AUDIT

1. In accordance with the conditions of our undertaking and our notification letter dated 16 March 2022, a team of seven auditors carried out from 11 to 29 April 2022 the final audit mission of the Financial Statements of the Organisation for Security and Co-operation in Europe (OSCE), for the financial year ended 31 December 2021.

2. Two interim audit missions on the OSCE's 2021 Financial Statements previously took place in Kiev (Special Monitoring Mission to Ukraine – SMM) from 11 to 22 December¹, and in Vienna from 3 to 14 January. These interim missions were mainly devoted to:

- a review of the internal control, prior to the audit of the Financial Statements for the financial year 2021;
- an analysis of the environment of the financial and accounting management information system;
- a review of the overall balance for the period from 1 January to 30 September 2021.

3. The audit of the financial statements was carried out in accordance with the provisions of the Organisation's financial regulation (Article 8), including the additional terms of reference governing the audit of the OSCE, International Standards on Auditing (ISA) and International Standards of Supreme Audit Institutions (ISSAI) on financial auditing namely ISSAI 200.

4. The purpose of the audit was to determine, with reasonable assurance:

- whether the financial statements reliably reflect, in all their significant aspects, the OSCEs financial situation as at 31 December 2021 and the results of transactions recorded during the financial year, in accordance with the financial information repository applicable, in this case the international accounting standards of the public sector (IPSAS);
- whether the Financial Statements were prepared in compliance with the Financial Regulations and the stated accounting policies;
- whether the transactions were performed in compliance with the Financial Regulations and the authority conferred by the governing bodies.

5. Each observation and recommendation was discussed with the relevant managers. The Management received the provisional report from the External Auditor on 18 May 2022 and their comments (factual and/or formal) and written responses were, where applicable, fully considered in this report.

6. The External Auditor issued an **unqualified** opinion on the Financial Statements for the financial year ended 31 December 2021.

7. The main audit observations on the Financial Statements are devoted successively to:

- the general accounting framework: analytical review of the Financial Statements for the financial year 2021 and observations on the internal control in place at the OSCE;
- the operational elements recognized in the Financial Statements: contributions and other income/receivables, debts and other accounts payable, employee benefits, provisions/contingent liabilities, accounting impact of budgetary implementation;

¹ The interim mission which took place at the Special Monitoring Mission to Ukraine in Kiev in December 2021 was mostly dedicated to accounting issues. A final mission was planned in May 2022 to audit other management issues: due to the events in Ukraine, that second part of the audit was cancelled.

- the investments: fixed assets and stocks;
- the financial closure of the financial year: cash and deposits, net assets.

II. LIST OF RECOMMENDATIONS

8. The recommendations have been ranked in order of priority:

- **priority 1**, a fundamental point, which requires immediate attention from Management. This point corresponds to the existence of a high level of risk to the objectives of the Organisation;
- **priority 2**, a control point of a less urgent nature, which must be handled by Management. This point corresponds to an intermediate level of risk;
- **priority 3**, a point on which controls could be improved and to which the Management's attention is drawn. This point corresponds to a moderate level of risk.

Domain and services	Priority	Recommendations
Department of Management and Finance (DMF) / Information and Communication Technologies (ICT)	2	1. The External Auditor recommends formalizing an IT mapping showing the flows (manual or automated) between the systems for the financial application environment, and for the overall OSCE IT environment.
DMF / Information Security and Coordination (ISC)	1	2. The External Auditor recommends to reintroduce in the revised internal control process for 2022 a minimal but significant number of annual Walkthrough tests to be carried out by administrative staff in the Executive Structures. To avoid excessive disparities between the Executive Structures, the number and the nature of the tests to be carried out should be defined and adapted for each Executive Structure by the Information Security and Coordination Unit, based on proposals from the other units of the Department of Management and Finance.
DMF / Accounts Unit / Extra-budgetary contributions	2	3. The External Auditor recommends to formalize the procedure applicable in case of outstanding receivables for closed projects.
DMF / Accounts Unit Department of Human Resources / Payroll Unit	3	4. When closing the OSCE's yearly Financial Statements, the External Auditor recommends to the Accounts Unit to prepare a reconciliation table between the flows from the payroll ledger and those in the general ledger.
DMF / Asset, Logistics and Travel Support Unit (ALTSU)	3	5. To mitigate the operational risk in recording consumables, inventories and assets held for donation, the External Auditor recommends: - enhancing the inventory module in order to automate the financial accounting of the Organisation's inventories;

		- recording the assets held for donation as inventories in the upgraded inventory module.
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III. OBSERVATIONS AND RECOMMENDATIONS

1. General accounting framework

1.1. Events after the reporting date

9. As required by IPSAS 14, Note 10.4.2 to the Financial Statements discloses events after the reporting date². According to IPSAS 14:

- *“two types of events can be identified: (a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and (b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date)”.*
- *“an entity should not prepare its Financial Statements on a going concern basis if events after the reporting date indicate that the going concern assumption is not appropriate.”*

10. According to ISA 570 (“Going Concern”), the External Auditor must conclude on the appropriateness of the Management’s use of the going concern basis to prepare its Financial Statements. ISA 570 §13 implies that the External Auditor’s conclusion, if positive, covers the entity’s ability to continue as a going concern at least twelve months from the reporting date of the audited Financial Statements, i.e. until 31 December 2022.

11. This implies that the External Auditor must evaluate, on the basis of the information available before issuing his opinion (i.e. 30 June 2022):

- the impact of the unfolding events in Ukraine since 24 February 2022, on the financial commitments and resources related to the Special Monitoring Mission to Ukraine until 31 December 2022;
- and their direct and indirect possible impact on OSCE’s cash position as at 31 December 2022.

12. Note 10.4.2 to the Financial Statements indicates that *“it is not possible at the present time to make a reliable estimate of the financial effects of these developments on the OSCE, but the maximum write off exposure as at 31 December 2021 is the EUR 24 million of assets excluding Inter-Fund Balances that can be seen in Schedule J.1, and total revenue of the Organisation for the year 2022 is likely to be materially reduced. Cashflow projections for the year 2022 are positive, both for SMM and for the OSCE as a whole”.*

13. Indicative cashflow projections were sent to the External Auditor on 8 June 2022 by the Treasury Unit of the Department of Management and Finance. They confirm this statement, although the impact of a possible decision of the Permanent Council on a closure budget for the Special Monitoring Mission to Ukraine might significantly modify the assumptions on which the present projections are based.

² According to IPSAS 14§5, “events after the reporting date are those events, both favorable and unfavorable, that occur between the reporting date and the date when the Financial Statements are authorized for issue”.

Finding No. 1: The External Auditor shares the view that the unfolding events in Ukraine:

- are a non-adjusting event with regard to IPSAS 14;
- have no impact on the OSCE's going concern until 31 December 2022 with regards to ISA 570.

