

2019

OSCE

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

osce

Organization for Security and
Co-operation in Europe

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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

25 June 2020

Dear Ambassador,

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 2019 and the Report of the External Auditor thereon for your consideration and approval.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'T. Greminger', with a stylized flourish at the end.

Thomas Greminger
Secretary General

I – EXTERNAL AUDITOR'S REPORT



Maria José de la Fuente y de la Calle

Tribunal de Cuentas

Presidenta

Excmo. Sr. D. Thomas Greminger
Secretario General
Organización para la Seguridad y
Cooperación en Europa (OSCE)
VIENA (Austria)

Madrid, 24 de junio de 2020

Estimado Sr. Secretario General,

Me complace enviarle el Informe del Auditor Externo sobre los estados financieros de la Organización para la Seguridad y Cooperación en Europa (OSCE) correspondientes al ejercicio 2019 y la Opinión de Auditoría, para su elevación al Consejo Permanente.

El desarrollo de la auditoría llevada a cabo durante este año ha representado un especial reto a causa de la crisis sanitaria generada por la pandemia del COVID19, en la medida en que se han debido afrontar los trabajos de campo y la elaboración del informe de auditoría utilizando exclusivamente medios telemáticos y a través de trabajo en remoto a partir de ese momento; lo que evidencia, una vez más, que las organizaciones han de estar preparadas y contar con la flexibilidad suficiente para adaptarse a los tiempos y a las necesidades de cada momento.

Quisiera agradecer de manera especial la espléndida disponibilidad y colaboración prestada por la OSCE ante estas circunstancias.

Como sabe, desde la planificación inicial, se han ido programando los trabajos con el fin de abordar de la forma más amplia posible la actividad que desarrolla la Organización, extendiéndose las áreas de análisis preferente y las oficinas descentralizadas revisadas, dando así el mayor alcance posible a la auditoría durante el periodo incluido en el mandato regular de tres años que nos fue concedido, y que finalmente se prorrogó por un año más. No obstante el difícil entorno sobrevenido en este último año, se ha podido culminar el plan inicial, habiéndose cubierto prácticamente todas las áreas y estructuras descentralizadas de la Organización, con especial atención a la Misión Especial de Observación en Ucrania (SMM), que ha sido objeto de visitas de auditoría en los tres últimos ejercicios.



Tribunal de Cuentas
Presidenta

María José de la Fuente y de la Calle

Deseamos que las recomendaciones que se han ido efectuando en los sucesivos informes por el Auditor Externo a lo largo de estos años hayan resultado de utilidad y hayan podido contribuir a depurar los procedimientos y mejorar la gestión.

Quisiera aprovechar esta oportunidad, tras estos 4 años de mandato como Auditor Externo de la OSCE, para expresarle que este trabajo ha constituido una gran experiencia para el Tribunal de Cuentas de España y ha aportado un claro enriquecimiento a nuestro acervo y experiencia como auditores de organizaciones internacionales. También deseo manifestarle el reconocimiento por la buena colaboración de la Organización que ha encontrado siempre el equipo auditor en el desempeño de su trabajo.

Reciba un cordial saludo,



Tribunal de Cuentas
Presidenta

María José de la Fuente y de la Calle

COURTESY TRANSLATION

Mr Thomas Greminger
Secretary General
Organization for Security and
Co-operation in Europe (OSCE)
VIENA (AUSTRIA)

Madrid, 24 June 2020

Dear Secretary General,

I am pleased to send you the Report of the External Auditor on the 2019 financial statements of the Organization for Security and Co-operation in Europe (OSCE), together with the Audit Opinion, for their submission to the Permanent Council.

The development of this year's audit has represented a special challenge due to the health crisis generated by the COVID-19 pandemic outbreak, inasmuch as from that moment on the field work and the preparation of the audit report had to be carried out exclusively by telematic means and through remote work; the latter evidences, once again, that organisations need to be prepared and flexible enough to meet the needs of any given time.

I would like to express my special thanks for the availability and collaboration provided by the OSCE under these circumstances.

As you are aware, since the initial planning, work was scheduled to address, as broadly as possible, the activity carried out by the Organization, spreading the areas of preferential analysis and the decentralised offices under scrutiny; thus determining the widest possible audit scope during the period included in the regular three-year mandate entrusted to us, which was finally extended for an additional year. Despite the difficult context this year, we were able to complete the initial plan, having covered practically all the Organization's areas and decentralized structures, paying particular attention to the Special Monitoring Mission to Ukraine (SMM), which has been the subject of audit visits over the past three financial years.



Maria José de la Fuente y de la Calle

Tribunal de Cuentas
Presidenta

We hope that the recommendations made by the External Auditor in the successive audit reports over these years have been useful and may have contributed to refining procedures and improving management.

I would like to take this opportunity, after these four years of mandate as External Auditor of the OSCE, to convey you that this work has been a great experience for the Spanish Court of Audit and has clearly enriched our knowledge and experience as auditors of international organisations. I would also like to express my appreciation for the good collaboration that the Organization has always offered to the audit team for the performance of their work.

Yours sincerely,



Organization for Security and Co-Operation in Europe

OSCE

Opinion of the External Auditor
on the 2019 Financial Statements

Opinion

We have audited the financial statements of the Organization for Security and Co-Operation in Europe (OSCE) for the year ended 31 December 2019. These comprise the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets, Statement of Cash Flow, Statement of Comparison of Budget and Actual Amounts and the related notes. These financial statements have been prepared following the Organization's accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the OSCE as at 31 December 2019, and its financial performance for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

We conducted the audit in accordance with International Standards on Auditing (ISAs) of the International Federation of Accountants (IFAC) as adopted and expanded by the International Organization of Supreme Audit Institutions (INTOSAI) and issued as INTOSAI Framework for Professional Pronouncements (particularly the International Standards for Supreme Audit Institutions-ISSAI). We are independent of the auditee in accordance with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the Financial Statements and Auditor's Report Thereon

The Secretary General is responsible for the other information comprising Financial Report (Statement on Internal Control for 2019; Budget and Expenditure Report and Staffing overview; and Provident Fund Summary Statement).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Secretary General for the Financial Statements

The Secretary General is responsible for the preparation and fair presentation of the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and for such internal control as he determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Financial Statements

Our responsibility is to express an opinion on the financial statements based on our audit in accordance with OSCE's Financial Regulation 8.

To express such an opinion, we must obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect any existing material misstatements. 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material

uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

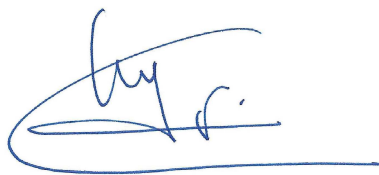
We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, the transactions of the OSCE that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the OSCE's Financial Regulations and Rules and its Permanent Council.

In accordance with OSCE Financial Regulation number 8, we have also issued a long-form report on our audit of the OSCE.

Madrid, 24 June, 2020

A handwritten signature in blue ink, consisting of a large, stylized initial 'M' followed by a surname and a first name, all written in a cursive style.

María José de la Fuente y de la Calle
President of the Spanish Court of Audit
OSCE External Auditor



TRIBUNAL DE CUENTAS

Organization for Security and Co-Operation in Europe

OSCE

External Audit Report on the 2019 Financial Statements

The aim of the audit is to collaborate with the audited organization in order to reach its objectives, while supporting compliance with principles of regularity, transparency, and sound financial management and fulfilling audit requirements defined by OSCE's Regulations, in accordance to International Audit Standards.

The Tribunal de Cuentas of Spain (TCE), headed by its President, provides external audit services to International Organizations, working independently of its role as the Supreme Audit Institution of Spain. The President and the TCE are independent of the Spanish Government and ensure the proper and efficient spending of public funds and accountability to the Spanish Parliament. The TCE audits the accounts of all public sector bodies as well as political parties; collaborates in works related to its role as an active member of INTOSAI and EUROSAI and takes part in audit works within European Union projects and beyond.

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LIST OF ABBREVIATIONS

| | |
|---------|---|
| AC | Audit Committee |
| ACMF | Advisory Committee on Management and Finance |
| BLA | Board and Lodging Allowance |
| BOM | The Observer Mission to Two Checkpoints on the Russian-Ukrainian Border |
| CRMS | Common Regulatory Management System |
| DHR | Department of Human Resources |
| DMF | Department of Management and Finance |
| EA | External Auditor |
| ER | Exception Request |
| ES | Executive Structure |
| EUROSAI | European Organization of Supreme Audit Institutions |
| ExB | Extra-budgetary (funds/projects/pledges) |
| FAI | Financial and Administrative Instruction (s) |
| FO | Field Office |
| FR | Financial Regulations |
| FS | Financial Statements |
| Hol | Head of Institution |
| HoM | Head of Mission |
| IFPP | INTOSAI Framework of Professional Pronouncements |
| INTOSAI | International Organisation of Supreme Audit Institutions |
| IOM | Inter Office Memorandum |
| IRMA | Integrated Resource Management System |
| ISA | International Standards on Auditing |
| ISSAIs | International Standards of Supreme Audit Institutions |

| | |
|---------|---|
| LoA | Letters of Attestation |
| OIO | Office of Internal Oversight |
| OLACEFS | The Latin American and Caribbean Organization of Supreme Audit Institutions |
| OSCE | Organization for Security and Co-operation in Europe |
| PC | Permanent Council |
| PCU | Procurement and Contracting Unit |
| PP&E | Property, plant and equipment |
| pS | Participating State |
| SG | Secretary General |
| SMM | Special Monitoring Mission to Ukraine |
| SPF | Special Purpose Funds |
| TCE | Tribunal de Cuentas de España |
| UB | Unified budget |

1 EXECUTIVE SUMMARY: Overall results of the Audit

1.1 Audit conclusion

1. The Tribunal de Cuentas of Spain (TCE) has audited the financial statements (FS) of the Organization for Security and Cooperation in Europe (OSCE) for the year ended 31 December 2019 with the objective of expressing an opinion on these financial statements.
2. The TCE has placed an unqualified opinion on the 2019 FS. Notwithstanding the observations in this Report, the examination revealed no weaknesses or errors to be considered material to the accuracy, completeness and validity of the financial statements as a whole. Recommendations for improved procedures or more comprehensive disclosures were discussed with the Secretariat and their comments are attached to this Report as an Annex. None of the findings affect the audit opinion of the OSCE's financial statements.

1.2 Recommendations

3. The audit recommendations have been prioritized as follows:
 - Priority 1: Major issue for the immediate attention of management.
 - Priority 2: Control issue of a less serious nature to be addressed by management.
 - Priority 3: Existing controls could be improved marginally; management attention is recommended.

Recommendations from previous years have also been prioritized in accordance (see Annex *Management responses to previous recommendations and follow-up*).

4. The 2019 audit recommendations are the following:

Recommendation 1 (PRIORITY 2): To the PC, to adjust the dates of start and end of the External Auditor's tenure, so that they cover all the audit responsibilities (e.g. to end mandate at the PC of July, once the Audit Opinion and the Long Form Report have been presented).

Recommendation 2 (PRIORITY 1): We recommend the Treasury Unit, in liaison with the Accounts Unit and/or Information Technologies staff if necessary, to review and update the bank account database in IRMA-Oracle and to adapt its outputs to the needs of monthly cash and bank reconciliations, in order to ensure that accounting differences are timely monitored and explained without exceptions.

Recommendation 3 (PRIORITY 1): To the Department of Management and Finance (DMF), to implement additional controls to avoid duplicating payments, both when recording a file in IRMA-Oracle to process an expense, and at the time of authorizing payments, e.g. reviewing the most recent payments made to the same recipient and of a similar nature.

Recommendation 4 (PRIORITY 2): To the DMF, to ensure that, in line to what is established in the FAI 7, article 4.1, the Annual Asset Plan is drafted and approved. If, instead, it is deemed more appropriate to subsume that document in the Capital and Expenditure Plan, this should be

previously reflected in an amendment to the above-mentioned article. In the meantime, the provision of an Annual Asset Plan has to be fulfilled.

Recommendation 5 (PRIORITY 2): The relevant responsible staff member could issue clear instructions for the recording and maintenance of the excel files that register ERs requested along the year, in order to avoid mistakes, maintain consistency and thus improve accuracy and make those files more useful for informative and audit purposes.

Recommendation 6 (PRIORITY 2): OLA could, at least date and sign the ER form, even if they do not make any comment to it, as proof of its submission and review.

Recommendation 7 (PRIORITY 2): A follow-up of recommendations raised in ERs should be implemented.

Recommendation 8 (PRIORITY 2): The procedure to manage ERs to SR/SI should be completed, reviewed and given official status.

Recommendation 9 (PRIORITY 2): As per ER to FAI, it would be recommendable to issue a memorandum every six months, to overview the ER approved during the period, with the objective of identifying trends, lessons learned and necessary actions to improve policies and procedures. Audience of this report should be, at least, the SG; D/DHR and OLA.

Recommendation 10 (PRIORITY 2): We recommend OSCE to explore those aspects of gender equality whose financial impact merits both specific quantitative budget detail and financial reporting. We also recommend OSCE to explore the possibilities to report on finance under more global frameworks, which include the financial impact of Sustainable Development Goals.

Recommendation 11 (PRIORITY 2): We recommend OSCE to explore the possibility to extend the use of the *Mission to Skopje Guidelines for the UB (and ExB) project design* to the other ES.

2 AUDIT APPROACH

2.1 Responsibilities of Management for the Financial Statements

5. According to Article 7 of the OSCE Financial Regulations (FR) the Secretary General (SG), is responsible for preparing the OSCE annual FS. He or she, assisted by the heads of institutions and the heads of mission, shall maintain such accounting records for all Funds operated by the OSCE as are necessary according to INTOSAI Framework of Professional Pronouncements (IFPP).
6. The SG is responsible for issuing the Financial and Administrative Instructions (FAI) that shall provide for the appropriate implementation of the FR, including effective financial administration and the exercise of economy. The SG is also responsible of establishing and maintaining mechanisms for internal oversight and financial control to support in his/her management of the Organization's resources (Regulation 1.03 and Article VI of the FR).
7. The SG shall be accountable to the Permanent Council (PC) for the proper management of the financial resources in accordance with the FR.

2.2 Auditor's responsibility for the Audit of the Financial Statements

8. Pursuant to the OSCE Permanent Council Decision PC.DEC/1080 the Tribunal de Cuentas of Spain (TCE) was appointed External Auditor (EA) for three financial years, from 2016 to 2018. PC.DEC/1330 of 6 June, 2019 decided, *on an exceptional basis and without creating a precedent, to extend the appointment of the Court of Audit of Spain as OSCE External Auditor for one additional year, expiring on 30 April 2020.* The financial year ending 31 December, 2019 has therefore been the fourth year of its tenure.
9. FR 7.04 states the deadline for submission of FS to EA on the 31 March of the following year they refer to. No deadline for the presentation of the AO and LFR is previewed in FR, being the only tentative calendar included in Annex 5 of FAI 11, that contemplates the deadline for submission of draft AO and LFR by EA on the 1 June and the final documents no later than 30 June. The custom settled along the years is the presentation of AO and LFR in the ACMF and PC during the first week of July of the following year they refer to.
10. The practice of PC, to determine the start of tenure only one month after the deadline of submission of FS, together with what is explained in the former paragraph, has as a consequence an overlapping of works by the end/start of EA tenure: whilst the outgoing is ending their works, the incoming has started tenure, and so has been for at least the last four of our predecessors, who issued their end of tenure AO and LFR in June, after the formal end of tenure. The custom among SAIs has usually been to abstain courteously whilst the works of predecessors were still being developed. Nevertheless, the PC can avoid these situations by adjusting the dates of start and end of tenure closer to reality.

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|--|
| <p>Recommendation 1 (PRIORITY 2): To the PC, to adjust the dates of start and end of the External Auditor's tenure, so that they cover all the audit responsibilities (e.g. to end mandate at the PC of July, once the Audit Opinion and the Long Form Report have been presented).</p> |
|--|

11. Article VIII of the OSCE FR settles that the responsibility of the EA is to express an opinion on these FS based on the audit.
12. The TCE conducted the audit in conformity with the aforementioned Framework of Professional Pronouncements by the International Organization of Supreme Audit Institutions (INTOSAI) and in compliance with International Standards on Auditing (ISA) as adopted by the International Standards for Supreme Audit Institutions (ISSAIs). The standards oblige the auditors to comply with ethical requirements, and to plan and carry out the audit so as to obtain reasonable assurance that the financial statements are free from material misstatement. The scope and approach of the audit were communicated to management as well as the audit strategy.
13. The objectives of the Auditor are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue a Report that includes the Auditor's opinion. Reasonable assurance is a high level of assurance, but it 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.
14. When performing the audit, the auditors have exercised professional judgment and maintained professional skepticism throughout the audit. They have also assessed

the risks of material misstatement of the FS; obtained an understanding of internal control relevant to the audit; designed and performed audit procedures responsive to those risks and obtained evidence that is sufficient and appropriate to provide a basis for our opinion.

15. Supplementary information not required by the applicable financial reporting framework, when presented with the audited FS, has been evaluated whether, in the auditor's professional judgment, such supplementary information is consistent with the FS.

2.3 COVID-19 Impact on the audit and special acknowledgement

16. The COVID-19 pandemic alert made the Government of Spain adopt several precaution measures by means of an Alarm Decree on 14 March, 2020, as a consequence of which the TCE closed its premises and implemented remote work for the audit staff. Shortly after, OSCE adopted similar measures. The cancellation of all international work trips resulted in the impossibility to perform three audit visits planned to the Secretariat (one in mid-March and two in April, after the submission of FS), as well as the audit visits to the Mission to Serbia and the Programme Office in Nur-Sultan.
17. The TCE also adopted an alternative approach to the pending audit works, in order to limit as much as possible the impact on the scope of the audit and, thus, the forming of the audit opinion, to which OSCE agreed. The auditors continued to have remote access to the ERP, particularly accounting books and records, as well as the repository of documents, up to the end of May, and counted with the complete collaboration of OSCE staff, who have been willing to provide solutions for the best fulfilment of the audit, whilst sharing the limitations of the new working environment, and who have offered their complete availability for providing information and clarifications up to the final draft of this Report.
18. The main financial areas that suffered the impact were the attendance for physical inventory observation that had been partially developed when the crisis arose, and the final review of expenditure, but these areas were approached under alternative methods.
19. Regarding management audit, apart from the impact on the FOs audit, which nevertheless continued remotely for the Mission to Serbia, the most significant affected area was gender issues.
20. In the corresponding paragraphs of this LFR, details about the above-mentioned impact are included in those cases where it existed.
21. We want to make an express recognition of gratitude for the collaboration and assistance extended by the SG, management and staff of the different Departments of the Secretariat and the Office of Internal Oversight (OIO), as well as staff and mission members of the Executive Structures (ES), either visited or audited remotely. Without it, and considering that they were working under similar constraining conditions, the complete fulfilment of the audit and the delivery of the audit opinion in time for the PC, to be held in June or early July, 2020, would have not been possible. The audit teams are very grateful for their assistance during the entire external audit process.

22. We want also to express a special recognition to the Audit Committee, who have also been utterly respectful and comprehensive with the special circumstances for the external audit.

2.4 Scope of the Audit

23. In accordance with Article 8.02 of the OSCE FR the external auditors may make such observations as they deem necessary concerning the regularity, economy, efficiency and effectiveness of the financial procedures, the accounting system, the internal financial controls and, in general, with respect to the administration and management of the Organization. In addition to our work in support of the audit of the financial statements we have reviewed certain aspects of management, like treasury, procurement; and exception request (ER) among others, in order to verify the correctness of the design and developing of procedures as well as their recording in the system.
24. As a matter of course we have also made a review of the management action plan for the implementation of the recommendations we have been issuing during our tenure. Like in the previous year, a priority indicator has been included for every audit recommendation, as follows:
- Priority 1: Major issue for the immediate attention of management.
 - Priority 2: Control issue of a less serious nature to be addressed by management.
 - Priority 3: Existing controls could be improved marginally; management attention is recommended.

(See Annex Management responses to recommendations and follow-up).

25. The TCE is committed, in the scope of its national audit function and in line with the strategic objectives of the International Organizations of SAls to which it exercises membership (INTOSAI, EUROSAl and OLACEFS)¹, to review the implementation of gender equality policies. Gender equality is part of the Strategic Development Goals (SDG) of the United Nations 2030 Agenda and, as INTOSAI states, SAls can, through their audits and consistent with their mandates and priorities, make valuable contributions to national efforts to track progress, monitor implementation and identify improvement opportunities across the full set of the SDGs. The TCE considers that the above mentioned declaration can be extended to International Organizations audited by SAls. In addition, the OSCE has recognized in many occasions that gender equality is one of the key values that are at the core of its mission. Having this in mind, the TCE has committed itself to the audit of OSCE Gender Issues since 2017 FS and up to the end of its tenure.

¹ INTOSAI Strategic Plan 2017-2022 Crosscutting priority 2 Contributing to the follow-up and review of the SDGs within the context of each nation's specific sustainable development efforts and SAls' individual mandates; EUROSAl Strategic Plan 2017-2022 Strategic goal 1.2; OLACEFS Strategic Plan 2017-2022 Strategic goals 4.2 and 4.4; and TCE Strategic Plan 2017-2021 Strategic goal 1.1.

26. The Report for the financial year 2019 contains the principal observations, findings and recommendations. Together with the audit report and the audit opinion, the FS for the OSCE have been submitted to the SG as provided for by the relevant financial regulation. The SG took note of the contents of the audit Report and agreed the relevant findings.
27. A copy of this Report was forwarded to the attention of the OSCE Permanent Council (PC) and the AC.

2.5 Audit Objective

28. The main purpose of the financial audit was to enable the EA to form an opinion as to whether expenditure recorded in the FS of the year had been incurred for the purposes approved by the PC; whether revenue and expenditure had been properly classified and recorded in accordance with IPSAS, the Organization's FRs, budgetary provisions as well as applicable directives and financial instructions; and whether the annual FS fairly presented the financial position at 31 December, 2019 and the performance in the year thereby ending.

2.6 Audit Approach

29. The audit examination was conducted on a test basis in which the areas of the FS were subject to substantive testing of the transactions recorded on a sample basis. To achieve the audit objectives, the auditors have examined the financial and accounting procedures followed by OSCE in light of the Common Regulatory Management System (CRMS), assessed the internal control system, conducted substantive testing of selected transactions, matched the receipts with banks statements, and conducted an analysis of assessed contributions and other supporting evidence as considered necessary in the circumstances. These audit procedures are designed primarily to allow forming an opinion on the OSCE's FS. Consequently, the work did not involve a detailed review of all aspects of the Organization's budgetary and financial information systems and the results should not be regarded as a comprehensive statement on them.
30. The audit was conducted by various audit teams. These audit teams held interviews and discussions with the relevant OSCE staff. In accordance with standard practice, the audit teams issued information requests and audit observations. While auditing 2019 financial activities, the auditors visited the OSCE Secretariat and the Office of Freedom of the Media in Vienna; the Special Monitoring Mission to Ukraine (SMM) and the Programme Co-Ordinator in Ukraine premises in Kiev; the Mission to Skopje; and the Office for Democratic Institutions and Human Rights (ODIHR) in Warsaw. Visits to Mission to Serbia and Programme Office in Nur-Sultan that were initially planned, were finally cancelled due to the COVID-19 crisis; nevertheless, the audit of Mission to Serbia was performed remotely and the corresponding Management Letter (ML), issued. The audit evidence collected during the audit of ES is an integral part of the body of evidence underlying the opinion on the OSCE's financial standing as an entity. The pertinent ML containing the results of the audit work on Institutions and Field Offices (FO)² were sent to the corresponding Head of Institution (HoI) or Head of Mission (HoM) with a copy to the Secretariat and the AC.

² Due to the pandemic, ML for the Mission to Serbia, audited remotely, was issued in May, 2020.

31. The auditors also developed audit works in the TCE Headquarters in Madrid, as well as from their households once the TCE stated remote working to protect its staff from the pandemic.
32. The audit teams have checked the correspondence of the FS to the underlying records, which in turn were the basis to develop the audit analysis. Those records proceed from the Integrated Resource Management System (IRMA-Oracle), where the process of expense and payment is recorded, centralizing all treasury management.
33. The auditors have analyzed the OSCE's transactions based on statistical sampling in compliance with ISSAI 1530 and ISA 530, using professional audit software. Probability theory has been used to evaluate sample results, including measurement of sampling risk and stratification based upon the risk. According to a probability of 95% and a tolerable rate of deviation of max. 2%, a random selection of invoices has been analyzed. The auditors verified that invoices and the related documents had been filed in accordance with the regulations, and cross-checked the basis for payment. In addition, specific checks have been performed on certain audit areas.
34. This Report includes observations and recommendations designed to enhance financial management and control exercised by the Secretariat and Executive Structures. As to 2019 the audit work has covered the areas described in the following paragraphs.
35. Comments on the overall financial situation are included in the corresponding section of this Report.
36. This Report also informs about other matters, such as potential fraud cases under investigation, claims under the Internal Justice System or ex-gratia payments.
37. The observations expressed in this report have been discussed with OSCE management to confirm factual accuracy³.

3 FINANCIAL STATEMENTS

3.1 General observations

38. OSCE FS cover all the Organization's executive structures, including Secretariat, Institutions and FOs, funded by annual Unified Budget (UB), covered by assessed contributions from participating States (pS). FR 2 settles that the Budget shall be established by PC decision for one calendar year which shall also constitute the financial year. According to FR 7.03 the figures are stated in EURO. as it is explained in note 1 to FS.
39. The Organization's FS include also certain structures whose activities are covered by means of Special Purpose Funds (SPF) approved by PC decision outside of UB, with specific mandate and budget, thus financed, whether totally or partially, by

³ Management's final comments were sent on 14 June, 2020.

assessed contributions from pSs, applying the corresponding scale of contributions. The mandate for SPF is established in a case-by-case basis and does not correspond in general to the calendar year, hence does not match with the OSCE financial year.

40. Certain projects do not count with mandatory funding by pSs but depend entirely on voluntary contributions, with total flexibility about temporal schedule to develop their activities. These are the so-called Extra-Budgetary (ExB) projects, and are classified under ExB Funds for management and accounting control.
41. The first draft of FS was submitted to the TCE on the 27 March, 2020, in due time and in accordance with the requirements of FR 8. The FS were accompanied by the pertinent Letter of Representation signed by the SG. Other documents like the Financial Report and the Statement of Internal Control were also submitted. These documents are considered in the audit in the scope of ISSAI 1720 (ISA 720), which requires the auditors to read and consider the information they contain but without being covered in the auditor's opinion. The final version of the FS was submitted to the TCE on 18 May, 2020⁴.
42. Upon request, the Letters of Attestation (LoA) from the executive structures were also submitted to the TCE. These Letters have for purpose to provide additional assurance to the SG about the internal controls in place and working, to acknowledge the responsibility of Hol/HoM for establishing and maintaining effective control over the use of resources and financial reporting for the corresponding executive structures; to highlight their responsibility for providing the SG with all information necessary for the preparation of accurate FS; as well as for satisfying the EA. As mentioned in our last year LFR, their format was significantly improved in 2018. For audit purposes the inclusion of an *internal control walkthrough checklist* has revealed to be very useful for crossed checks and as an additional means of information for the audit.

3.2 Accounting policies

43. The 2019 FS are the seventh fully prepared under IPSAS. They fulfil the structural requirements of IPSAS 1.21, since the statements comprise the necessary components:
 - Statement of financial position showing all the assets and liabilities of the Organization.
 - Statement of financial performance showing all the revenue and expenses recognized during the year.
 - Cash flow statement providing details of how cash resources have been utilized during the year.
 - Statement of changes in net assets summarizing the residual value of the assets of the Organization after deducting all liabilities.

⁴ Date of emission of the final version of the Notes to the FS.

- Statement of comparison of budget and actual amounts showing expenditure against budget appropriations on the (modified cash) basis on which the budget was approved, and
- Notes comprising a summary of significant accounting policies and other explanatory notes.

The financial statements also include comparative information of the preceding period as specified in paragraphs 53 and 53A of IPSAS 1.

44. The following paragraphs report on trends, tendencies and background information. For that purpose, the audit team analyzed several of the OSCE's key figures and their development over the years of our tenure.

3.3 Unified Budget

45. The OSCE's UB is a core management tool for programming, implementing, reporting and evaluating the operational activities of the Organization. The UB comprises the budget of a set of separate Funds related to the different executive structures, whether Institutions or FOs. Funds consist of a number of individual Programmes, which are the core element of the budget.
46. According to FR 2.07, the posts table for every executive structure is approved by the same PC Decision as the UB, including disclosure by post category.

3.3.1 Budget Approval

47. The 2019 UB was approved by PC.DEC/1326 of 11 April, 2019, well into the current financial year. In our Audit Reports from 2017 on, we highlighted that since at least 2007 UBs have always been approved after the deadline stated in FR 2.05 (20 December of previous year), although in five years the approval took place before the beginning of the correspondent financial year, thus impacting mainly on the first billings, that had to be calculated and collected on the grounds of previous financial data with the corresponding postponed adjustments. When the UB approval delay outcomes the year's second bill, adjustments have to be postponed even to the next year's bills. This was the case in 2019.
48. Although 2019 UB have not overcome the record-late of 2017 UB approval (1 June, 2017) it was approved after the second bill was issued, with the consequence that the adjustments could be applied only in the first bill for 2020 UB.

3.3.2 Cash Surplus or Deficit

49. According with FR 7.07 a) cash surplus or deficit for the funds financed through assessed contributions is determined at the end of each financial year by calculating the excess of revenue received over the expenditure, or the excess of the expenditure over revenue received, as the case may be. Unless otherwise decided by the PC, the cash surplus is credited against contributions of the PS in accordance with prescriptions of FR 7.07 b). This means that 2019 cash surplus will be hopefully due for settlement in 2021; therefore, it is classified as a non-current liability and amounts up to EUR 2,778 thousand.
50. Cash surplus current is made up of both the current cash surplus brought forward as at 1 January 2019, plus the non-current cash surplus as at the same date that becomes current during 2019. The Cash surplus from 2017 UB, classified as current

as at 31 December 2018 with an amount of EUR 2,949 thousand, was not refunded to the pSs but, by means of some PC Decisions from March to June 2019⁵, reallocated it for funding other activities. In our opinion, a straightforward application of FR 7.07.b) would have required to credit the corresponding amounts against contributions of the pSs to 2019 UB, in the first bill, indeed due and payable by 20 January, or otherwise in the second bill.