The External Auditor considers that the disclosure in Note 10.4.2 is compliant with IPSAS 14 requirements. The External Auditor has therefore formulated an emphasis of matter in its opinion on the 2021 Financial Statements, in order to draw the readers' attention to the paragraphs of the Note 10.4.2 to the Financial Statements- non-adjusting events after the reporting date, which describes the possible consequences of the decision to close the Special Monitoring Mission in Ukraine (SMM) in the year 2022.

1.2. Main developments impacting the 2021 Financial Statements

14. During year 2021, after a significant slowdown in 2020, the OSCE's activities have begun to recover from the pandemic, yet not reaching back the 2019 levels. This can be reflected through the actual expenditure since 2019, as shown in table below.

Table 1. OSCE's expenditure per segment during the 2019-2021 period (in million of euros)

Actual expenditure	2019	2020	2021
Unified Budget	140.9	130.4	136.6
Special Monitoring Mission to Ukraine (including extra-budgetary)	100.9	95.8	91.0
Extra-budgetary (excluding Special Monitoring Mission to Ukraine)	30.2	17.9	26.9
In-kind	81.7	72.0	75.4
Other	2.3	3.1	2.2
Total	356.1	319.3	332.0

Source: IPSAS segmental reporting 2019-2021.

15. Altogether, the financial situation, the performance and the cash in hand at the end of the year have benefited from the underspending due to the pandemic. As stated in the Financial Report of the Secretary General, as at 31 December 2021, "the overall financial position remains sound, with significant liquid assets in the form of cash", as shown in table 2 below.

Table 2. Overall impact of pandemic on the Financial Statements (in million of euros)

Statement	2019	2020	2021	
Financial position	Net equity	37.66	49.03	50.38
	of which UB cash surplus ³	2.78	4.04	3.83
Performance	Performance result	-7.39	14.29	12.58
Cash flow	Cash as at 31 December	95.09	91.06	104.54

Source: OSCE Financial Statements 2019-2021.

1.3. Internal control

16. Four areas of internal control have been audited:

- information systems management;

³ In the 2021 Financial Statements, the cash surplus of the Unified Budget is no longer shown as a liability, but is included in the net position, pending its final allocation by the Permanent Council. In table 2, the net equity is presented for 2019 and 2020 on a comparable basis with 2021.

- fraud prevention and detection;
- identification and monitoring of related parties;
- the new Walkthrough Process.

a. Information systems management

17. Since last year's financial audit, the OSCE rewrote Financial and Administrative Instruction (FAI) 13⁴, upgraded Windows and implemented a SIEM (Security Information and Event Management) to detect abnormal flows of information and prevent cyber-attacks.

18. The External Auditor carried out tests on the interfaces between EBS Oracle (Integrated Resource Management – IRMA) and Hyperion⁵ and checked that the data in Hyperion and Taleo reflected the data in IRMA.

19. The OSCE does not have an application to visualize the Information Technology (IT) environment and the flows between applications. In case of software change, version upgrade or system integration improvement, such an application could allow identifying risk areas and improving system integration.

Software security

20. Since 2019, the process of creating and modifying user accounts is automated in IRMA. User accesses are created automatically by the Human Resources Department when a new staff is hired, and the start and end dates of the contract are entered in the tool. Line managers request the appropriate user accesses corresponding to the newcomer's functions by issuing a ticket addressed to the IT help desk. Newcomers have access as soon as they have completed their training on the tool. The External Auditor's audit did not detect any exceptions to this procedure. The connection to the Common Regulatory Management System (CRMS) is based on a strong password, compliant with best practices.

21. The closing of user accounts following a departure or transfer is automatic. When a staff member leaves the OSCE, their email accounts are automatically and permanently deactivated, based on the end date entered in the Human Resources tool. This process relies on the data entered in the Human Resources software.

22. A quantitative review of user accounts to ensure that active user accounts belong to staff on duty is carried out on a regular basis using an automatic "script", which identifies the accounts requiring investigation.

23. Following the External Auditor's 2021 recommendations, the separation of duties matrix is under review. During the External Auditor's final mission (in April 2022), the new separation of duties matrix was ready for implementation into Oracle. The External Auditor did not carry out a qualitative user access review for the year 2021.

24. Administrator accounts for the Integrated Management System (Oracle) are restricted to nine staff for the administration of IRMA.

⁴ The Executive Structures should evaluate the risks each year or when a significant change occurs.

⁵ Hyperion is a tool to visualize through decisional tables the data contained in IRMA and in the recruitment management tool Taleo.

Change management

25. The change management is based on the "ITIL"⁶ methodology. All requests for changes to the system are formalized and classified according to their criticality. The External Auditor checked that the developments had been tested and that the production releases of changes had been validated. The changes are put into production by the United Nations International Computing Centre (UNICC), which ensures a separation of functions between development and production. The audit did not reveal any anomalies in the management of changes.

Operation

26. The disaster recovery plan, automatic processing by "batches", incident management, backup management and database and server management are delegated to the UNICC. Because of the recent Oracle update, testing has been performed on the disaster recovery plan in 2021 and a partial disaster recovery test is planned for May 2022.

27. There is still no continuity plan in place. Following a recommendation from the internal audit, such a plan is being developed and should be ready for the first quarter 2023.

Finding No. 2: There is no formalized mapping showing the manual and automated flows between the OSCE's IT systems.

Recommendation No. 1. The External Auditor recommends formalizing an IT mapping showing the flows (manual or automated) between the systems for the financial application environment, and for the overall OSCE IT environment.

b. Fraud prevention and detection

28. The Office of Internal Oversight provided the following information on fraud prevention and detection in 2021:

- While internal audits focus on limited timeframes, scope and samples and are not designed to identify all potential cases of non-compliance or to uncover fraud cases, most of the Office of Internal Oversight's 2021 internal audit missions included audit procedures aimed at identifying situations involving unaddressed or insufficiently addressed fraud risks within the areas covered by the missions, with a view to strengthening the prevention and detection of possible fraud;
- The Office of Internal Oversight's Investigation Section also carried out investigative activities in 2021 in relation to allegations reported to the Office of Internal Oversight, some of which related to fraud.

⁶ Information Technology Infrastructure Library. It is a set of detailed good practices for the management of IT systems.

Table 3. Fraud prevention and detection in 2021

	2021	2020	2019
Allegations of fraud reported	11	6	17
Allegations of potential financial fraud	7	4	3
Number of preliminary reviews conducted by the Office of Internal Oversight (all allegations including fraud)	32	45	49
Number of investigations carried out	17	7	3
Investigation reports issued (allegations substantiated)	11	4	3
Closure reports issued in 2021 (allegations not substantiated or closed for other reasons)	6	3	0
New investigations	6	18	6
Total complaints/allegations received in 2021 (including fraud)	59	66	55

Source: Office of Internal Oversight.

29. In 2021, the number of allegations of financial fraud has increased (seven in 2021 against three to four per year since 2014).