3.4 Special Purpose Funds

51. As stated in para. 39, SPF have specific mandates that do not match with the calendar year. PC.DEC/1289 spans the mandate of the SMM from 1 April, 2018 until 31 March, 2019, whilst PC.DEC/1323 spans further until 31 March 2020. The Observer Mission to Two Checkpoints on the Russian-Ukrainian Border (BOM) was established by PC.DEC/1130 dated 24 July 2014. The Mission had mandates extended every four months in 2019, established by PC.DEC/1304, which extended the mandate from 1 Oct 2018 until 31 Jan 2019, followed by PC.DEC/1308, PC.DEC/1328 and PC.DEC/1344, with the same period extensions.
52. The budgets of the SPF shown in the Statement of Comparison of Budgets and Actual Amounts have been prorated based on the number of days lasted within 2019, including the fund for Information Security Enhancement for 12 months out of a total mandate of 30 months, once extended by PC.DEC/1324, and the fund for IT Infrastructure Upgrade, established by PC.DEC/1322 and PC.DEC/1345 without an expiration deadline. The Statement V, "Comparison of Budget and Actual Amounts", includes also the unspent balance of EUR 849 thousand carried over by PC.DEC/1288 for the local elections foreseen in certain areas of Ukraine.
53. The SMM accounting impact has been analyzed during the specific audit works. As stated in our last year's report, it is the right of PSs to determine the mandate of SPF, but it would be advisable from an accounting point of view, in order to avoid prorating and thus simplify budget and accounting functions, to align the SMM mandate with the calendar year. In the case of the BOM, the mandates are not only not aligned, but also shorter. It would be advisable to consider the extension of mandate to at least six months, in order to reduce the legal and administrative burdens.

3.5 Extra-Budgetary Funds

54. Apart from the activities covered by a budget approved by PC, whose funding is assumed by pS in accordance with corresponding scales of contribution, there are a number of projects that are financed through voluntary contributions from donors, including or not pSs. These projects have to match OSCE objectives, policies and priorities, and the process for their approval has to ensure its coordination with other projects and activities of the Organization. This flexibility determines the existence of short-term and long-term projects, with any start and end dates, and they are carried on in practically all of OSCE executive structures.
55. ExB projects have been gaining presence in the overall activity of the OSCE, in terms of resources and projects financed. Thus, the importance of the sharing of

⁵ PC.DEC/1322 for OSCE IT Infrastructure Upgrade, PC.DEC/1328 for Extension of the Border Observer Mission until 30/9/2019, PC.DEC/1329 for Supplementary Budget for the Mission in Kosovo and PC.DEC/1331 for Strengthening the Infrastructure of the OSCE.

common costs is rising, as executive structures have to employ budgeted resources to manage ExB activities in different scales, which should be accurately assessed and distributed, to avoid cross financing activities unintended by stakeholders, were they occasional ExB donors or regular contributors to UB or SPF. As foreseen in FAI 4 (art. 7.5), a system for Internal Common Costs (ICC) sharing for all the executive structures was established in 2018 in a Policy Guidance by the SG, but has not been fully developed so far⁶. In section 5.4 below, there is a brief review of the system of ICC covering.

3.6 Statement of Financial Position

3.6.1 Assets and Liabilities

56. As mentioned before, a Statement of Financial position, providing full disclosure of the assets and liabilities is required under IPSAS and enables a reader to consider the financial position of an organization at the end of the period. The audit team examined this statement regarding compliance with IPSAS and the presentation of the underlying accounts.

3.6.2 Cash, Cash equivalents and Investments

57. The OSCE's overall cash situation is satisfactory. Cash, cash equivalents and investments in all funds amounted to EUR 109,065 thousand. Cash and cash equivalents comprise cash on hand, cash at bank and short-term deposits with a duration up to three months.

Table I: Cash, cash equivalents and investments in EUR'000

Source: OSCE FS

| Year | Cash and cash equivalents | Investments | TOTAL |
|------|---------------------------|-------------|---------|
| 2015 | 22,774 | 51,616 | 74,390 |
| 2016 | 28,038 | 57,841 | 85,879 |
| 2017 | 103,224 | 14,853 | 118,077 |
| 2018 | 107,526 | 9,133 | 116,659 |
| 2019 | 95,094 | 13,971 | 109,065 |

58. In 2019 OSCE invested funds not required for immediate operational purposes in short term deposits up to a maximum of nine months, in accordance to FAI 5. A table classifying the risk rates of both cash and investments is included in the note 9.1.
59. Total amount of cash, cash equivalents and liquid investments at the end of 2019 represents 31% of total expenditure of that financial year⁷, or, in terms of days, would allow the Organization to afford 112 days of operation.

⁶ Management has informed, in comments on the LFR draft, that “the SG approved two annexes to the guidelines in Quarter 2 of 2020, dealing with these issues.”

⁷ Total expenses under IPSAS basis, shown in Statement of Financial Performance. It represents 49% of Budget expenses (UB plus SPF, Statement V: Comparison of Budget and Actuals) or 240% of ExB expenses (Statement of Financial Performance, Segment reporting VI.2 Summary by Source of Funds).

60. Bank reconciliation as at 31 December 2019 was performed by Treasury Unit, as is monthly accomplished without concerns. The audit recommendation 2/2018 (priority 1), regarding the bank reconciliations, was not implemented. In order to clarify the matter, the audit finding and the related recommendation points to the reports employed to perform the monthly reconciliation, not as a way for reporting, but as a tool to guarantee early detection controls in case of any deviation of the cash balances from the accounting records. In our opinion, the weakness proceeds from two related points:
- The bank reports from IRMA-Oracle are not useful for the reconciliation, as they include lots of old accounts long ago closed. The bank database and the reports should be updated and fitted to the reconciliations, thus discouraging the use of ad-hoc bank account lists for that aim.
 - The balance transfers are accounted for in separate accounts, indeed included as treasury as they should be, but excluded from the reports used for performing the monthly reconciliation. This constitutes a risk of any undue fund disposition disguised as “cash in transit” going unnoticed one month after another, as being excluded of the reconciliation, endlessly waiting for the incoming of the funds into the destination account.
61. Although at the end of the year 2019 there were no “cash in transit” balances, the internal controls should be strengthened in this area, implementing the audit recommendation 2/2018, and the following, closely related, new recommendation.

Recommendation 2 (PRIORITY 1): We recommend the Treasury Unit, in liaison with the Accounts Unit and/or Information Technologies staff if necessary, to review and update the bank account database in IRMA-Oracle and to adapt its outputs to the needs of monthly cash and bank reconciliations, in order to ensure that accounting differences are timely monitored and explained without exceptions.

62. Direct confirmations of bank balances as at the close of the financial year 2019 have been impacted by the COVID-19, resulting in 24 bank accounts out of 59 lacking that confirmation. Nonetheless, alternative audit procedures were applied to test the year end balances with satisfactory results. In turn, all the direct confirmations received showed conformity with conciliated accounting balances.

3.6.3 Contributions Receivable

63. The level of outstanding UB assessed contributions at the end of 2018 further increased by EUR 844 thousand for those unpaid in 2019 plus EUR 298 thousand adjusted for actual UB and Scales of Contributions approved for 2019 and charged to the first bill corresponding to 2020. On the other hand, EUR 1,812 thousand from previous years' outstanding contributions were collected, and EUR 7 thousand credited for release of previous years' cash-surplus withheld. This resulted in a net decrease of EUR 677 thousand (10%).

Table II: Contributions Receivable, in EUR'000

Source: OSCE FS 2019 – Statement of Financial Position and previous EA's Reports

| Year | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|--------------|---------------|---------------|---------------|---------------|
| Unified Budget | 5,560 | 5,754 | 6,511 | 6,745 | 6,068 |
| Special Monitoring Mission to Ukraine | 3,217 | 198 | 218 | 359 | 512 |
| Sum: Assessed Contributions Receivable | 8,777 | 5,952 | 6,729 | 7,104 | 6,580 |
| Allowance for Doubtful Debts | -5,425 | -5,798 | -6,091 | -6,385 | -5,422 |
| Extra-budgetary Contributions Receivable | N/A | 14,314 | 17,023 | 13,547 | 15,739 |
| TOTAL CONTRIBUTIONS RECEIVABLE | 3,352 | 14,468 | 17,661 | 14,266 | 16,897 |

64. In accordance with IPSAS, an allowance for doubtful contributions had to be calculated as at 31 December, 2019. The allowance amounts to EUR 5,422 thousand and is equivalent to the entire outstanding contributions receivable from pSs whose arrears equaled or exceeded the amount of contributions due for the preceding two full years, taking into account each pS's historical pattern of payment. This criterion has been consistently applied from previous years.
65. Recording an allowance for doubtful debts does not mean that the pSs' obligation to pay the arrears would no longer exist. The Secretariat records this allowance merely to comply with IPSAS reporting requirements and reported its assessed contributions receivable at fair value.
66. The ExB Contributions Receivable (agreements and pledges acceptances with donors due for payment) are shown in the Statement of Financial Position in the amount of EUR 15,739 thousand (Note 3.3.3) and distributed among the different ExB funds where more than 91% of the total amount is recorded on Fund 750 "Other Activities and Special Projects" and only 9% left correspond to the different ExB Funds established by PC decisions.

Table III: ExB Contributions Receivable, in EUR'000

Source: OSCE FS 2019 – note 3.3.3

| EUR' 000 | 2019 | 2018 |
|--|---------------|---------------|
| Fund to Support OSCE Action for Peace, Democracy and Stability in Bosnia and Herzegovina | 465 | 373 |
| Fund for Activities Relating to Economic and Environmental Aspects of Security | 302 | 13 |
| Fund for Activities Related to Special Monitoring Mission to Ukraine | 515 | - |
| Other PC Established Funds – Partnership Fund | 119 | 119 |
| Other Activities and Special Projects | 14,339 | 13,043 |
| Total | 15,739 | 13,547 |

67. ExB receivables, while representing 71% of total receivables (in gross terms), are not covered with any allowance for doubtful debts, as they are not recognized as current revenue, but as deferred revenue, therefore they do not represent any credit risk. Nevertheless, note 3.3.3 includes a disclosure of aging of these receivables, resulting that there is an amount of EUR 5,293 thousand older than 1 year, among them EUR 1,360 thousand older than 3 years.

3.6.4 Property, Plant and Equipment (PP&E)

68. On 31 December, 2019, OSCE's stocktaking records showed total PP&E at a net book value of EUR 13,877 thousand. Current values were determined by reducing the original cost over the estimated useful life of the item. Compared to the value as of the year-end 2018 it shows a decrease of EUR 6,930 thousand (-33%) even greater than the previous year. Almost 88% of that decrease was registered in vehicles (EUR 6,081 thousand), indeed the larger tangible investment in the Organization. Reductions had taken place in every type of assets except for the residual 'Other Equipment'.
69. PP&E was recognized at cost and depreciated using the straight-line method over a reasonable period. The Organization's treatment is IPSAS compliant.
70. A specific audit program for tangible assets was designed to be developed horizontally in both the Secretariat and other ES visited. Nevertheless, the audit tests related to physical inspection suffered limitations as a result of the COVID-19 lockdown. In particular, some of the physical verifications could not be carried out on site. An alternative procedure was designed consisting of the sending of photographic evidence by the OSCE's staff remaining on the spot. The audit results are detailed in the corresponding section of this LFR.

3.6.5 Deferred Revenue

71. Different kinds of incomes that not fully qualify for being part of year's revenue are shown among liabilities in the Statement of Financial Position, in the lines 'Deferred Revenues', 'Conditional ExB Contributions' and 'Provisions'. The notes 4.3, 4.4 and 4.9, respectively, contain some disclosure and explain the information offered.
72. Deferred Revenue consists of advanced contributions by pSs and savings pending to be applied to PC established activities, overwhelmingly in the SMM and the BOM. They have increased EUR 3,017 thousand with respect to the end of the previous year (48%).
73. Conditional ExB Contributions remain as the main OSCE liability, consisting in amounts of conditional pledges until donor's conditions are met, triggering its recognition as current revenue. In 2019, these funds have had a net increment of EUR 5,590 thousand, 8% over precedent balance, reaching EUR 71,429 thousand, which shows the increasing importance of this kind of financing for OSCE's activities. Provisions, consisting of conditional ExB pledges which have expired, represented EUR 8,512 thousand as at 31 December 2019.

3.6.6 Contingent Liabilities

74. Contingent liabilities refer to several claims for the back rent of five premises, no longer occupied by OSCE, in relation to the Mission in Kosovo. They are described in Note 9.2 of the FS, including notice of the settlement in 2017 of 2/3 of one of those litigations, and the estimation of the amount of the contingent liability for the remaining third in some EUR 10 thousand, with a low probability of realization in Legal Services' opinion.
75. In addition, in comments to the draft of this LFR, Management has informed that another contingent liability could raise in 2020 related to the vacation of premises in Ashgabat.

3.7 Statement of Financial Performance

76. The OSCE experienced an overall deficit of revenue related to expenses of EUR 7,387 thousand, almost halving the deficit of previous year, as shown in the following table:

Table IV: Revenue and Expenses; Surplus/(Deficit) since 2015 in EUR'000

Source: OSCE FS 2019 and previous EA Reports

| (IPSAS basis) Year | 2015 | 2016 | 2017 | 2018 (restated) | 2019 |
|--------------------------|---------------|----------------|---------------|--------------------|----------------|
| Total Revenue | 242,856 | 316,409 | 317,134 | 317,110 | 348,685 |
| Total Expenses | 230,790 | 318,194 | 301,461 | 331,197 | 356,072 |
| Surplus/(Deficit) | 12,065 | (1,785) | 15,673 | (14,087) | (7,387) |

77. The figures for 2018 revenue and expense were restated, as explained in note 2.2 to adapt to the new accounting criterion for Indirect Common Costs Recovery funds, covered in note 2.18. This restatement meant to reduce the amount of 2018 deficit in EUR 147 thousand, correspondingly reducing OSCE liabilities and increasing accumulated net assets, in line with the opinion expressed in previous year's EA LFR (para. 5.3). The Indirect Common Costs Recovery has been object of specific audit tests, and is covered in a specific paragraph thereafter.
78. The main driver of the reduction of deficit in 2019 was a growth of revenue (10%, EUR 31,575 thousand) greater than that of expenses (8% EUR 24,875 thousand). The main increments in the revenue were registered in ExB contributions, which almost doubled (92%, EUR 20,278 thousand), followed by contributions in kind (EUR 6,251 thousand) and other revenue (EUR 7,431 thousand), especially for the reallocation of savings to the IT Infrastructure Upgrade Fund (EUR 4,190 thousand). In contrast, the assessed contributions from pSs decreased from previous year.
79. The most significant increase in the expenses, partially offsetting that larger income, were in staff costs (EUR 10,855 thousand more than in 2018, increasing 5%), consultancy and subcontracting (19% more, EUR 5,604 thousand) and services and office costs (14% more, EUR 5,212 thousand).

Table V: Surplus/(deficit)/Year in EUR'000

Source: OSCE FS 2019 and previous

| Surplus/(Deficit)IPSAS basis /Year | Total Unified Budget | Total Special Purpose Funds | Total Extra- Budgetary Funds | Total OSCE |
|---------------------------------------|----------------------------|--------------------------------------|---------------------------------------|----------------|
| 2019 | 758 | -6,436 | -1,709 | -7,387 |
| INCREASE/DECREASE | -2,776 | -1,248 | 10,724 | 6,700 |
| 2018 (restated) | 3,534 | -5,188 | -12,434 | -14,087 |
| INCREASE/DECREASE | -2,686 | -11,807 | -15,267 | -29,760 |
| 2017 | 6,220 | 6,619 | 2,833 | 15,673 |
| INCREASE/DECREASE | 5,946 | 62 | 11,449 | 17,458 |
| 2016 | 274 | 6,557 | -8,616 | -1,785 |
| INCREASE/DECREASE | -1,639 | -794 | -11,418 | -13,851 |
| 2015 | 1,913 | 7,351 | 2,802 | 12,066 |

80. FS include, in a consistent manner from 2017, the amount of every in-kind revenue, not only in form of goods, but also in form of services, mainly staff seconded by pSs made available to the OSCE free of charge. These figures are recorded as both revenue and expense, thus having no net effect on the figures of overall performance, but showing a more realistic picture about the real cost of the activities of the Organization. In this sense, it has to be mentioned that IPSAS 23 does not impose but encourages the disclosure of services in-kind.
81. The exception to this rule are “long-term and short-term observers seconded by participating States who take part in Election Observation Activities coordinated by ODIHR as calculation of a value for such observers would be excessively burdensome and any such calculation would be unreliably speculative”, as pointed out in note 2.16 “Contributions In-Kind”.

4 OFFICE OF INTERNAL OVERSIGHT

82. The internal oversight function as well as the Office of Internal Oversight, its position in the organigram; its independence and relevance; and how it issues the results of its works, have been reported in our previous LFR.
83. Whilst in the last four years UB post tables have followed an increasing trend in the OIO staffing (from 14 in 2016 UB post table to 17 in 2019), attending the demand of an appropriate staff resourcing design for achieving effective internal audit and performing the OIO key role in the risk management and control of the Organization, the utilization rate, on the contrary, has been decreasing. By the end of 2019 it reached only the 73.5%. It was particularly relevant that the position of Director of OIO was only effectively occupied by the end of February, 2020. At the closure of field audit works, there were several recruitment procedures ongoing with diverse perspectives of early success.
84. The staff shortages, which were also reported in 2018, had again an impact on the functioning of the office. The workload was again managed in part through double-hatted arrangements for sharing duties between remaining senior management staff. In spite of this staff shortage, and like in the previous year, the OIO reached a high level of execution of its annual audit plan. It is particularly significant the mapping of the Second Line of Defense Report, that responds to an AC specific recommendation. This Report should not be considered separately from 2017 Report *Review of Enterprise Risk Management in the OSCE*. Together they offer a wide review of main managerial areas and the room for improvement towards increasing management efficiency.

5 MANAGEMENT ISSUES

85. OSCE FR 8.02 allows the External Auditor to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the OSCE.
86. Continuing with the analysis strategy that we have followed during our tenure, we have reviewed several aspects of the management of Treasury, Procurement and Tangible Assets, as well as other issues like indirect common costs, among others, in order to form an opinion on the design and management of procedures. The following paragraphs summarize the work performed on management issues.

5.1 Treasury

87. According to FR, the SG is responsible for the management of funds, who delegates this function through the provisions of FAI 05⁸, which regulates Income and cash management. In previous audit years we checked that the functions of the Treasury Unit were clearly identified and properly segregated and reviewed the management of corporate credit cards.
88. The Recommendation 7/2017 (Priority 1), has not experienced improvement. It relies on a future amendment of FAI 05 which hopefully will cover the identification of responsibilities for modification of credit card limits and the limitation the kind of expenses that could be afforded by credit card.
89. The status of Recommendation 2/2018 (also stated priority 1) is widely reported in the Financial Statements Section of this Report.

5.2 Expenditure processes

90. The automatic controls established in the centralized electronic management system (IRMA-Oracle) to register in the process of expense and payment (Purchase requisition, Purchase order, prepayments, payments, clearances...) guarantees compliance with CRMS, regarding budget limits and dual approval requirements.
91. In this regard, the audit team, by means of the examination of a sample of invoices verified that all the invoices were linked in the system to the proper Purchase Order and that invoices and the related documents had been filed; cross-checked the basis for payments (amounts, dates, correct supplier and economic nature of the goods/services provided and involving expense).
92. The analysis revealed no concerns with the exceptions mentioned in the following paragraph.
93. A duplicate payment found has been reviewed to assure that it was detected promptly and refunded by the payee, with satisfactory results. In addition, there is another case of double payment documented in note "9.5.2. Non-Adjusting Events

⁸ FAI 5, "Income and Cash Management (From Billing to Payment)".

After the Reporting Date”, disclosing the write-off of a receivable for the refund (previously covered by an allowance as doubtful credit) of an amount of EUR 18 thousand, caused by a Provident Fund payment released twice. Notwithstanding the non-material nature of these findings, they reveal the possibility of recording the same expense claim twice in the system, which, though the existence and effectiveness of detective controls in place, is a weakness of the internal control system that deserves attention.

Recommendation 3 (PRIORITY 1): To the Department of Management and Finance (DMF), to implement additional controls to avoid duplicating payments, both when recording a file in IRMA-Oracle to process an expense, and at the time of authorizing payments, e.g. reviewing the most recent payments made to the same recipient and of a similar nature.

94. However, though these issues revealed immaterial, Management has been informed of the double payment found, alongside with some prepayments long-standing until clearance, so as they can be followed-up and help to reinforce sound management procedures.

5.3 Tangible Assets

95. Assets are regulated into FAI 7 which contemplates their management cycle since the planning to the disposal. FAI 7 also makes the distinction between non-expendable assets (material or attractive) and expendable; and stipulates different management, recording into ORACLE as well as accounting depending on the kind of asset.
96. Chiefs of Fund Administration must ensure that assets entrusted to their ES are properly utilized and accounted for. On a yearly basis a complete physical verification of tangible assets must be carried out. The findings of the physical verification must be reflected in the IRMA asset records.
97. The External Auditor planned an audit of selected asset management practices at the OSCE Secretariat and visited FOs, but could only carry it out completely in the Mission to Skopje; the SMM; the PCiU; and the ODIHR, being the tests in the rest of selected structures (Secretariat; Office of Freedom of the Media; and Mission to Serbia) affected by the cancellation of the audit visits due to COVID-19 crisis, in particular referring to physical checks. Nevertheless, the checks were substituted by photographic evidence transmitted from the ES.
98. The audit focused mainly on the compliance of asset management related processes with the OSCE CRMS; assessment of basic internal controls and reliability and accuracy of the records in the Asset Management Module in IRMA. Financial impact of assets' management and its recording in the FS has also been reviewed under the scope of this horizontal work. Detailed results for FOs were included in the pertinent MLs.
99. Based on the work done, the EA concludes that the basic asset management related processes complied with OSCE CRMS; that the recordings in IRMA are accurate; that assets existed and could be tracked and that the module provided reliable information to management.
100. As per article 4.1 of FAI 7, as part of the overall annual budget planning process a detailed Asset Plan shall be annually developed and approved. However, the audit team concluded in some of the ES visited, that an asset plan is not developed, issuing a Capital and Expenditure Plan instead that did not include all information

necessary to guide the establishment, use and disposal of assets, as required by FAI 7. This Capital Expenditure Plan, which seems to have *de facto* substituted the Annual Asset Plan, only offered general information about assets and their expected life.

101. In our opinion, the Annual Asset Plan is a valuable tool so as to help to figure out the availability of assets, aiding to gain efficiency in the assets acquisition policy. A common template applied OSCE wide would also facilitate the elaboration of this Asset Plan. Nonetheless, if this Asset Plan has to be deprecated by the Capital Expenditure Plan, it should be done by amending the related dispositions in the FAI 07.

Recommendation 4 (priority 2): To the DMF, to ensure that, in line to what is established in the FAI 7, article 4.1, the Annual Asset Plan is drafted and approved. If, instead, it is deemed more appropriate to subsume that document in the Capital and Expenditure Plan, this should be previously reflected in an amendment to the above-mentioned article. In the meantime, the provision of an Annual Asset Plan has to be fulfilled.

5.4 Indirect Common Costs

102. SG Financial Reports accompanying recent years FS, have pointed out the increasing trend of projects funded by third parties' voluntary contributions, alleviating the burden on the budgets funded by assessed contributions from pSs. Notwithstanding, up to 2018, ODIHR was the only OSCE structure with an implemented system for Indirect Common Costs (ICC) recovering from ExB contributions, an option previewed in FAI 4 "Extra-budgetary Contributions", article 7.5 "Recovery for Technical Support and Common Cost".
103. SG Inter-Office Memorandum (IOM) of 9 June 2017 and IOM of 30 Apr 2018 on the Implementation of ICC charge approved an "ICC Policy Guidance"⁹, establishing a 7% fee on every ExB project from June 2018 onwards. Nevertheless, by the time of the audit works' closure, those fees have only been hoarded but a procedure for the distribution and application of this fund has not yet been established. Works for designing that procedure are still ongoing¹⁰.
104. All that, besides the mention in EA Long Form Report on 2018 FS about the accounting of ICC in FS, crystalized in the inclusion of ICC recovery system undertook by ODIHR in the plan for the audit visit performed this year at that Office.
105. That audit confirmed the conclusions included in our EA Long Form Report on 2018 FS about the accounting of ICC in FS, without additional concerns.
106. Nevertheless, as it has been mentioned before, 2019 FS follows the lines suggested in our report, even restating previous years' FS, thus the earned ICC recovering funds and the corresponding expenses incurred are recorded in the year, showing the reserve balance as an accumulated surplus instead of a liability.

⁹ SEC.GAL/84/18 is "applicable to all OSCE Executive Structures with the exception of the Special Monitoring Mission to Ukraine and with the exception of paragraph 14 and 22 which are not applicable to ODIHR (current arrangements prevail)."

¹⁰ See footnote 6, in page 15.

107. The next table summarizes the recent evolution of ICC revenue over expenses in ODIHR¹¹, resulting in a growing reserve for ICC, which adds to the fees collected and unexpended in the rest of ES since June 2018:

Table VI: ExB ICC Recovering Reserve in EUR'000

Source: OSCE FS 2019 and previous

| | 2017 | 2018 | 2019 |
|----------------------------------|------------|------------|-------------|
| ODIHR: Allotment for ICC | 522 | 505 | 583 |
| ODIHR: Actual ICC expenses | (417) | (401) | (295) |
| ODIHR: Year result | 105 | 104 | 289 |
| Other OSCE ES: ICC allotments | - | 43 | 515 |
| TOTAL year results: | 105 | 146 | 803 |
| Initial balance ICC reserve | 57 | 161 | 308 |
| Final balance ICC reserve | 161 | 308 | 1111 |

5.5 Procurement

108. OSCE participating States annually entrust OSCE with substantial sums of money to be spent through procurement and contracting. P&C framework is specifically regulated under a new FAI 6¹², issued to strengthen commitment to and compliance with the principles of best value for money, fairness, integrity, transparency and effective competition. The Procurement Manual, that until the entry into force of the new version of FAI 6 was subordinated to it, now is an integral part of the mentioned FAI and is annexed to it¹³. Nevertheless, Procurement Manual is dated 2014, and should be reviewed in order to guarantee full compliance with main text of FAI (as can be seen in some of the following paragraphs)¹⁴.
109. Procurement activity¹⁵ in 2019 and compared to 2018 is summarized in the table below. As can be appreciated, the funds involved as well as the number of POs processed, remain quite similar than last year's, with slight variations.

¹¹ ODIHR's figures include as ICC another kind of indirect costs, nominally "project monitoring", which are recovered by additional charges in ExB voluntary contributions, accordingly to their own procedures.

¹² Issued on the 1 December, 2019.

¹³ Regarding management's comment on this paragraph, about the fact of PCM still being state-aside document, new version of FAI 6 (Dec.19) states that "*the PCM is mandatory and shall be included as Annex 4 of this FAI*", thus PCM is part of the FAI, whilst previous FAI 6 stated that "*The Procurement and Contracting Management Manual is subordinate to FAI 6.*" Nevertheless, Annex 4 was not updated at the same time than the rest of FAI 6.

¹⁴ According to Management comments, update is already in progress.

¹⁵ Excluding IPAs, MoU, SSAs and Travel.

Table VII: Summary of contractual activity

Source: Own elaboration from data provided by CPU

| | 2019 | 2018 | 2019 | 2018 |
|---------------------------|---------------|---------------|---------------|---------------|
| | POs | POs | EUR'000 | EUR'000 |
| CORPORATE WINDOW CONTRACT | 3,821 | 4,130 | 26,894 | 14,564 |
| ER | 41 | 41 | 1,353 | 3,985 |
| LOCAL WINDOW CONTRACT | 9,346 | 9,142 | 30,391 | 36,260 |
| LOW VALUE PROCUREMENT | 5,868 | 6,059 | 3,844 | 3,738 |
| OPEN COMPETITIVE BIDDING | 135 | 107 | 15,169 | 21,065 |
| REQUEST FOR QUOTATION | 981 | 991 | 6,949 | 6,132 |
| SOLE SOURCE CONTRACTING | 485 | 412 | 6,854 | 4,668 |
| TOTALS | 20,677 | 20,882 | 91,455 | 90,408 |

110. The audit team has revised legal compliance in contracting procedures covering procurement planning, overview of the procurement process, solicitation methods, evaluation of offers, contract approval and maintenance of procurement files, among others, as well as POs processed during the year. The review was made selecting a sample of 18¹⁶ registers from the master list of active contracts, a living working document that includes all contracting relations that have been concluded and are valid¹⁷, representing an aggregated amount of thousand 13,606 EUR (15% of the total). The selection criteria were focused mainly in the acquisition of assets and long duration contractual relations. The results of the exam have been addressed to CPU. Nevertheless, some findings are summarized in the following paragraphs.
111. FAI 6 limits the total duration of contracts up to 5 years, with very limited exceptions (leasing and those classified as Strategic Partnership Agreements – SPA). Two selected contracts had extended duration well above the limit of 5 years through several CAs, although in one of the cases since mid-2018 and during 2019, only through POs¹⁸. In this case, OSCE tried repeatedly to contact the managers without success. Nevertheless, we consider that it would have been more in accordance to CRMS to approve an ER to cover the new de facto contractual situation. Both initial contracts were sole source classified, based on the condition of unique providers but none of them were classified as SPA, although in one case it could have been done. This is the case of the contract with the company that also provides ERP under a different contract, whose object is the provision of software and services related to them that are aimed mainly to develop the ERP functionalities and thus generating a dependence on these products, fact that must be added to the monopoly marked position of contractor. As at November, 2019, a new 5-year contract was signed with this provider.
112. The lack of date of signature from one or both parts has been detected in several occasions. Although there was a specific clause that defined the date of entry into force and expiration in the contracting documents, thus making the requirement merely formal, the Procurement Manual states quite clearly that *full name and*

¹⁶ Initially, the sample was composed of 22 registers, but 3 corresponded to collaboration agreements/corporate business programs with no financial impact for OSCE and one resulted in being already expired.

¹⁷ See previous footnote.

¹⁸ POs executed for 32 EUR thousand.

functional title and date need to be indicated; as if no specific date for entry into force is given, then the contract enters into force on the day of the signature of the last contracting party. The Manual also states that before submitting the contract for signature by the contractor, all pages of the original contract copies need to be initialed, to avoid that changes are made by the contractor without the OSCE's knowledge and consent. In some cases, the lack of initials from OSCE has been fulfilled with an OSCE seal. This practice, not completely adjusted to the Manual, was nevertheless in accordance to previous FAI wording that contemplated initialing all pages as a good practice. Nevertheless, new FAI 6 defines the initialing as a requisite, thus showing an inconsistency among Procurement Manual and FAI 6.