30. Regarding the seven allegations of financial fraud reported to the Office of Internal Oversight in 2021, only one was reported in the Secretariat, involving alleged mismanagement which led to overspending on certain services. The other six allegations of financial fraud came from field operations:

- alleged violations during the procurement of printing services back in 2017, but reported in 2021;
- alleged collusion in a tender and potential involvement of OSCE procurement buyer;
- alleged potential fraud in an award of a contract for travel services in 2019-2020 - the winning bidder's prices were much lower than the competition;
- rumors heard by implementing partners that local staff of the OSCE Office was requesting substantial payments from implementing partners for awarding projects;
- alleged collusion between two vendors in a Request for Quotation. The Request For Quotation was subsequently retendered, with the two vendors being excluded;
- alleged procurement irregularities in the Special Monitoring Mission to Ukraine.

Finding No. 3: The External Auditor has been informed of the allegations of financial fraud brought to the attention of the Office of Internal Oversight within the framework of the fraud prevention and detection system set up by FAls 10 and 14. The External Auditor has taken note of the investigations carried out by the Office of Internal Oversight and has not identified, for the financial year 2021, any fraud likely to have a significant impact on the Financial Statements as a whole.

c. Identification and monitoring of related parties

31. The OSCE considers that its “related parties”, i.e. the persons or entities who can have a significant influence on the Organisation as defined by IPSAS 20, are only the Key Management Personnel – they include the Secretary General, the Heads of Institutions and Missions, and the Heads of Departments in the Secretariat.

32. The delegates of participating States are not considered as related parties, since the principle of consensus in the Permanent Council implies that they cannot individually impose any decision. When funding specific projects through voluntary contributions, they cannot

either impose or influence policies or procedures: all extra-budgetary (ExB) projects are fully subject to the CRMS, which can only be modified with the acquiescence of the Advisory Committee on Management and Finance (ACMF) or by the Permanent Council, which are themselves consensual bodies, in accordance with the applicable provisions of the CRMS.

33. The OSCE-related bodies, the Joint Consultative Group and the Open Skies Consultative Commission, are also not considered as related parties since they are governed by separate treaties and neither party has any dominant influence over the other. Although all participating States to these treaties are also OSCE participating States, the respective governing bodies have no mutual authority, and their only financial relationship is independent from the OSCE, which sublets the Hofburg space in Vienna and provides administrative support to them on the basis of a reimbursement.

34. The External Auditor checked that the procedure to identify related party transactions was applied in 2021⁷: the OSCE did not identify any transaction with Key Management Personnel. The information in Note 4.7 is consistent with the Key Management Personnel list.

Finding No. 4: The External Auditor notes that the principles adopted by the OSCE for the identification of related parties are consistent with IPSAS 20 and that for the year 2021, Note 4.7 discloses adequate information.

d. The new Walkthrough Process

35. The OSCE's second line of defence⁸ for internal control largely relies on top-down interventions such as:

- routine or *ad hoc* checks by the departments and units of the Department of Management and Finance on the Chiefs of Fund Administration's current activities;
- semi-annual reports on internal control, based on the information available in IRMA, to check the compliance of separation of duties, money-market transactions, use of credit cards, cross-charges between the Unified Budget and the extra-budgetary activities, variances between Purchase Requests and Purchase Orders, Exception Requests, post-facto Purchase Requests, etc.

36. In 2018, the Audit Committee considered that the OSCE's second line of defence was not sufficient with regard to the extremely decentralized nature of the OSCE's Executive Structures. The Committee recommended to the Secretary General to implement "a set of explicitly defined and clearly allocated control activities - to verify the accuracy of the content of the assertion letters, at least on a sample basis"⁹.

37. This recommendation was accepted, and a bottom-up Walkthrough Process¹⁰ was set up in 2018. The purpose of this process was to check at each Executive Structure's level the effectiveness of internal control and to provide evidence to support the Letters of Attestation

⁷ Every year, in accordance with IPSAS 20, a message is sent to each Key Management Personnel requesting the disclosure of any transaction with the OSCE, implying themselves or any close family members.

⁸ The "second line of defence", to which several professional standards refer (Committee Of Sponsoring Organisations of the Treadway Commission "COSO", Institute of Internal Auditors IAA, etc.) encompasses the compliance functions, the legal and enterprise risk management, the services responsible for establishing policies and procedures and serving as the Management oversight over the first line (i.e. the basic "business owners" directly managing the daily business activities).

⁹ Audit Committee's "July 2017-June 2018 annual report" (Doc. CIO.GAL/65/18 dated 12 June 2018).

¹⁰ A Walkthrough test is an audit procedure designed to check the reliability of an entity's accounting system: the principle is to trace a transaction "step-by-step" through the accounting system, from its inception to the final disposition. This involves identifying how a transaction is authorized, recorded (manually, by automated means, or both) and then reported in the general ledger.

signed by the Fund Managers and Chiefs of Fund Administration at the end of each financial year, which in turn serve as the basis for the Secretary General to sign the annual Statement on Internal Control.

38. To implement this new process, the Department of Management and Finance prepared an annual Internal Control Walkthrough Process template, presenting in an Excel spreadsheet the detailed tests to be performed and the number of transactions to be selected for each process, each Executive Structure having to fill an Internal Control Walkthrough Checklist and send it back to the Department of Management and Finance.

39. For the year 2020, the Department of Management and Finance identified six test areas: 1. Accounts, Treasury and Cash Management / 2. Asset Management / 3. Implementing Partners / 4. Procurement / 5. Information Security / 6. Project Management.

40. For the same year, the process started in November 2020 and ended by mid-January 2021: in each Executive Structure, a Review Team carried out tests in each area. In accordance with the “dual approval” principle, each Review Team was composed of one administrative and one programmatic Mission Member. Additionally, in each Executive Structure, a coach from the Fund Administration Unit was appointed to support the Review Team in his/her area of expertise.

41. A summary of the 2020 Walkthrough Process provided by the Department of Management and Finance/Programming and Evaluation Support Unit (PESU) states that “internal control walkthroughs on Project Management have been completed by 13 Fund Owners as well as five Secretariat Departments, with 14 out of 18 having drawn 42 different recommendations from this exercise to improve their internal Project Management practices”.

42. For the year 2021, considering that this procedure was excessively time-consuming and costly, the Department of Management and Finance decided to implement a different approach. The following table compares the original and the new processes. Items in bold correspond to the changes that have been implemented:

Table 4. Comparison between original and new internal control processes

Original process (until 2020)	New process (starting 2021)
Five (in 2018 and 2019) or six (in 2020) areas are identified by the Department of Management and Finance. All areas are tested	Fewer areas are selected on the basis of a risk analysis of each entity*.
Local team: one administrative staff (not implied in the area) and one programmatic staff	No local team is formed.
The team develops a sample validated by the Chief of Fund Administration.	No sample is required.
The team checks all selected entries with supporting documents.	The control consists in checking the existence of an adequate procedure, not in implementing detailed Walkthrough tests.
The Chief of Fund Administration signs the checklist and the Letter of Attestation.	The Chief of Fund Administration signs the checklist and the Letter of Attestation.
The Chief of Fund Administration transmits its sample and the documents checked.	The Chief of Fund Administration does not transmit supporting documents.
The Department of Management and Finance may request any additional documentation.	The Department of Management and Finance may request any additional documentation.