5.6 Exception Requests

113. Exception Requests (ERs) are deviations from the levels II and III of CRMS previewed for very limited circumstances whose discretion to be approved is granted to the SG or HoI¹⁹, and are managed according to pre-defined procedures. The following paragraphs report on the analysis of both ERs to FAIs and to SR/SI selected all over the OSCE structures.
114. Although the procedures remain in different Departments according to the regulation to be excepted (DMF in case of FAIs and DHR for SR/SI), and detail is exposed in the corresponding paragraphs, common room for improvement has been found in their management; in particular, referring to the three following aspects: the management and use of master lists; the participation of OLA and its recording; and the reporting and follow-up of recommendations.
115. The master lists are spreadsheets used to record all ERs issued along the year. Nevertheless, these master lists are not used to review and monitor regularly their status. They are used mostly as a counting register which is not reviewed systematically, as evidenced by the fact of detected mistakes, thus limiting or even making them useless for global information and statistical purposes²⁰.

¹⁹ In the case of ER to FAI.

²⁰ Management has made the following comment to this para: *"the HR ER Summary Excel Sheet serves for the registration of all incoming HR ERs as well as to provide an overview of submitted requests, work progress, approval stages and final decision taken by the Secretary General. As a living document it is regularly reviewed and updated by the Senior Secretary to the Director of Human Resources and/or defined alternates, who continuously record any progress made on the requests and use the list as a basis for overall information and follow-up. A clear process for registry and recording of process exists. Nevertheless minor inconsistencies may happen at times and human error cannot be fully excluded."* Auditors' response: The spreadsheet provided by DHR showed in the "Totals" 179 ERs requested in 2019; whilst the sheet of "Summary by Fund" only recorded 131 and the sheet of "Summary by Fund&Category", 110. This fact was transmitted in numerous occasions to Management.

Recommendation 5 (PRIORITY 2): The relevant responsible staff member could issue clear instructions for the recording and maintenance of the excel files that register ERs requested along the year, in order to avoid mistakes, maintain consistency and thus improve accuracy and make those files more useful for informative and audit purposes.

Recommendation partially accepted by Management: DMF has accepted the recommendation for ERs to FAIs whilst DHR has answered that “*already has a clear process for registry and recording of ERS*” (the full response to the Recommendation can be consulted in the corresponding Annex to this Report).

Response from the Auditors: The EA does not share the opinion of DHR due to the inconsistencies described in footnote to para. 115 that provide evidence for our recommendation

116. In both procedures, legal review is previewed and in consequence the corresponding form to be filled in contains a box for these comments. According to OLA, their comments are limited to whether another rule to be excepted should be invoked instead of the referred. Nevertheless, in the majority of cases the box remains in blank thus not providing evidence of having been submitted to legal review. OLA could also report in advance of the circumstances that could make them decay and the potential consequences if such happens.

Recommendation 6 (PRIORITY 2): OLA could at least date and sign the ER form, even if they do not make any comment to it, as proof of its submission and review.

Recommendation rejected by Management: “*OLA involvement in the DMF ER process is not required according to CRMS. It is currently the decision of the participants (requestors, approvers, etc.) to involve OLA if needed. In our opinion this provides sufficient management control. DHR considers that the emails exchanged with OLA for each ER processed are sufficient proof of their review and involvement in the process. Mandatory OLA review would lengthen the process and add an unnecessary administrative burden. ERs are frequently of urgent nature and the proposed change would lead to longer processing times.*”

Response from the Auditors: DMF ERs are regulated in FAI1 whose Appendix 2 contains the corresponding form with the box for “Legal Comments (if applicable.)” The process for managing HR ERs that was provided to auditors, is contained in an internal walkthrough check list (see para. 123) as well as registered into a Request Form for Exception to the Human Resources Regulatory Framework, similar to FAI1 Appendix 2, which also contains an identical box for legal comments. Considering the nature of the ERs (see para. 113) in our view, that box should always be fulfilled with the corresponding content, even if it is N/A, and signature of the staff member responsible of the advice or the decision of considering it not applicable, although we accept that this task could rest upon not only OLA but also on other staff. Recommendation could therefore be rewritten as: “*OLA or other responsible staff could at least date and sign the ER form, even if they do not make any comment to it, as proof of its submission and review.*”

Recommendation 7 (PRIORITY 2): A follow-up of recommendations raised in ERs should be implemented.

5.6.1 ER to FAIs

117. During 2019 and according to the corresponding master list, a total of 76 ERs to FAIs were submitted for approval (56 in 2018) which represents an increase of 36%. Half of them corresponded to the Secretariat (38). 71 ERs of those submitted (93%) were finally approved, for a total amount of EUR 14.429.066 (57% of increase compared to the total approved in 2018)²¹. ERs to FAI 5²² and FAI 7²³ were selected

²¹ EUR 9,200 thousand.

for review which initially amounted to 12 (17% of total) although one turned out to be misclassified, corresponding to FAI 17 instead²⁴.

118. The management procedure for ERs to FAIs is regulated at FAI level.
119. A memorandum is issued every six months to overview the ER approved during the period, with the objective of identifying trends, lessons learned and necessary actions to improve policies and procedures. Audience of this report is the SG and D/DMF. Nevertheless, there is no evidence of a formal and documented procedure to follow-up the numerous recommendations issued along with ERs processing.

5.6.2 ERs to SR/SI

120. According to the detailed master list provided by DHR, a total of 179 SR/SI ERs were submitted for approval in 2019 (142 in 2018, thus representing an increase of 26%). A total of 92 (51%) correspond to the Secretariat.
121. Nevertheless, Recommendation 5 is particularly significant for these ER, as errors found in their master list are significantly more numerous and varied (e.g.: lack of registers; lack of updates of status; or discrepancies among the different recording sheets). Details of these errors have been reported to DHR.
122. The audited sample comprises 73 ERs, focusing on those which requested an ER to overrule SR 3.11 *Extension procedure* or *Extension of short-term contracted staff/mission members*; and SR 3.12 *Temporary Assignments*, with a total of 80 ERs submitted (45% of the total). This prevalence shows weaknesses in the fulfilment of the staffing rotation that could be reduced with better multiannual staffing rotation planning.
123. ER management procedure is described into a walkthrough list that, at the time of the audit, lacked a definite status. This procedure does not preview how to avoid the collusion in case the staff member involved in the ER belongs to DHR or OLA. In general, abstention is the usual practice, but one exception was found²⁵. Nevertheless, the walkthrough list is a useful guideline that should be completed, reviewed and then given an official status, by an IoM or even as a SOP.
124. We have noticed several fulfilment of the ER on the deadline; long duration in processing some of them, in some cases as significant as several months²⁶, or even not in due time. In some cases, the ER was approved after the extinction of the contract requested to be extended, although prior to the start date of a new short term contract, whose exception to the one-month break-in period was also requested. There are also cases of retroactive effect with the consequent readjustment of a starting date for the new STA. The internal management of ERs should not rush into contract deadlines, thus avoiding uncertainty for the staff member involved, the risks of retroactive approval or even the decay. A timeline included into an officially approved procedure would help to stick to proper timing.

²² FAI 5 Income and Cash Management.

²³ FAI 7.

²⁴ In our previous Audit Report, we focussed on ERs to FAI 6 Procurement and Contracting.

²⁵ Management has commented that "it was drafted by a newly staff member who may not have been fully aware of the process."

²⁶ In one case it was even labelled as "urgent" but its procedure took more than five months.

Recommendation 8 (PRIORITY 2): The procedure to manage ERs to SR/SI should be completed, reviewed and given official status.

125. Unlike the ER to FAIs, no periodical memorandum to overview the ER approved is issued, so management does not receive this type of information on a regular basis. ERs forms contain numerous recommendations, some of them recurrently included thus reflecting that they are not implemented. The most frequent observation is the lack of appropriate planning in the exception of SR 3.11 (see paragraph 124 above).

Recommendation 9 (PRIORITY 2): As per ER to FAI, it would be recommendable to issue a memorandum every six months, to overview the ER approved during the period, with the objective of identifying trends, lessons learned and necessary actions to improve policies and procedures. Audience of this report should be, at least, the SG; D/DHR and OLA.

5.6.3 Facts after the reporting date

126. Note 9.5 is devoted to “Events After the Reporting Date”. All the relevant posterior facts included have non-adjusting nature, and refer to the extension of SMM mandate until 31 March 2021, the write-off of the duplicate payment not refundable, as formerly detailed, and to the unknown impacts of the COVID-19 and the measures to handle with it on the Organization’s activities and internal control system.
127. The UB for the financial year 2020 was approved by PC.DEC/1369 on 28 of May, 2020.

6 GENDER ISSUES

6.1 Framework

128. The OSCE reckons gender equality²⁷ as a necessary component to achieve its broader goal of comprehensive security. Furthermore, gender equality is considered a pre requisite for building peaceful, just and inclusive societies which drive sustainable development in all its dimensions. From a financial point of view, a diverse and inclusive working environment that embraces equality enhances operational effectiveness and efficiency, as diversity, if properly managed, results in innovation, organizational development and better results.
129. As mentioned in para. 25, the TCE is committed to provide independent audit contributions to the fulfilment of gender equality policies. Our Supreme Audit Institution considers this commitment extendable to the audit of International Organizations and consequent, provided with some audit results in our previous Reports with the compromise to continue the evaluations up to the end of tenure.

²⁷ Gender equality is de facto absence of discrimination and distinction on the basis of being a woman or a man in opportunities, in the allocation of resources or benefits, in access to services and the enjoyment of rights.

Nevertheless, due to the COVID-19 crisis the global analysis has been limited to the topics included below. Specific results in the FOs have been reported directly to their management.

130. The practice initiated in 2017 that we welcomed to report on gender in the SG FR has been omitted from the 2019 FR. The reasons provided by management are basically that it is not directly a financial issue (since pay scales are gender-blind it makes no financial difference one way or the other) and because the whole matter is extensively reported in the Annual Progress Report on the Implementation of the OSCE 2004 Action Plan on the Promotion of Gender Equality, which is published at around the same time as the Financial Report and Financial Statements, and the two seem to duplicate each other.
131. Even agreeing that pay scales are gender blind and that staff distribution is reported widely in a separate report, gender policies have a financial impact than can be analyzed and reported. A better budget approach is one, although it could be addressed through the general budget cycle review, including detail of expenditure directly aimed to gender equality. Other gender related aspects that can be studied associated to their financial impact, which are not included in the Annual Progress Report on the Implementation of the OSCE Action Plan on the Promotion of Gender Equality, 2018 (the last published before the final draft of this Report) are post-maternity/paternity leaves or reduction of working hours due to family reconciliation or care of dependents by sex.
132. Furthermore than gender issues, OSCE's unique three dimensional approach to security includes an economic-environmental dimension that gives the Organization a privileged position to be a reference among International Organizations not only in promoting SDGs in the PS, but also in its own internal management and reporting. In fact, the Organization became aware of issues like climate change problems at least a decade ago, starting an early pursuit of internal sustainability approaches²⁸. In the 15th OSCE Ministerial Council, the environmental protection and sustainability principles were described as vital elements when making decisions and, along the years, OSCE has been taking decisions addressed to develop environmentally friendly policies and promote best practices within the OSCE executive structures. Standards like GRI²⁹, the recommendations of the TFCD³⁰ or the IIRC³¹ are international frameworks than can be considered.

| |
|---|
| <p>Recommendation 10 (PRIORITY 2): We recommend OSCE to explore those aspects of gender equality whose financial impact merits both specific quantitative budget detail and financial reporting. We also recommend OSCE to explore the possibilities to report on finance under more global frameworks, which include the financial impact of Sustainable Development Goals.</p> |
|---|

²⁸ i.e. PC/DEC809, of 22 November, 2007, Development of an internal environmental policy for the operation of OSCE Executive Structures.

²⁹ Global Reporting Initiative has launched global standards for sustainability reporting. Developed by the Global Sustainability Standards Board (GSSB), the GRI Standards pursue to enable all organizations to report publicly on their economic, environmental and social impacts – and show how they contribute towards sustainable development.

³⁰ Task Force on Climate-Related Financial Disclosures.

³¹ International Integrated Reporting Council.

6.2 Gender Balance

133. The Gender Parity Strategy 2019/2020 document, already mentioned in our previous Report, was finally launched by SG with the IOM of 8 July, 2019. This document modifies the goal for gender parity and the tentative deadline (from 40% females by end 2019 in senior management to a 50/50 with a + 5% tolerate variance at all levels of contracted positions by 2026).
134. General approach to the new goal and tentative deadline has experienced little improvement during these three last years, as can be seen in the table below. The total percentage of females in staff has only increased 1% due mostly to international seconded. International contracted also experiences an increase in a context of general decrease of absolute figures. Local staff remains pretty much the same in percentages.

Table VIII. Gender Balance

Source: Data provided by OSCE

| | 31 Dec 2019 | | | 31 December 2018 | | | 31 December 2017 | | |
|----------------------------|--------------|--------------|------------|------------------|--------------|------------|------------------|--------------|------------|
| | Male | Female | % Female | Male | Female | % Female | Male | Female | % Female |
| International Contracted | 150 | 102 | 40% | 163 | 106 | 39% | 162 | 106 | 40% |
| International Seconded | 896 | 329 | 27% | 900 | 324 | 26% | 842 | 261 | 24% |
| International Staff | 1,046 | 431 | 29% | 1,063 | 430 | 29% | 1,044 | 367 | 27% |
| Local Professional | 194 | 274 | 59% | 185 | 270 | 59% | 171 | 252 | 60% |
| General Service | 860 | 800 | 48% | 863 | 794 | 48% | 848 | 775 | 48% |
| Local Staff | 1,054 | 1,074 | 50% | 1,048 | 1,064 | 50% | 1,019 | 1,027 | 50% |
| All Staff | 2,100 | 1,505 | 42% | 2,111 | 1,494 | 41% | 2,023 | 1,394 | 41% |

135. In terms of senior management, the situation has also varied little since last year, as shown below, and in line with the total trend, the percentage of females in senior posts has increased in secondment staff.

Table IX. Senior Management Gender Balance

Source: Data provided by OSCE and own elaboration

| | 31 December 2019 | | | | 31 December 2018 | | | |
|--------------------|------------------|------------|-----------|--------------|------------------|------------|-----------|--------------|
| | Male | Female | % Female | Grand Total | Male | Female | % Female | Grand Total |
| P5 and above | 23 | 8 | 26 | 31 | 26 | 11 | 30 | 37 |
| P4 and below | 127 | 94 | 43 | 221 | 137 | 95 | 41 | 232 |
| Tot P | 150 | 102 | 40 | 252 | 163 | 106 | 39 | 269 |
| S4 and above | 38 | 16 | 30 | 54 | 39 | 12 | 24 | 51 |
| S3 and below | 858 | 313 | 27 | 1,171 | 861 | 312 | 27 | 1,173 |
| Total S | 896 | 329 | 27 | 1,225 | 900 | 324 | 26 | 1,224 |
| Grand Total | 1,046 | 431 | 29 | 1,477 | 1,063 | 430 | 29 | 1,493 |

7 FIELD WORKING VISITS

136. The Organization's largely decentralized structure, with the consequent important management functions carried out locally, make highly recommendable to visit ES. Field working visits have been designed to provide independent assessment of financial procedures and managerial activities.
137. Our selection of ES to be visited was planned at the start of our mandate under a multi-annual strategy, considering those already visited by our predecessors; the increasing importance of SMM and the annual planning of OIO, in order to provide with the best and most complete coverage, as well as complementing the OIO work. Along with the work of our predecessors, every ES has been visited by EAs at least once in the last seven years.
138. Under the above mentioned premises, the TCE planned a total of 7 ES to be visited in the scope of 2019 FS. Before the COVID-19 crisis, we had developed the visits to Mission to Skopje; SMM; Project Co-Ordinator in Ukraine; ODIHR; and Office of Freedom of the Media. Only the visits to Mission to Serbia and Programme Office in Nur-Sultan were cancelled, due to their calendar schedule (in March and April, 2020). Nevertheless, both the EA and the FOs' management agreed to develop the most of the audit remotely and finally, only works on Programme Office in Nur-Sultan were cancelled.
139. The scope of the field office audits was initially planned differently. A global approach including performance was set for Mission to Skopje; FoM³²; Mission to Serbia; and Programme Office in Nur Sultan. The audit visit to the SMM and PCiU were planned conjointly and aimed to verify selected areas (tangible assets; and treasury management); the audit visit to ODIHR was also focused on selected areas (tangible assets; ICC accounting; and the EOs accounting approach).
140. The Management Letters with all the observations, findings and recommendations were submitted to the Fund Managers, who had the opportunity to reply with their comments. Copies of the final versions of the ML were sent to the attention of the DMF and to relevant stakeholders within OSCE. Comments on specific findings are included in the corresponding sections of this Report.
141. The SMM remains the most significant executive structure in both staff and financial terms; it continues to operate in a complex and highly volatile environment of conflict with the consequential increase in the risk management. The cash outflow remains high and somewhat related to the tax issue exposed in the section related to legal issues.
142. Mission to Skopje has developed a *Guidance for the UB project design*, extensive to ExB This Guidance addressed some deficiencies identified through the lessons learned in the past, highlighting:

³² The physical review of tangible assets was nevertheless included in the Secretariat's review, that was affected by the cancellation of the visits.

- The importance of using outcome or impact indicators to measure project results instead of activity outputs.
 - The need to include, in every project, an annex listing contingency activities costing 25% of the value of the planned activities with the same degree of detail as the rest of activities in the Proposal.
 - The convenience of using activity timelines and the duty of planning the 60% of proposed activities to be completed before the summer break.
 - Timely reporting of savings on the project level to allow more time and space to re-allocate these funds to other Mission priorities.
 - Three specific "windows" during the year to activate project revisions (March, June and September).
143. It is our understanding that this Guidance is a good practice in project design that avoids some problems detected in previous FOs audits. In this sense, the establishment of mechanisms that give the Mission the ability to review and manage activities, execution times and funds in the event of any eventuality occurring during projects execution, allows the FO to manage them much more efficiently and make strategic use of the resources allocated to the projects.

Recommendation 11 (PRIORITY 2): We recommend OSCE to explore the possibility to extend the use of the *Mission to Skopje Guidelines for the UB (and ExB) project design* to the other ES.

8 FOLLOW-UP OF PREVIOUS AUDIT RECOMMENDATIONS

144. PC.ACMF/77/19 of 29 October, 2019, took notice of the Action Plan for the Implementation of the outstanding External Auditor's recommendations. This Plan includes 5 recommendations from our 2018 Audit Report, as well as the 19 recommendations from the previous years, though 6 of them, all from 2017, were already closed. Follow-up has taken place on the remaining 18 recommendations, as listed in Annex II.
145. Ten of those audit recommendations have been considered closed: 6 of them for having been implemented, 1 partially implemented (2016/07) and the other 3 for having been withdrawn, either for having lost their feasibility or reasonability, either for lacking Management's acceptance (2018/04). Other 6 recommendations were in progress as at the closure of the audit works. Among them, the recommendation 2016/06 has been considered extensive to those ER related to Staff Rules and Regulations, which results in addressing the recommendation to Department of Human Resources (DHR) additionally to DMF, as originally. In fact, our audit tests have revealed cases of extemporaneous ER in staff matters, without any occurrences related to FAI.
146. The remaining 2 recommendations, numbers 2017/01, related to provisional measures when UB is not approved in time, and 2018/02, related to the way the bank reconciliations are performed, are still open. This last, with priority 1, stems from the weaknesses described before in para. 60.

147. Attending their ranking, implementation of priority 1 recommendations³³ has been variable, as half of them, one from each of the years, were in progress while 2 were implemented and the other one not implemented. The recommendations with priorities 2 and 3 can be found in the Annex II, with details about their degree of fulfillment.
148. Overall results show that around 33% of standing recommendations at the beginning of the year have been fully implemented and other 39% in progress or partially implemented. These percentages are satisfactory and reveal, in the EA's opinion, sound commitment of the Organization with the continuous improvement of rules and procedures.
149. Further details on the implementation of recommendations have been included, when relevant, in the related paragraphs of this Report.

9 LEGAL ISSUES WITH POTENTIAL OR ACTUAL FINANCIAL IMPACT

9.1 Ethical Framework

150. OSCE's ethical framework is mainly determined by the Code of Conduct, the OSCE Staff Regulations and Rules, Staff Instruction 21 Policy on the Professional Working Environment and FAI 14 on Fraud Prevention and Detection.
151. As mentioned in our 2018 LFR, the review and update of the Ethical Framework and the enhancement of independence of the investigation function, recommended in OIO Report 5/2016, was still ongoing. At the time of drafting this Report, the progress reported is very limited, and investigations continue to remain fragmented, as explained in the following paragraph.
152. OSCE's investigations assignments are not centralized, but distributed among OIO and DHR³⁴, corresponding to OIO the investigation functions of allegations of possible violations of regulations, rules or related administrative instructions and allegations involving waste or mismanagement of resources, or fraud or other impropriety, with the exception of those areas for which separate provision has been made. The issues related to the professional work environment (e.g. harassment, sexual harassment, discrimination and retaliation) are addressed to DHR (OSCE Ethics Co-ordinator). OSCE management informed the EA that the Annual Reports on Allegations of Misconduct, corresponding to 2018 and 2019, were on course of preparation at the time this LFR was drafted, being this delay heavily impacted by the reorganization of priorities in DHR due to COVID-19 crisis.

³³ It has to be noticed the priority rank is provided from last year's Audit Report on, and not when the recommendations of 2016 and 2017 were issued.

³⁴ HoM and Hol have also a participation in the investigation assignments, as mentioned in Section 9.2.

153. During 2019 an OSCE Investigation Manual was being drafted, that was under OLA review at the time of issue of our last LFR: This situation has not varied much³⁵. The modification and upgrade of the Internal Justice System has also been under discussion during 2019.

9.2 Fraud and potential fraud

154. OIO has informed the EA that several cases of presumptive fraud or other misconduct have been investigated during 2019. Heads of Institution (HoI) and Heads of Missions (HoM) must also report, at least annually in the LoA, of the cases of fraud and losses, their recording and disclosure to Secretariat. We revised all LoA and discussed such cases reported with OIO and management. For none of them they declared there was a potential material financial impact to be considered. Our audit works in the Secretariat and the selected FOs did not identify any other cases.

9.3 Other legal issues with financial impact

155. Several issues with a legal background have impacted on FS or have a potentiality to impact in the future. Some are already reported in the FS section of this LRF³⁶, as their financial impact has been reflected with the recording of provisions for bad or doubtful debts, contingent liabilities or accruals. LoA from ES must also report on the existence of pending or threatened litigations, proceedings, hearings, claims or negotiations which may result in significant loss to the Organization. As mentioned above, they have been revised and all cases commented with OLA and reviewed with Accounts.
156. OLA has also informed us about the evolution of staff claims, mostly related to Board and Lodging Allowances (BLA) and salaries. In this respect, we have followed the BLA claim already reported in 2018 that was then under appeal to the Panel of Adjudicators (PoA) which finally resulted in an additional payment of EUR 1,530 for the two applicants who were on time. OLA also informed us of the existence of other cases under PoA consideration but considers not appropriate to speculate on the potential financial impact.
157. More significant for both financial and reputational risk is the local staff income taxation issue in Ukraine, which was raised due to the claim of a former staff member to be reimbursed with income taxes paid on a voluntary basis. Following Staff Regulation 5.05, the SG has authority to refund taxes only after receiving prior reimbursement from the taxing State. Ukraine refused to reimburse stating that the MoU in force did not provide for tax exemption of local staff. Whilst the Secretariat entered into discussions with the pS, the claimant's request had to be refused as Staff Regulation was not fulfilled. The claimant appealed and the case is under PoA resolution. It has to be noticed that, as long as OSCE and the pS do not reach an agreement on the MoU interpretation, there is a risk to extend the issue to both the PCUK and SMM local staff, as both MoUs are drafted in identical terms on this issue. Ukraine is not listed among the countries mentioned in the *Horizontal Issues*.

³⁵ In comments on LFR draft, Management has informed that Manual draft is again under revision of OIO.

³⁶ E.g. the claim in Mission in Kosovo for the unintentional use of private property; a contingent liability in Centre in Ashgabat for BLA and salary claims; or the allowance for doubtful debt in Programme Office in Dushanbe.

Local Staff National Income Tax section of the 2019 and 2020 Unified Budget Proposal³⁷.

9.4 Ex Gratia payments

158. Ex gratia payments are regulated into FR 6.05. During 2019 four ex gratia payments amounting a total of EUR 10 thousand have been recorded, aligned with the usual trend of previous years.
159. None of the individual records are above the annual threshold of EUR 2.5 thousand and all of them have been approved by SG/Hol. One of the payments corresponds to the same beneficiary reported last year and is supported in the IOM of 5 March 2018, approved by SG, that proposed a course of action along several years including two Ex Gratia payments, one in 2018 and another in 2019.

10 COOPERATION WITH OTHER STAKEHOLDERS

10.1 Liaison with the Office of Internal Oversight

160. During the reporting period the external auditors have received the complete collaboration of the OIO, whose members have always been available and willing to share with them their experience, ideas and knowledge, as well as to keep us updated of the course of their works and main findings. They have also provided us with the 2019 Internal Oversight Plan as well as the Reports issued by the Office throughout the year with promptness. We have taken the audits done by OIO into consideration in our financial audit of 2019. They have also shared with us the conclusions of their evaluations and the ongoing of their investigations. References to OIO's works are made in several paragraphs of this Report. OIO has provided us with valuable information and we appreciate their work.

10.2 Audit Committee

161. Following the usual practice, the AC has been informed about the external auditor's working plan, the audit findings in Field Operations and results of the Financial Statements' audit. The EA met the AC once via videoconference in November³⁸, 2019 and has also kept the EA informed, particularly of events after the COVID-19 crisis started.
162. The EA has continued this year with the AC's recommendation to classify our recommendations according to their priority, thus aligning our practice with that of OIO.

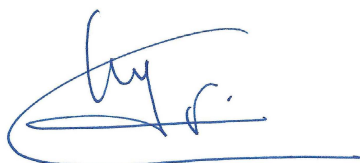
³⁷ The issue, how it was raised and evolved, legal backgrounds and the budgets (UBs and SPF) and assessed contributions estimated impact, are clearly described in the Secretariat Legal Services Position Paper on Income Taxation of Locally recruited OSCE officials in Ukraine, of 18 January, 2018.

³⁸ Another videoconference was scheduled for March, during AC visit to Vienna, but this visit was cancelled due to causes different than those of COVID-19.

163. The External Auditor wishes to thank the OSCE AC for providing us with the opportunity to submit any comments and suggestions that might be deemed necessary to clarify factual contents of the draft of their Annual Report³⁹, which was also drafted under particular circumstances, as well as their comprehension with the delay from expected time to issue the remaining ML.

11 ACKNOWLEDGMENT

164. I wish to express my appreciation for the cooperation and assistance extended by the Secretary General, management and staff of the OSCE. Without their cooperation the effectiveness of the independent external audit process would have been significantly reduced. I am very grateful for their assistance during the whole external audit process.



María José de la Fuente y de la Calle
President of the Spanish Court of Audit
External Auditor

³⁹ Annual Report of the Audit Committee July 2019-July 2020.

ANNEX I

MANAGEMENT COMMENTS ON EA RECOMMENDATIONS

| Number | Recommendation | Management Response |
|---------------------------------|---|--|
| Recommendation 1: PRIORITY 2 | To the PC, to adjust the dates of start and end of the External Auditor's tenure, so that they cover all the audit responsibilities (e.g. to end mandate at the PC of July, once the Audit Opinion and the Long Form Report have been presented). | Accepted. This would require PC approval and would likely not be able to take effect until after the already announced External Audit appointments have concluded. |
| Recommendation 2: PRIORITY 1 | We recommend the Treasury Unit, in liaison with the Accounts Unit and/or Information Technologies staff if necessary, to review and update the bank account database in IRMA-Oracle and to adapt its outputs to the needs of monthly cash and bank reconciliations, in order to ensure that accounting differences are timely monitored and explained without exceptions. | Accepted. Treasury is liaising with both Accounts and ICT to review and update the bank account database in IRMA-Oracle in line with the recommendation. |
| Recommendation 3: PRIORITY 1 | To the Department of Management and Finance (DMF), to implement additional controls to avoid duplicating payments, both when recording a file in IRMA-Oracle to process an expense, and at the time of authorizing payments, e.g. reviewing the most recent payments made to the same recipient and of a similar nature. | Accepted. The system-generated notification to invoice approvers will be modified to highlight the existence of pre-payments against POs, to guard against mistaken approval of a second payment. In addition, an IOM was issued on 25 June 2018 to strengthen the Provident Fund payment process, addressing recommendation on double payment. |
| Recommendation 4: PRIORITY 2 | To the DMF, to ensure that, in line to what is established in the FAI 7, article 4.1, the Annual Asset Plan is drafted and approved. If, instead, it is deemed more appropriate to subsume that document in the Capital and Expenditure Plan, this should be previously reflected in an amendment to the above-mentioned article. In the meantime, the provision of an Annual Asset Plan has to be fulfilled. | Accepted. Updated wording and provisions are incorporated in the revised FAI 7. Implementation: Q2 2021 with UBP 2022 submission. Evaluation: Q1 2022. |
| Recommendation 5: PRIORITY 2 | The relevant responsible staff member could issue clear instructions for the recording and maintenance of the excel files that register ERs requested along the year, in order to avoid mistakes, maintain consistency and thus improve accuracy and make those files more useful for informative and audit purposes. | Partially Accepted. DMF/ISC will develop an instruction/SOP on the ERs register maintenance and update to make sure the information reflected in the file is accurate and up-to-date. DHR already has a clear process for registry and recording of ERs. |

| Number | Recommendation | Management Response |
|----------------------------------|---|--|
| Recommendation 6: PRIORITY 2 | OLA could, at least date and sign the ER form, even if they do not make any comment to it, as proof of its submission and review | <p>Rejected. OLA involvement in the DMF ER process is not required according to CRMS. It is currently the decision of the participants (requestors, approvers, etc.) to involve OLA if needed. In our opinion this provides sufficient management control.</p> <p>DHR considers that the emails exchanged with OLA for each ER processed are sufficient proof of their review and involvement in the process.</p> <p>Mandatory OLA review would lengthen the process and add an unnecessary administrative burden. ERs are frequently of urgent nature and the proposed change would lead to longer processing times.</p> |
| Recommendation 7: PRIORITY 2 | A follow-up of recommendations raised in ERs should be implemented. | Accepted. DMF/ISC will implement a register of follow up actions and process to regular follow up with the owners of DMF ERs. DHR also accepts the recommendation. |
| Recommendation 8: PRIORITY 2 | The procedure to manage ERs to SR/SI should be completed, reviewed and given official status. | Accepted |
| Recommendation 9: PRIORITY 2 | As per ER to FAI, it would be recommendable to issue a memorandum every six months, to overview the ER approved during the period, with the objective of identifying trends, lessons learned and necessary actions to improve policies and procedures. Audience of this report should be, at least, the SG; D/DHR and OLA. | Accepted, A summary report will be made to the SG. |
| Recommendation 10: PRIORITY 2 | We recommend OSCE to explore those aspects of gender equality whose financial impact merits both specific quantitative budget detail and financial reporting. We also recommend OSCE to explore the possibilities to report on finance under more global frameworks, which include the financial impact of Sustainable Development Goals. | Accepted. Management will review what information on Gender and the SDGs should be reported in future years. |
| Recommendation 11: PRIORITY 2 | We recommend OSCE to explore the possibility to extend the use of the <i>Mission to Skopje Guidelines for the UB (and ExB) project design</i> to the other ES. | Accepted. CPC/PESU will study the Guidelines issued by Skopje and see which processes can be applied for other executive structures. |