* Executive Structures subject to an Office of Internal Oversight audit are exempt from the new process in the same year.

Source: External Auditor, based on elements provided by the Information Security and Coordination Unit – Department of Management and Finance.

43. This table shows that the new process is no longer based on a Walkthrough approach, and thus does not comply with the Audit Committee’s initial recommendation (“defining a set of explicitly defined and clearly allocated control activities [...] at least on a sample basis”).

44. The External Auditor asked for available information on the number of days per person dedicated to the Walkthrough Process in 2020 (original process) and 2021 (revised process). Eleven Executive Structures out of eighteen provided the requested information. Their estimations, which do not include the Project Management and information security Walkthrough, are presented in the following table.

Table 5. Number of days per person dedicated to the Walkthrough Process

Executive Structure	2020	2021
Personal Representative of the Chairperson-in-Office	8	5
Presence in Albania	11	3.5
Project Coordinator in Uzbekistan	11.25	1
Programme Office in Bishkek	6.5	1
Special Monitoring Mission to Ukraine	80	0
Mission to Bosnia and Herzegovina	246	0
Mission to Serbia	66	7.5
High Commissioner on National Minorities	9.5	4
Mission to Moldova	10	1.5
Mission in Kosovo	12	0.5
Programme Office in Dushanbe	70	12
Total	530.25	36
Average	48.2	3.3

Source: DMF, Information Security and Coordination Unit.

45. This table shows that for 2020:

- the average resource dedicated by the Chiefs of Fund Administration to the Walkthrough Process was high: 48,2 person-days per Executive Structure, far above an initially expected average of five days per person;
- there were very important differences between Executive Structures, ranging from 6,5 person-days in Bishkek to 246 days per person for Bosnia and Herzegovina, without any link with the overall volume of transactions carried out by each Executive Structure.

46. The same table also shows that, with the revised process, the resources dedicated to the process for the year 2021 are expected to be considerably lower (an average of three days per person per Executive Structure).

47. Based on those elements, the External Auditor considers that:

- on the one hand, in the revised process, a selection through a risk analysis of a more restricted number of areas to be checked and the decision to avoid duplications with the audits carried out by the internal auditor during the same year are more efficient in terms of cost-benefits;
- on the other hand, the elimination of detailed tests carried out on concrete transactions samples and their replacement by declarative statements of the Chiefs of Fund Administration on the existence of adequate procedures severely limit the level of assurance that can be expected from this new process.

Finding No. 5: In order to reduce the cost of OSCE’s internal control, the Department of Management and Finance decided in 2021 to replace the Walkthrough Process, recommended by the Audit Committee and implemented in 2018, by a simplified process, no longer relying on Walkthrough tests carried out on a significant sample of transactions. The External Auditor welcomes this more selective approach, which is based on risk analysis, and which avoids duplications with the internal audit. But the External Auditor notes that the absence of Walkthrough tests and their replacement by the Chief of Fund Administration’s declarative statements on the existence of adequate procedures do not provide sufficient assurance in the context of the annual Statement on Internal Control signed by the Secretary General.

Recommendation No. 2. The External Auditor recommends to reintroduce in the revised internal control process for 2022 a minimal but significant number of annual Walkthrough tests to be carried out by administrative staff in the Executive Structures. To avoid excessive disparities between the Executive Structures, the number and the nature of the tests to be carried out should be defined and adapted for each Executive Structure by the Information Security and Coordination Unit, based on proposals from the other units of the Department of Management and Finance.

2. Operational elements recognised in the Financial Statements

2.1. Assessed/voluntary contributions and other income/receivables

48. In 2021, total accrued contributions amount to EUR 340 million as shown in the following table.

Table 6. 2021 total contributions (in million of euros)

		2020	2021	Variation
Assessed Contributions	Unified Budget	138.2	138.2	+0.0 %
	Special Purpose Funds	89.0	91.4	+2.7 %
Voluntary Contributions	Extra-budgetary activities	30.5	34.9	+14.4 %
	In-kind contributions	72.0	75.5	+4.8 %
Total		329.8	340.0	+3.1 %

Source: 2021 Financial Statements.

49. Due to the Zero Nominal Growth policy for the Unified Budget, assessed contributions are identical to the previous year. Contributions for Special Purpose Funds (mainly the Special Monitoring Mission to Ukraine) are slightly growing.

50. Extra-budgetary contributions increase by EUR 4.4 million. As disclosed in Note 6.2, contributions recognized as income for the financial year include two elements:

- revenue from new extra-budgetary contributions (from pledges accepted by both donors and the OSCE, EUR 51.4 million);
- revenue from conditional agreements deferred during the period (EUR -16.7 million).

51. The volume of accepted pledges increased again in 2021, after a sharp drop in 2020 due to the pandemic.

52. In-kind contributions represent mainly seconded staff (EUR 69.4 million). The OSCE bases their valuation on the cost of equivalent international contracted staff on the United Nations salary scale expressed in dollars (USD). Their increase in 2021 is mostly due to the evolution of the USD/EUR exchange rate (USD 1 = EUR 0.888 in 2012 versus EUR 0.837 in 2020).

53. The External Auditor compared the assessed contributions recorded in the general ledger with the decisions of the Permanent Council and tested samples of contributions relating to the Unified Budget, to the Special Monitoring Mission to Ukraine and to extra-budgetary contributions.

54. Due to the late Unified Budget approval by the Permanent Council, in 2021 as in 2020, the Secretary General raised through two provisional billings the total assessed contributions for the Unified Budget to the participating States. The inconsistency between Financial Regulation 3.04 (authorizing commitments up to 100 % of the previous nominal budget in the absence of an approved budget) and Financial Regulation 4.04 (limiting to 50 % of the previous nominal budget the provisional billing of assessed contributions by the Secretary General in the absence of an approved budget) is further described in the External Auditor's recent report on the Unified Budget Process.

55. As at 31 December 2021, Unified Budget Assessed Contributions Receivables amount to EUR 3.4 million. These arrears are almost completely impaired by an equivalent allowance, in compliance with IPSAS 21. According to its general accounting policy (Note 2.4), the OSCE usually sets the allowance to 100 % of the outstanding receivables from participating States whose arrears partly or totally equal or exceed the contributions due for the preceding two full years:

- contributions of two participating States in that situation, amounting to EUR 2.7 million, have been impaired on that basis;
- but the unpaid contribution of a third participating State, dating from less than one year, has also been fully impaired, because an official decision not to pay was sent by that State to the OSCE. Though not provided in the general allowance policy of the Organisation, the accounting of a full depreciation seems justified in the given case.

56. Non-Unified Budget Assessed Contributions Receivables amount to EUR 11.8 million, partially offset by an allowance of EUR 0.4 million. Most of the arrears appeared less than two years ago and consequently, they are not depreciated.