ANNEX II

PREVIOUS EA RECOMMENDATIONS IMPLEMENTATION FOLLOW-UP

| Year | Num | Priority | Content | Current Status |
|------|-----|----------|---|-----------------------|
| 2016 | 1 | 3 | We recommend, in a future review of FAI 7, to disclose the specific accounting treatment of internally developed intangible assets, to make Policy Paper 10 and FAI 7 consistent. | Withdrawn |
| 2016 | 5 | 3 | In order to foster the quality of the internal Quarterly Monitoring Reports by reassuring the correctness of the data, we recommend that the Organization should define the responsibility for its production. | Implemented |
| 2016 | 6 | 1 | We recommend OSCE to reinforce procedures to assure the timely submission of Exception Requests to DMF. | In progress |
| 2016 | 7 | 3 | We recommend OSCE to foster the paperless office by implementing electronic signature. | Partially implemented |
| 2017 | 1 | 2 | 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. | Not implemented |
| 2017 | 2 | 2 | We recommend the PC/ACMF to consider the amendment of PC.DEC.553 and thus the corresponding FAI in order to clarify what kind of UB revision is the SG expected to propose, if it is to be done before the end of the year or can be done after and its purpose. | Withdrawn |
| 2017 | 7 | 1 | We recommend the improvement of FAI 5 in respect of corporate cards procedures, including a relation of type of expenditures that can be paid by this means, and which are excluded. We also recommend the inclusion of specific prescriptions for the raise of payments limits. | In progress |
| 2017 | 10 | 2 | We recommend amending FAI 6 in order to state the authority to approve contract extensions and amendments. | Implemented |
| 2017 | 11 | 2 | To the Secretariat, to consider the possibility of making Request Form for 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"). | In progress |
| 2017 | 12 | 2 | We recommend the Management to revise the Terms of Reference of Gender Focal Point and enclose a clear definition of when Gender Working Group should be constituted. | Implemented |
| 2017 | 13 | 2 | We encourage the FOs to improve their Action Plans on Gender Issues, trying if possible to reach some consensus about essential contents as well as the Organization to deepen in the definition and application of result-based indicators. | Implemented |
| 2017 | 14 | 2 | We recommend the OSCE to continue its efforts in pursuing a gender balance, especially among senior management. | In progress |
| 2017 | 15 | 1 | Giving recognition to the relevant role of OIO in the independent examination and evaluation of the adequacy and effectiveness of the OSCE's systems of internal controls and the quality of performance in carrying out assigned responsibilities, it is advisable to avoid, as much as possible, situations of shortage in its resources. | Implemented |

| Year | Num | Priority | Content | Current Status |
|------|-----|----------|---|-----------------|
| 2018 | 1 | 1 | We recommend the Management to report on budget projects performance by publishing intended and actual Key Performance Indicators, as a way to spark a virtuous circle of improving the design of the projects and their budgeting, implementing and reporting tools, as well as driving the resources to those activities most contributing to the achievement of OSCE's objectives. | In progress |
| 2018 | 2 | 1 | We recommend the Management to improve the reporting of bank reconciliations to ensure that accounting differences are explained without exclusions. | Not implemented |
| 2018 | 3 | 1 | The OIO should modify formally the annual Internal Oversight Plan in case of specific and formal requests of internal audits requested once the Plan has been issued. | Implemented |
| 2018 | 4 | 2 | The special additional provision for HoM should be incorporated into the corresponding Staff Regulations and Staff Rules. | Withdrawn |
| 2018 | 5 | 2 | To the Secretary General, to culminate the efforts made to implement the ERM (Enterprise Risk Management) throughout the OSCE by achieving its integration with daily management and the awareness of managers as a matter of their concern. | In progress |

II - OSCE FINANCIAL REPORT
AND
FINANCIAL STATEMENTS

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




Organization for Security and Co-operation in Europe

27 March 2020

Madam,

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 2019.

Yours sincerely,



Thomas Greminger
Secretary General

Excma. Sra. Doña María José de la Fuente y de la Calle
Presidente del Tribunal de Cuentas

Tribunal de Cuentas
Calle José Ortega y Gasset 100,
28006 Madrid
SPAIN

Chapter I

Financial Report of the Secretary General for the year ended 31 December 2019

Financial Report of the Secretary General for the year ended 31 December 2019

INTRODUCTION

1. The Secretary General of the Organization for Security and Co-operation in Europe submits herewith the Financial Report, the Financial Statements and the Report of the External Auditor, with her unqualified opinion, for the year ended 31 December 2019, 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. An organisational chart of OSCE Structures and Institutions as at 31 December 2019 is included as Annex 1 to the Financial Report.

SUMMARY OF THE YEAR 2019

6. Overall, total revenue of the OSCE increased to EUR 348.7 million (2018, EUR 317.1 million). Of this, EUR 213.2 million was from Unified Budget and Special Purpose Fund Assessed Contributions, EUR 42.3 million from Extra-Budgetary Contributions and EUR 81.7 million were received in the form of non-cash contributions in-kind. Total assets decreased by EUR 11.5 million (7%) to EUR 153.9 million, and total liabilities decreased by 1% (EUR 1.4 million) to EUR 119.0 million, giving a total net asset value of EUR 34.9 million, a decrease of EUR 10.1 million (22%) over 31 December 2018. Although off-setting variances across the Statement of Financial Position make up this reduction, the most significant drivers were higher liabilities for conditional extra-budgetary contributions (EUR 5.6 million) and a fall in the value of property, plant and equipment (EUR 6.9 million), offset by a rise in contributions receivable (EUR 2.9 million, mainly extra-budgetary). A fall of EUR 7.6 million in cash and investments is largely mirrored, and explained, by a decrease of EUR 8.7 million in funds held on behalf of third parties.
7. As always, the largest single element of expenditure by the OSCE was for human resources, which accounted for 62% of total expenditure in 2019. This underlines the dependence of the Organisation on

staff, both directly employed and seconded by participating States, for the delivery of its outputs and the achievement of planned outcomes.

8. Continuing the trend seen in recent years, the Special Monitoring Mission to Ukraine (SMM) played a prominent part in the OSCE agenda and the Financial Statements reflect this. The SMM accounted for 42% of the total expenditure reported in the year, a proportion unchanged from 2018.
9. In the context of the overall OSCE, the SMM accounted for 38% of total employees in post at the end of the year, and SMM's total staff costs increased by 7% to EUR 104.3 million. Staff costs, including the estimated value of seconded staff and mission members, account for the bulk (69%) of SMM total expenditure. Non-staff costs amounted to EUR 46.9 million (including contracts for medical support and Long Range UAV services), with an increase of EUR 4.7 million compared to 2018 mainly driven by an increase in the staff costs.
10. A continuing theme in OSCE's operations and financial performance is our critical dependence on in-kind contributions of both goods and services, especially by the SMM. If the Organization had been required to provide these from its own resources, it is estimated that additional budgetary resources of EUR 81.7 million (31%) would have been required during 2019 (EUR 75.4 million or an additional 31% in 2018) to support the level of mandated activity undertaken.

FINANCIAL STATEMENTS ANALYSIS

Summary

11. Key financial information is presented in the table below and is analysed further in the sections of this report dealing with each of the financial statements:

Financial Highlights

| EUR'000 | 2019 | 2018 | Change | Change % |
|---|---------|----------|----------|----------|
| Statement of Financial Position | | | | |
| Cash and Bank | 95,094 | 107,526 | (12,432) | (12%) |
| Investments | 13,971 | 9,133 | 4,838 | 53% |
| Net Assets | 34,879 | 44,984 | (10,105) | (22%) |
| Cash Surplus for the year | 2,778 | 3,255 | (477) | (15%) |
| Statement of Financial Performance | | | | |
| Revenue from Assessed Contributions | 213,201 | 215,124 | (1,923) | (1%) |
| Extra-Budgetary Revenue | 42,316 | 22,038 | 20,278 | 92% |
| Contributions In-Kind | 81,685 | 75,433 | 6,252 | 8% |
| Total Revenue | 348,685 | 317,110 | 31,575 | 10% |
| Total Expenditure | 356,072 | 331,198 | 24,874 | 8% |
| Surplus/(Deficit) for the year | (7,387) | (14,087) | 6,700 | (48%) |

12. Overall, the OSCE's financial situation is satisfactory, with the reduced total value of cash and investment explained by a reduction in the funds held on behalf of third parties. The fall in net assets is almost entirely due to a decline in the retained surplus, driven by lower asset values, which is further discussed below.
13. The 2019 Unified Budget cash surplus shows a slight decrease compared to 2018. Although continuation of the past practice of revising the budget downwards at year end suppressed the final cash surplus, a

comparison of the two combined over the years demonstrates that tighter budgets are causing a broadly downward trend in the amount of the surplus.

| EUR'000 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Year-end revision | 2,954 | 2,820 | 2,893 | - | - | - |
| Cash Surplus | 2,678 | 392 | 148 | 2,949 | 3,255 | 2,778 |
| Total Surplus | 5,632 | 3,212 | 3,041 | 2,949 | 3,255 | 2,778 |

14. In terms of the Statement of Financial Performance, total revenues have increased by 10%, partly due to an increase in in-kind contributions of seconded staff, and partly due to an increase in recognized extra-budgetary revenue. The latter was depressed in 2018 by a one-off change in the method of estimating revenue. Despite an increase in expenditure since last year, the overall deficit has substantially reduced. While the Unified Budget remains in surplus, both extra-budgetary and special purpose funds are in deficit. This is due primarily to timing differences between the SMM mandate and the OSCE financial year (the SMM financial year is 1 April to 31 March).

15. There are three main differences between the cash surplus and the overall operating deficit:

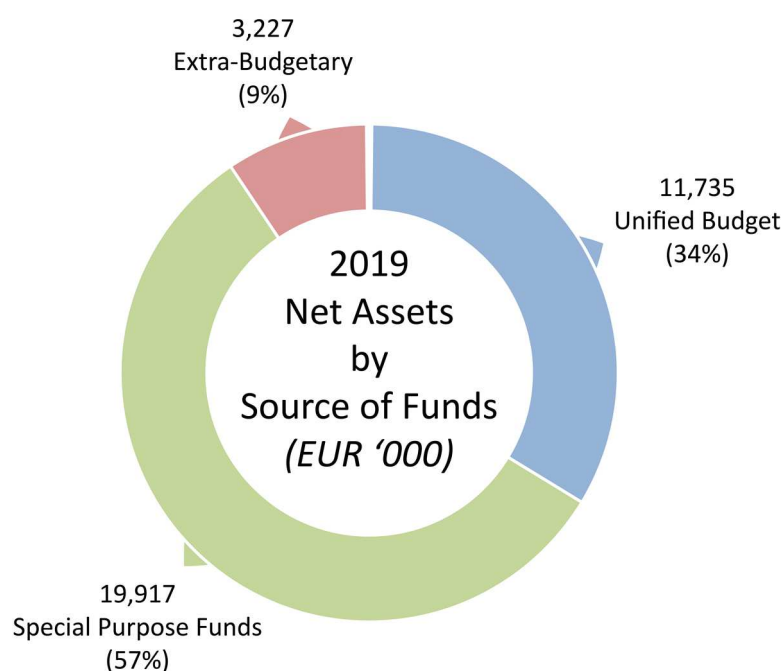
- Although the special purpose and extra-budgetary funds showed overall deficits, the cash surplus relates purely to the Unified Budget, which generated an operating surplus of EUR 0.8 million;
- The cash surplus is based on the budgetary surplus adjusted for outstanding assessed contributions, which are treated differently in the Financial Statements, and
- The cash surplus is computed on the basis of the budgetary framework, rather than the IPSAS framework used to prepare the Financial Statements, which creates further differences.

Statement of Financial Position

The following table shows a summary of the Statement of Financial Position:

| EUR'000 | 2019 | 2018 | Change | Change % |
|------------------------------------|----------------|----------------|-----------------|--------------|
| Cash and Bank | 95,094 | 107,526 | (12,432) | (12%) |
| Investments | 13,971 | 9,133 | 4,838 | 53% |
| Outstanding Assessed Contributions | 6,580 | 6,821 | (241) | (4%) |
| Current Assets | 137,908 | 141,405 | (3,497) | (2%) |
| Property Plant and Equipment | 13,877 | 20,807 | (6,930) | (33%) |
| Non-Current Assets | 15,974 | 23,967 | (7,993) | (33%) |
| Total Assets | 153,882 | 165,372 | (11,490) | (7%) |
| Current Liabilities | 112,545 | 113,215 | (670) | (1%) |
| Non-current Liabilities | 6,458 | 7,173 | (715) | (10%) |
| Total Liabilities | 119,003 | 120,388 | (1,385) | (1%) |
| Net Assets | 34,879 | 44,984 | (10,105) | (22%) |

16. As in previous years, the OSCE's financial position remains healthy, as demonstrated by the sound liquidity indicators. Total assets have further declined slightly to approximately 1.3 times the value of total liabilities (1.4 times in 2018 and 1.5 times in 2017). Current assets are unchanged at approximately 1.2 times the value of current liabilities, and the OSCE has sufficient resources to cover short-term obligations, particularly as approximately 80% of current assets are highly liquid (cash and short-term investments).
17. Current assets remained relatively stable between the two years, declining by EUR 3.5 million (2%), due to a reduction in cash and investments, offset by an increase in extra-budgetary contributions receivable as a result of increased pledges. Given the prevailing climate of negative interest rates in the Eurozone, investments continue to be minimised in favour of holding funds in bank accounts. Cash and investments are managed centrally in order to safeguard funds, better monitor cash flows and optimise finance revenue, and more than 98% of the cash is held with banks carrying an investment grade BBB-and above. The Investment Committee, which regularly reviews the investment portfolio and approves the banks where investments are placed, continued to monitor and assess the risks associated with cash management activities.
18. Total current assets also include assessed contributions receivable in the amount of EUR 6.6 million which represents a decrease of 4% (from EUR 6.8 million in 2018). This amount is not a cause for concern, as much of it is simply a result of time-lags between billing and payment, and the long-term arrears have decreased during 2019 with the settlement of certain long-outstanding contributions. Other current assets not shown in the table above consist mainly of taxes receivable, prepayments to implementing partners and other suppliers, and inventory.
19. Total non-current assets amount to EUR 16.0 million, out of which property, plant and equipment (PP&E) represents the largest portion, amounting to EUR 13.9 million. The net book value of PP&E has fallen year-on-year since 2016, as asset replacements fail to keep pace with depreciation of existing assets. Overall, the book value of PP&E is now 51% lower than it was in 2016, which reflects a history of capital under-investment.
20. Although total liabilities have not changed materially since 2018, this disguises a number of underlying movements. An increase of EUR 5.6 million in extra-budgetary pledges which cannot be recognised as revenue until conditions attached to them by donors have been fulfilled reflects an increase in pledges received during the year; funds held for third parties, primarily for the payment of seconded staff, have reduced by EUR 8.7 million, which largely explains the reduction in cash and investments held; deferred revenue has increased by EUR 3.0 million, mainly as a result of contributions received in advance for SMM.
21. Total net assets decreased compared to last year by 22% or EUR 10.1 million, due to the factors discussed above. Net assets include OSCE fund balances and reserves, broken out as illustrated below. The chart below shows that 66% of net assets are related to funds other than the Unified Budget.