Finding No. 6: Allowances for assessed contributions arrears comply with the OSCE's general accounting policy and with IPSAS 21 ("Impairment of Non-Cash Generating Assets").

57. The External Auditor tested the extra-budgetary contributions receivable (EUR 29.1 million) and the ageing balance in Note 3.3.3. Three arrears from 2016, 2017 and 2020 were not justified by any document. The related projects were closed without the donor being asked about its intention or confirming its intention in relation to the outstanding receivables.

58. The OSCE now conducts an annual clean-up of unpaid bills for closed extra-budgetary projects.

59. According to IPSAS 23 ("Revenue from non-exchange transactions") §31 and §33, an inflow of resources from a non-exchange transaction shall be recognized as an asset only

when it is probable that the future economic benefit associated to the asset will flow to the entity. When the deadline for the pledge set by the donor has expired and the OSCE has not requested or received a reallocation of funds within a reasonable delay, the probability that the donor will transfer the remaining funds after the reporting date becomes weak.

60. Nevertheless, the recognition of such improbable receivables as assets has no impact on the equity, since they are offset by provisions for their potential return to the donor (“Conditional Extra-budgetary Contributions” among the liabilities).

Finding No. 7: The OSCE has implemented for the first time an annual cleaning up of old extra-budgetary contributions receivables. Some receivables tested by the External Auditor are probably no longer due by the donors.

Recommendation No. 3. The External Auditor recommends to formalize the procedure applicable in case of outstanding receivables for closed projects.

2.2. Debts and other accounts payable

61. The main debts consist in payables and accruals, which increase slightly between 2020 and 2021: EUR 11.7 million as at the end of 2020, compared to EUR 13.3 million as at the end of 2021. The External Auditor’s checks did not reveal any significant anomaly.

62. In 2021, out of a total of accounts payables of EUR 2 million, most were payables to suppliers (EUR 1.7 million). The supplier’s confirmations have been compared with the aging vendors balance. The OSCE explained all the differences, which were mainly due to timing differences in recognition.

63. In 2021, accruals reached EUR 11.3 million (EUR 8.8 million in 2020). They are related to goods and services delivered in 2021. Detailed checks on the cut-off for expenses booked in 2021 and during the first two months of 2022 did not reveal material errors.

64. The tested expenses have been selected among the following items:

Table 7. Details of expenses (in thousand of euros)

	2020	2021	Variation
Consultancy and subcontracting	31,196	35,235	13 %
Travel expenses	7,988	11,794	48 %
Services and office costs	32,130	38,238	19 %
Consumables and supplies	7,316	7,449	2 %
Equipment expenses	4,192	7,178	71 %
Other operating expenses	12,644	8,216	-35 %
Total expenses subject to testing	95,466	108,110	13 %

Source: 2021 Statement of Financial Performance.

65. The analytical review of these expenses shows that after a year 2020 impacted by the Covid-19 pandemic, the activity recovered in 2021. This is mainly reflected in accrued travel expenses, as well as an increase in services and office costs. Some other significant increases and decreases appear not to be linked with the pandemic, especially:

a. Inventory donated to third parties

66. The increase in inventory donated to third parties, which amounted to EUR 4.3 million in 2021 versus EUR 1.3 million in 2020, is mostly due to the implementation of new extra-budgetary activities.

Finding No. 8: With regard to the nature and the financial stakes attached to the equipment donated to third parties, the External Auditor requested an amendment of Note 7.7 “Equipment expense” to properly reflect the actual amount of donated inventory in 2021.

b. Unmanned Aerial Vehicles

67. Expenses related to Unmanned Aerial Vehicles (UAV) rentals for the Special Monitoring Mission to Ukraine decreased by nearly EUR 4 million compared to 2020, as a result of the suspension of UAV flights from June to September 2021, after the loss of a long-range UAV.

c. Permanent Council/Advisory Committee on Management and Finance meetings

68. In 2021, the cost for Permanent Council/Advisory Committee on Management and Finance (PC/ACMF) meetings increased by EUR 371 thousand compared to 2020. To answer External Auditor’s questions, the Accounts Unit provided the following analysis:

69. The number of PC/ACMF has steadily grown since 2019:

Table 8. Permanent Council/Advisory Committee on Management and Finance meetings 2019/2021(in thousand of euros)

	2019	2020	2021	Variation 2019-2021
Number of meetings	75	87	96	+28 %
Overall cost	2,649.18	2,881.57	3,252.75	+23 %

Source: DMF, Accounts Unit.

70. One of the main factors explaining this increase is the cost of interpretation and translation services in Hofburg¹¹:

Table 9. Cost of interpretation and translation services (in thousand of euros)

2019	2020	2021	Variation 2019-2021
1,719.45	2,089.30	2,219.12	+29 %

Source: DMF, Accounts Unit.

Finding No. 9: Interpretation and translation services are submitted, as all other OSCE’s activities, to the Zero Nominal Growth budget. Nevertheless, since 2019, because of a growing activity of the Permanent Council/Advisory Committee on Management and Finance, the need for such services has increased by more than 20 %.

d. Other accounts payable

71. Current assets also consist in prepayments, which increased between 2020 and 2021: EUR 6.6 million at the end of 2021, compared to EUR 4.8 million at the end of 2020. They

¹¹ A budget transfer of EUR 363 000 was authorized to cover the increase in the expenses for conference and language services. The Secretary General’s sub-programmes could provide EUR 108,000, but an additional EUR 255,000 had to be transferred from other Main Programmes of the Secretariat (Internal Oversight, International Threats, Activities Relating to the Economic and Environmental Aspects of Security).

mainly correspond to suppliers' prepayments (EUR 4.3 million as at 31 December 2021, compared to EUR 3.1 million as at 31 December 2020). These amounts correspond, on the one hand, to advance payments for EUR 1.9 million, and on the other hand, to payments of services to be received over the financial year (annual subscriptions, maintenance and support), for EUR 2.3 million. Detailed checks did not show material errors.

Finding No. 10: The tests performed by the External Auditor do not reveal any anomaly in the accounting of debts and other payable accounts. The accounts are compliant with the OSCE Financial Regulations and with IPSAS standards.

2.3. Employee benefits

72. During the interim mission, the External Auditor did not detect any anomaly in the internal control on processes of salary expenses, especially regarding the segregation of duties.

73. As in 2020, the level of unused annual leave was remarkably high in 2021 due to the pandemic. In application of Exception Request No. 188/2021, employees were allowed to carry over into 2022 up to 40 days of their untaken leave at the end of the year, rather than the 30 days allowed by Staff Rule 7.02.1 (b).

74. The most significant variation in the salaries and employee benefits expenditures is the service cost for annual leave, which decreased by EUR 4,4 million between 2020 and 2021. Indeed, it amounted to EUR 0.1 million in 2021 versus EUR 4.5 million in 2020, due to a decrease of the leave, as a result of the pandemic.

75. The External Auditor noted two errors in the calculation of OSCE's liabilities for employee benefits:

- cut-off tests showed that the Department of Management and Finance had calculated the prepayment for education grant for the first time at year end 2021 but not in 2020. In compliance with IPSAS 3, the Department of Management and Finance agreed to restate the opening balance sheet for 2021 as well as Note 2.2 accordingly ("Prior Year Restatements, Changes in Estimates and Presentation");
- in the 2021 draft Financial Statements, the employer's contribution was not included in the calculation of the annual leave liability. The Department of Management and Finance evaluated the under-estimation at EUR 457 thousand, and accepted to adjust the corresponding liability in the 2021 Financial Statements. In compliance with IPSAS 3, the Department of Management and Finance also restated the annual leave liability for 2019 and 2020, as well as Note 2.2.

76. As a result, the External Auditor does not record any unadjusted differences in the 2021 Financial Statements.

77. The External Auditor notes that no reconciliation table had been prepared prior to his final mission between the flows from the payroll ledger and those integrated in the general ledger. Such a table is useful to guarantee the reality and completeness of the integrated flows. No significant deviation has been detected.

Finding No. 11: All discrepancies identified by the External Auditor in the 2021 draft Financial Statements for employee benefits liabilities have been adjusted, and corresponding restatements have been made for the prior year. Note 2.2 has been completed accordingly, so that the External Auditor does not identify any unadjusted difference in the 2021 final Financial Statements.

No reconciliation table was available prior to External Auditor's final mission between the flows from the payroll ledger and those integrated in the general ledger.

Recommendation No. 4. When closing the OSCE's yearly Financial Statements, the External Auditor recommends to the Accounts Unit to prepare a reconciliation table between the flows from the payroll ledger and those in the general ledger.

2.4. Provisions/contingent liabilities

78. Allowances for arrears on assessed contributions are recorded as impairments of assets, not as liabilities (see above, §2.1).

a. Provisions for extra-budgetary contributions

79. The only provisions recorded in the liabilities of the Statement of Financial Position, in compliance with IPSAS 19, relate to unearned revenue on extra-budgetary pledges currently expiring on or before 31 December 2021. They amount to EUR 7,089 thousand (cf. Note 4.9 to the Financial Statements).

b. Other contingent liabilities/allowances

80. The Financial Statement on Financial Position records no other provisions or off-balance sheet contingent liabilities. The External Auditor checked the pending litigations with the Office of Legal Affairs and noted that three matters that entailed or may in time entail a financial obligation on the OSCE, already existing at 2020 year's end, were still pending as at 31 December 2021:

- a group case within the OSCE's internal justice system was under consideration by the OSCE Panel of Adjudicators. It concerned the appeal of four former members of the OSCE against disciplinary measures for fraudulent vehicle refuelling;
- a case concerning a disciplinary measure about a driver misconduct;
- a contingent liability concerning the remaining owner, who has not yet come forward with a claim, of one-third of a former antenna site used by the OSCE Mission in Kosovo (OMiK) until May 2016. According to the Office of Legal Affairs, the corresponding contingency was assessed as not exceeding EUR 10,000.

81. The litigation risks not being material, the Accounts Unit did not record any provision as at 31 December 2021. The External Auditor noted that the one pending litigation had been settled in March 2022, and that it resulted in an expense of EUR 8,100 for compensation concerning the group case with four claimants, which is a 2022 expenditure.

Finding No. 12: The External Auditor diligences did not reveal any need for additional allowances for provisions in the 2021 Financial Statements.

2.5. Statement V and Note 9 to the Financial Statements

82. Statement V (comparison of approved budget and actual expenditure) and Note 9 are now strictly focused on the Unified Budget – information on the Special Monitoring Mission to Ukraine and extra-budgetary approved funding has been excluded. Actual expenditure is no longer included in Note 9 to the Financial Statements, but is still available in the segment reporting annexed to the Financial Statements.

83. Following an External Auditor's previous recommendation, Statement V now clearly shows the budgetary cash surplus (EUR 3,827 thousand in 2021).

84. For the comparison of approved budget and actual expenditure, IPSAS 24 paragraph 14 provides that the Financial Statements must give, "*by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the Financial Statements, and a cross reference to those documents is made in the notes*".

85. To avoid dispatching budgetary information between different audit reports, the External Auditor recommended, during his provisional audit report on the Unified Budget process, to include the requested detailed information on the material differences between the budget and actual amounts in the Programme Budget Performance Report rather than in Note 9 to the Financial Statements. This recommendation has been accepted and immediately implemented in the 2021 Programme Budget Performance Report, in which a new paragraph on cash surplus and an annex providing detailed comparisons between the approved Unified Budget and actual expenditure have been added, and a cross reference to the Programme Budget Performance Report has been introduced in Note 9.

Finding No. 13: The External Auditor has checked the accuracy of the reconciliation data provided in Notes 9.1 (reconciliation of the Unified Budget cash surplus with the Statement of Financial Performance) and 9.2 (reconciliation of the Unified Budget cash surplus with the Cash Flow Statement) and their consistency with the data provided in the 2021 Programme Budget Performance Report.

3. Investments

3.1. Fixed assets

86. Tangible and intangible net assets amounted to EUR 20.1 million as at 31 December 2021.

87. Most assets are located in Ukraine (EUR 9.0 million), in the Secretariat General (EUR 6.9 million) and in Kosovo (EUR 1.1 million).

88. The EUR 2.3 million net assets increase in 2021 was due to acquisitions totalling EUR 7.0 million, minus a depreciation of EUR 4.7 million. In net terms, this increase was equivalent to the one recorded in 2020 (EUR 9.1 million minus EUR 6.8 million of depreciation).

89. The main acquisitions were the purchase of vehicles (+ EUR 3.3 million), the upgrade of the Enterprise Resource Planning project (+ EUR 1.8 million), and investments in IT hardware (+ EUR 1.0 million).

90. The recording of fixed assets is subject to complex procedures. The accounting structure leads to successive reconciliations, which may be a source of errors, although the External Auditor identified no significant anomaly during the audit. Furthermore, the asset monitoring mechanisms and the numerous reconciliation files, in addition to a highly decentralized asset

management, imply risks of errors. Significant differences exist between the files detained by the Assets, Logistics and Travel Support Unit and the Department of Management and Finance. Asset management files need to be restated in order to match the Financial Statements. Thus, there is a risk of operational errors due to manual corrections by the Department of Management and Finance. Nevertheless, the detailed tests carried out by the External Auditor on depreciations and a sample of physical inventory and of 2021 acquisitions and disposals did not reveal any significant anomaly.

3.2. Inventories

91. The provisions relating to inventories are presented in Note 2.5 to the Financial Statements, which makes a distinction between two categories:

- consumables and supplies held for use by the Organisation to support the delivery of its programmatic objectives: the threshold for capitalisation is set at EUR 150 per item and EUR 50,000 per category and location;
- inventories held for distribution to beneficiaries at no or nominal charge: the threshold for capitalisation is set at EUR 150 per item.

92. Inventories decreased by EUR 427,649 in 2021. This drop is mainly due to the inventories held for distribution to beneficiaries, whose account balance decreased from EUR 960,073 in 2020 to EUR 472,920 at the end of 2021.

93. The External Auditor performed valuation tests on a sample of items and found no significant difference. The analysis of the answers to a questionnaire sent to the OSCE show that there are no discrepancies in the annual physical inventories.

94. The External Auditor noted that there are no specific rules to depreciate the value of inventories. Part of the External Auditor's interim mission on the 2021 Financial Statements took place in Kiev from 11 to 23 December 2021. The tests carried out locally on inventories of the the Special Monitoring Mission to Ukraine (spare parts for the vehicle fleet) showed that the wear and tear or obsolescence of certain inventories had not been considered in their valuation. But with regards to the total amount of OSCE's inventories (EUR 1,609 million, out of which EUR 473 thousand held for donation), and also due to the fact that most of them are held by the Special Monitoring Mission to Ukraine, the External Auditor does not consider that this represents a material issue.

Finding No. 14: Although they revealed no material anomaly, the detailed tests carried out by the External Auditor highlighted the complexity of the accounting procedures and of the monitoring of OSCE's fixed assets and inventories: the numerous reconciliation files, in addition to a highly decentralized management of assets and inventories, increase the risk of errors.

3.3. Possible improvements

95. The need for manual reconciliation is due to the fact that:

- the ALTSU procedures do not segregate assets and inventories held for distribution to beneficiaries at no or nominal charge;
- the inventories held for distribution to beneficiaries at no or nominal charge are recorded in the fixed asset book and accounted for as Property Plant & Equipment;

- the current Inventory Module does not provide the information (pricing, etc.) necessary to directly recognize consumables and inventories in the financial accounts.

96. In 2021, this issue concerns mainly the fixed assets and inventories of the Special Monitoring Mission to Ukraine, and the imminent closure of the Special Monitoring Mission to Ukraine solves the problem. Nevertheless, a better distinction between consumables and inventories, as well as a more automated financial recording of assets held for distribution should be encouraged in other OSCE Executive Structures. That is why, in order to avoid the operational risk due to manual operations to distinguish consumables, inventories and assets held for distribution, the External Auditor issues the following recommendation.

Recommendation No. 5. To mitigate the operational risk in the accounting of consumables, inventories and assets held for donation, the External Auditor recommends:

- enhancing the inventory module in order to automate the financial accounting of the Organisation's inventories;
- recording the assets held for donation as inventories in the upgraded inventory module.

4. 2021 Financial closure

4.1. Analysis of Cash and Investment

97. The OSCE's financial position remained stable in 2021. It decreased from EUR 134.7 million to EUR 133.3 million between 31 December 2020 and 31 December 2021, and is broken down as follows.

Table 10. 2018-2021 Cash and Investments (in thousand of euros)

	2018	2019	2020	2021
Cash and equivalents	107,526	95,094	91,059	104,537
Investment	9,133	13,971	43,685	28,809
Total	116,659	109,065	134,744	133,347

Source: IRMA.

98. Cash (and equivalents) and investment volumes in 2021 remain overall stable compared to 2020 (-1 %), but their distribution changed significantly over 2021. Cash and equivalents grew by 14.8 % and investments decreased by 34.1 %. This situation is due to the low short-term Euro interest rates. Notably, the extra-budgetary bank deposits in euro (over three months) decreased from EUR 20.0 million to EUR 0.00.

4.2. Cash and equivalents

99. The OSCE holds 142 open accounts (bank and cash) as at 31 December 2021. Bank and cash statements as well as their reconciliation were checked and showed no significant anomaly. The External Auditor notes that:

- 45 accounts show a zero balance, among which 25 cash accounts are inactive (and not updated) for more than one year – they could be deactivated in Oracle;
- in 2021, two new bank accounts have been opened (Austria) and two accounts have been closed (Armenia);
- in compliance with IPSAS 4 and as previously recommended by the External Auditor, 80 accounts (29 bank accounts and 51 cash accounts), held in foreign currencies, have

been converted in the Financial Statements using UNORE rates as at 31 December 2021;

- most banks (25 out of 28) have confirmed balances as at 31 December 2021. Only three confirmations have not been received during the audit, and reminder e-mails have been sent by the OSCE;
- 19 bank accounts provide credit cards for a total of 23 authorized persons, depending on their functions (Heads of mission, Fund Administrators, Budget Assistants and Associates). The total credit card payments for the year 2021 amount to EUR 66.2 thousand. This amount has been validated through the bank reconciliations.

100. Financial cash positions are updated in Oracle only when there has been at least one transaction during the current year. This explains why some bank accounts are not listed as at 31 December 2021 in the “Cash Management – Statement Date”.

101. Short-term deposit amounts and maturities as at 31 December 2021 have been confirmed by the banks for a total of EUR 3.5 million¹².

4.3. Investments

102. The investment policy of the Organisation, established on 24 April 2015, remains unchanged. Very short-term deposits do not exceed three months, while short-term investments must not exceed nine months. This policy is intended to preserve the availability of funds for operational needs, only funds not immediately needed for operations being allowed to be invested in order to earn interest.

103. The External Auditor has received the confirmation of amounts and maturities for all invested positions (EUR 28.8 million) in three banks: Bank of Austria (USD 7.0 million), CIC (EUR 10.0 million) and DNB (USD 14.3 million). These positions were converted with UNORE rate as at 31 December 2021 in the Financial Statements, in accordance with IPSAS 4.

Finding No. 15: The External Auditor notes that, as recommended in his 2020 financial report, foreign currencies are now converted in compliance with IPSAS 4.

4.4. Net equity

104. Statement IV shows that the OSCE’s net assets increased by EUR 1.4 million in 2021, from EUR 49 million as at 31 December 2020 to EUR 50.4 million as at 31 December 2021.

105. The External Auditor has verified the components of the net assets and the changes recorded as at 31 December 2021.

¹² Bank of Austria (USD 2,0 million) and DNB (USD 2,0 million).

IV. FOLLOW-UP OF THE EXTERNAL AUDITOR'S RECOMMENDATIONS

106. The External Auditor reviewed the status of the recommendations issued for the previous fiscal years (2017 to 2020). The Action Plan, as at end of January 2022, included a total of 25 recommendations fully or partly accepted by the Secretariat: nine recommendations were related to the audit of OSCE 2017 and 2020 Financial Statements, the 16 others were related to performance audits carried out in 2021 (Human Resources and field operations - POiD¹³ and OMIK).

107. The External Auditor met the action officers responsible for implementing each recommendation in Vienna, during the interim mission (3-14 January 2022), and made his own comments in the document PC.ACMF/7/22 (issued on 3 February 2022). In this document, the External Auditor considers that:

- nine recommendations can be closed, either because they have been implemented or because they no longer meet current needs (recommendations 2019-5, 6 and 8; 2020-POiD1, 2020-OMiK-2, 2020-HR-8, 2020-FS-5, 6 and 7)¹⁴;
- three recommendations remain partially open and will continue to be followed up (recommendations 2017-11, 2020-FS1 and 3);
- thirteen recommendations remain open and will continue to be followed up (recommendations 2017-1; 2020-POiD-2; 2020-HR-1, 2, 3, 4, 5, 6, 7, 9 and 10; 2020-FS-2 and 4).

108. The following table presents the status of the previous recommendations which remained open at the beginning of the External Auditor's final mission on the OSCE's 2021 Financial Statements:

Rec. #	Priority	Recommendation	Status
2017-1	2	<i>In order to reduce the economic constraints caused by the 1/12 extension once the first quarter of the extended budget has been overcome, PC could consider to modify FR 3.04 in the sense of regulating provisional allotments until the new budget is approved on a quarterly basis, instead of monthly as currently.</i>	No expected progress – depends exclusively on Permanent Council's decision. To be followed up.
2017-11	2	<i>To the Secretariat, to consider the possibility of making request form for Short Term Appointments (STA) electronic, avoiding paper and providing automatically all the computations from the data available in IRMA (i.e. "previous period of temporary assistance", "break taken", and "STA period available).</i>	The recommendation can be considered as partially implemented, but the electronic STA Request Form is still to be developed. Recommendation 2017-11 remains open.
2020-FS-1	1	In the area of IT management, the External Auditor recommends to: - draw up, as identified by the internal audit, a business continuity plan by the end of 2021, jointly with the operational divisions and the IT division. The business continuity plan will have to be subject to formalized tests;	Recommendation 2020-FS-1 part 1 remains open. Part 2 is closed.

¹³ Programme Office in Dushanbe.

¹⁴ Remarkably, recommendation FS-6 (priority 1) has been accepted and implemented in 2021: the Special Monitoring Mission to Ukraine budgetary reporting system now ensures that the mission's expenditure and income are accounted for in strict compliance with IPSAS, which was not the case in 2020.

		- update in real time the HR tool and IRMA with the contract data which are used to manage access authorizations to the system.	
2020-FS-2	2	The External Auditor recommends updating FAI 4 by adding the IPSAS 23 recognition criteria for extra-budgetary contributions.	Recommendation 2020-FS-2 remains open.
2020-FS-3	2	The External Auditor recommends automating in Oracle the monitoring of extra-budgetary contributions.	Recommendation 2020-FS-3 part 1 is closed. Part 2 remains open.
2020-FS-4	2	The External Auditor recommends formalizing and reinforcing the monitoring of step increment decisions and annual premiums.	Recommendation 2020-FS-4 remains to be followed up until the minutes of the first yearly IoM will be communicated to the External Auditor.
2020-HR1	2	The External Auditor recommends, as already recommended by the internal audit of the OSCE, to define in which specific conditions the access to the US Medical System could be provided.	Recommendation 2020-HR1 remains open.
2020-HR-3	2	The External Auditor recommends to extend the pilot of direct applications to the seconded staff recruitment process for volunteer participating States, with implementation expected by 2023.	Recommendation 2020-HR-3 remains open.
2020-HR-4	2	The External Auditor recommends to quarterly issue statistics on the duration of each step of the recruitment process, in order to identify ways of improvement.	Recommendation 2020-HR-4 remains open.
2020-HR-5	2	The External Auditor recommends to issue an official yearly mobility strategy plan in particular for staff without limits of duration in their posts.	Recommendation 2020-HR-5 remains open.
2020-HR-6	2	The External Auditor recommends to implement regular coordination meetings among Chiefs of Fund Administration and other Human Resources staff regarding the needs for learning and development.	Recommendation 2020-HR-6 remains open until the External Auditor receives more precise written information on these webinars.
2020-HR-7	2	The External Auditor recommends the issuance of a yearly document describing the needs for learning and training at the field level.	Recommendation 2020-HR-7 remains open until a first yearly document is issued.
2020-HR-9	2	The External Auditor recommends to elaborate quarterly tables on absenteeism at the disposal of Human Resources managers in each duty station.	Recommendation 2020-HR-9 is closed.
2020-HR-10	1	The External Auditor recommends to launch a strategic review of the OSCE posts in 2022.	Recommendation 2020-HR-10 remains open.
2020 POiD-2	1	The External Auditor reminds that any extension of ExB projects registered in Oracle before 28 May 2018, is considered as a new project, and as such, should in all cases have to contribute to the Indirect Common Costs (ICC), so that within a short period of time, the subsidizing of ExB by UB through unshared structure costs should end.	Recommendation 2020-POiD-2 remains open by early 2022 for the 36 projects “closed or in the process of closure”, by the end of 2022 for 21 projects and before the end of 2025 for the remaining five projects.

V. ACKNOWLEDGEMENT

109. The External Auditor wishes to express his deep appreciation to the Secretariat General staff for the quality of their reception and the accuracy of the information they provided.

End of audit observations.

APPENDIX
OSCE PROVIDENT FUND STATEMENT

OSCE Provident Fund Summary Statement
Unaudited - For Information Purposes Only

For the Year Ended 31 December 2021

	Deposit Administration Funds				International Equity Funds				European Equity Fund		Total Funds
	Units '000	EUR '000	Units '000	USD '000	Units '000	EUR '000	Units '000	USD '000	Units '000	EUR '000	EUR '000
Opening Balance as at 1 January 2021	85,750	110,415	5,903	6,291	14	968	21	1,802	71	1,381	
Contributions/Premium Allocation	12,361	15,917	1,020	1,089	0	34	2	155	9	209	
Unit Adjustments	-	-	-	-	-	-	-	-	-	-	
Surrenders	(7,320)	(9,425)	(1,256)	(1,342)	(0)	(1)	(2)	(229)	(9)	(184)	
Withdrawals	(1,202)	(1,548)	(55)	(58)	(0)	(23)	(0)	(17)	(1)	(14)	
Switch Out	(98)	(127)	-	-	(0)	(5)	-	-	(2)	(43)	
Switch In	17	22	-	-	-	-	-	-	7	153	
Transfer Out	(5)	(7)	-	-	-	-	-	-	-	-	
Transfer In	-	-	-	-	-	-	-	-	-	-	
Fees (Administration Fee and Establishment Charge)	-	-	-	-	-	-	-	-	-	-	
Total movements during year	3,753	4,833	(291)	(312)	0	4	(1)	(91)	5	121	
Guaranteed Interest on Opening Balance	-	11	-	31	-	-	-	-	-	-	
Guaranteed Interest on units accumulated during year	-	0	-	(0)	-	-	-	-	-	-	
Deposit Administration Bonus Units (additional interest)	82	106	15	16	-	-	-	-	-	-	
Market Value Adjustment	-	-	-	-	-	328	-	431	-	368	
Closing Balance as at 31 December 2021	89,586	115,364	5,627	6,027	14	1,299	20	2,142	77	1,870	125,730