22. The net asset balance in Special Purpose Funds mainly relates to the SMM (EUR 15.8 million) and the high surplus of assets over liabilities stems mainly from the fact that the mission's budget period runs until 31 March 2020; and the IT Infrastructure Upgrade Fund (EUR 3.2 million), which will consume its accumulated surplus as work is completed. Net assets in Extra-Budgetary Funds consist primarily of property, plant and equipment related to the SMM, earned Indirect Common Costs funds and timing differences between cash inflows and outflows.

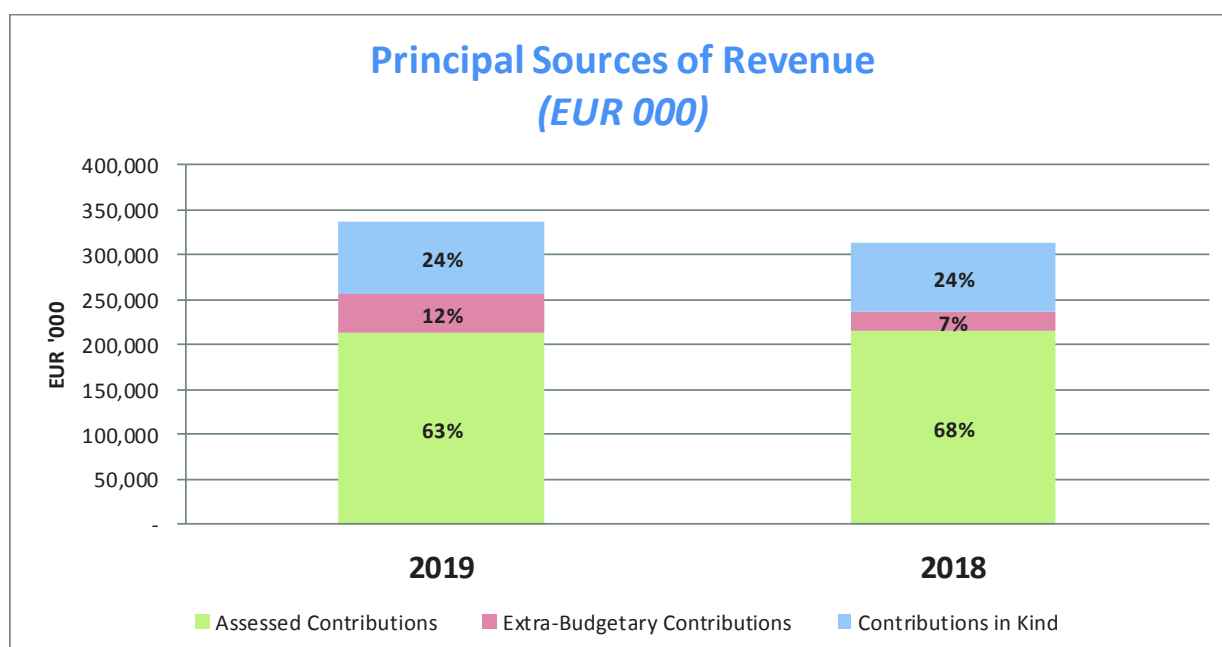
Statement of Financial Performance

The following table shows a summary of revenue recognised in the Statement of Financial Performance:

| EUR'000 | 2019 | 2018 | Change | Change % |
|-------------------------------------|----------------|----------------|---------------|------------|
| Revenue from Assessed Contributions | 213,201 | 215,124 | (1,923) | (1%) |
| Extra-Budgetary Revenue | 42,317 | 22,038 | 20,279 | 92% |
| Contributions in Kind | 81,685 | 75,433 | 6,252 | 8% |
| Foreign Exchange Gains/(Losses) | (390) | 313 | (703) | (225%) |
| Other revenue categories | 11,872 | 4,202 | 7,670 | 183% |
| Total Revenue | 348,685 | 317,110 | 31,575 | 10% |

23. In 2019 total revenue increased to EUR 348.7 million, mainly due to an increase in extra-budgetary revenue and, to a lesser extent, contributions in kind and other revenue. The most significant factor in the increase in extra-budgetary contributions is a change in 2018 to the method of estimating revenue earned, which caused a one-off reduction in that year, but which will stabilise the amounts recognised henceforth and align more closely with expenditure. The increase in contributions in kind relates to personnel seconded to the OSCE by participating States, approximately evenly split between the SMM and the Organisation. The change in other revenue relates to allocations by the Permanent Council of retained cash surpluses, which are described in more detail below.
24. Assessed contributions, amounting to EUR 213.2 million in 2019, represent the OSCE's main source of revenue, of which EUR 138.2 million relates to the Unified Budget and EUR 75.0 million to the SMM.

25. The chart below underlines the critical dependence of the Organization on contributions in kind, primarily in the form of personnel seconded, especially to SMM, and the no-cost use of buildings provided by host governments. 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 of the States seconding them.



26. The remaining portion of total revenue (EUR 11.5 million in 2019) relates to revenue reallocated from internal sources (releases of retained cash surpluses, as authorised by the Permanent Council), currency exchange adjustments, finance revenue, sale of assets and other minor revenues. Although the OSCE realised exchange rate gains of EUR 0.3 million during 2019, the net losses of EUR 0.4 million are entirely unrealised and are therefore likely to change as exchange rates move during 2020. Other revenue comprises mainly revenue reallocated by the Permanent Council from cash surpluses to finance the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border; together with the IT Infrastructure Upgrade Fund (EUR 4.2 million) and other activities (EUR 0.8 million), the latter two explaining the majority of the increase since 2018.
27. Total expenses increased by 8% or EUR 24.9 million. The following table provides details of the changes by cost category:

| EUR'000 | 2019 | 2018 | Change | Change % |
|--------------------------------|----------------|----------------|---------------|-----------|
| Staff Costs | 220,409 | 209,554 | 10,855 | 5% |
| Consultancy and Subcontracting | 34,851 | 29,247 | 5,604 | 19% |
| Travel Expenses | 24,722 | 23,868 | 854 | 4% |
| Services and Office Costs | 41,538 | 36,326 | 5,212 | 14% |
| Consumables and Supplies | 7,080 | 6,842 | 238 | 3% |
| Depreciation and Amortization | 9,814 | 9,976 | (162) | (2%) |
| Equipment Expenses | 6,652 | 4,433 | 2,219 | 50% |
| Other Operating Expenses | 11,006 | 10,951 | 55 | 1% |
| Total Expenses | 356,072 | 331,197 | 24,875 | 8% |

28. The most significant part of the total increase relates to a 5% (EUR 10.8 million) rise in staff costs, which shows a lower rate of increase compared to 2018 when it increased 7% compared to 2017. Of this, the greatest single element is the estimated non-cash costs of seconded staff (EUR 6.3 million) which is

offset by an equal increase in the estimated contributions-in-kind revenue, followed by Board and Lodging Allowances paid to Mission Members in the Field Operations (EUR 3.2 million). The largest increase in consultancy and sub-contracting is seen in extra-budgetary expenditure (EUR 2.4 million), and most of the remainder reflects a higher implementation rate in the Unified Budget, with a smaller amount (EUR 1.3 million) attributable to SMM. The greater part of the increase in services and office costs is attributable to SMM (EUR 2.3 million), largely for Information and Communications Technology services; much of the increase elsewhere in the Organization is a result of the same. The relatively small nominal increase in Equipment Expenses (EUR 2.2 million) relates to minor equipment that is not capitalised and represents a 50% cost growth over 2018, mainly in SMM (EUR 1.2 million), with the balance distributed among other Field Operations.

Staff Analysis

29. As can be seen from the above, staff costs, including the estimated value of seconded personnel, constitute the greatest single element of expenditure for the Organization, accounting for 62% of the total. The table below shows the change in staff numbers, both on the Unified Budget Post Table and working in Extra Budgetary projects, including seconded personnel.

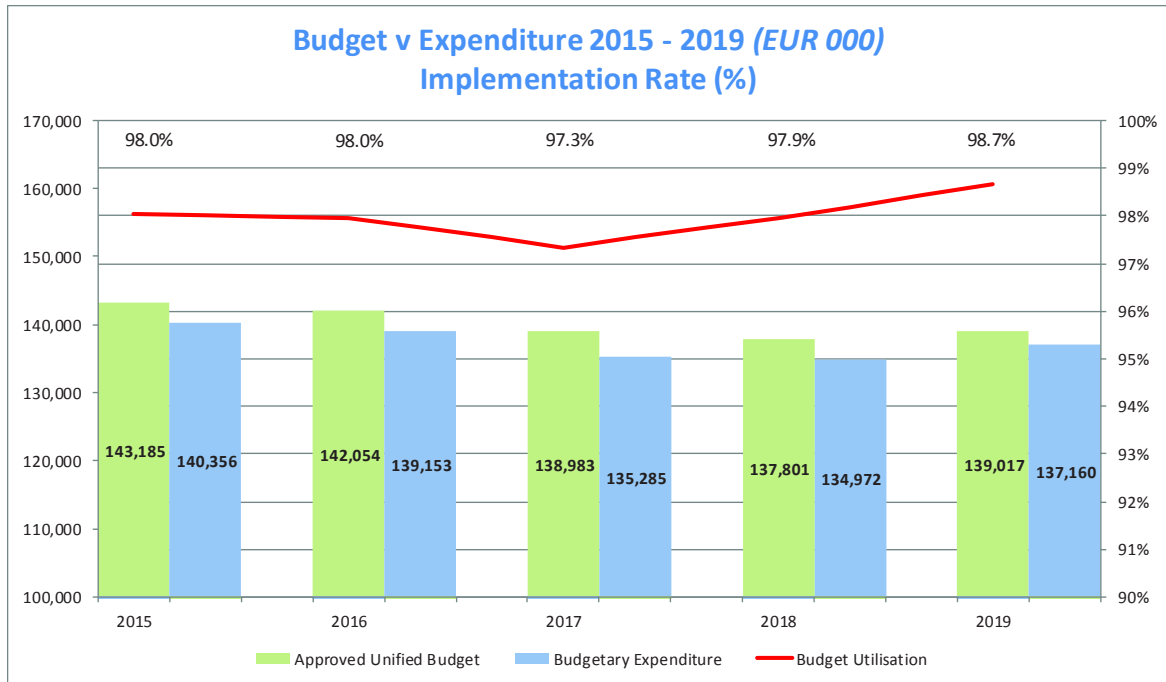
| | As at 31 December 2019 | As at 31 December 2018 | Change | Change (%) |
|----------------------------|---------------------------|---------------------------|-------------|-------------|
| International Contracted | 252 | 269 | (17) | (6%) |
| International Seconded | 1,225 | 1,224 | 1 | 0% |
| International Staff | 1,477 | 1,493 | (16) | (1%) |
| Local Professional | 468 | 455 | 13 | 3% |
| General Service | 1,660 | 1,657 | 3 | 0% |
| Local Staff | 2,128 | 2,112 | 16 | 1% |
| All Staff | 3,605 | 3,605 | 0 | 0% |

30. More detail on the Unified Budget posts, including a breakdown by executive structure and vacancy rates, can be found in Chapter II of this document.

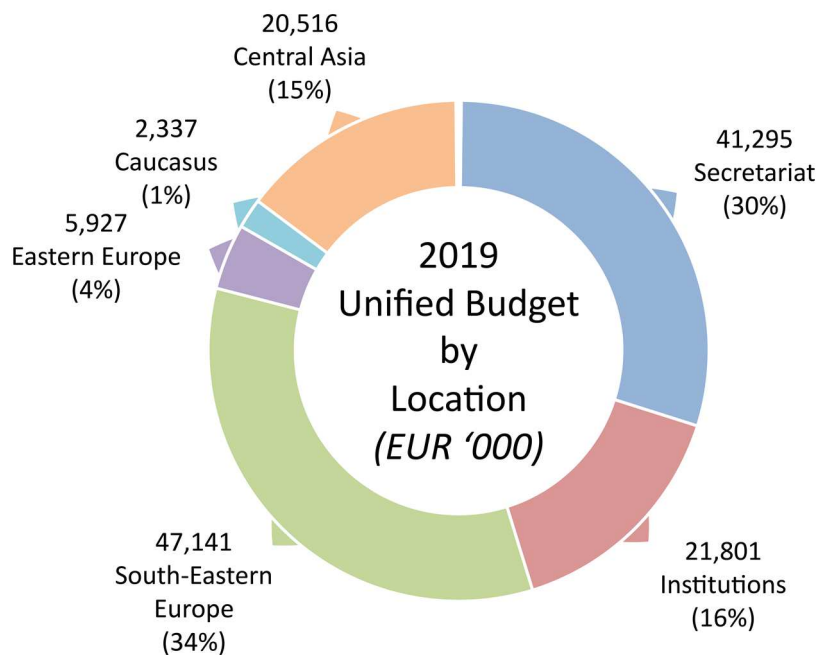
UNIFIED BUDGET ANALYSIS

31. The Unified Budget and budgetary expenditure are recorded on a modified cash basis, which records expenses at the moment they are incurred; whereas expense as shown in the Statement of Financial Performance is recognized under the IPSAS accrual basis i.e. in the period in which the goods or services are delivered. The Statement of Comparison of Budget and Actual Amounts (Statement V), and Note 8 to the Financial Statements provide information that facilitates a comparison between the Unified Budget and IPSAS amounts.
32. The approved 2019 Unified Budget amounted to EUR 138.2 million (PC.DEC/1326 of 11 April 2019). In addition, the Permanent Council approved the use of EUR 99 thousand from the 2017 cash surplus to fund a supplementary budget for the OSCE Mission in Kosovo (PC.DEC/1329 of 16 May 2019), a further EUR 414 thousand from the same source to fund strengthening the infrastructure of the OSCE (PC.DEC/1331 of 13 June 2019), and EUR 300 thousand from the 2018 cash surplus for a supplementary budget for the Office of Democratic Institutions and Human Rights (PC.DEC/1347 of 24 September 2019). Of the total EUR 139.0 million Unified Budget, total expenditure was EUR 137.2 million and resulted in a year-end unspent balance of EUR 1.8 million which is included in the 2019 Cash Surplus.

33. There has been a gradual real-term downward trend in the Unified Budget over the last five years, as can be seen below. The Unified Budget decreased from EUR 143.2 million in 2015 to EUR 139.0 million in 2019, without accounting for any inflation adjustment. The implementation rate of 98.7% has increased from the 97.9% reported last year. It is also noticeable that the implementation rate for 2017, when the Unified Budget was not approved until 1 June, is lower than in other years. The approved Unified Budget, actual expenditure and implementation rates for the periods 2015 to 2019 are shown in the chart below:

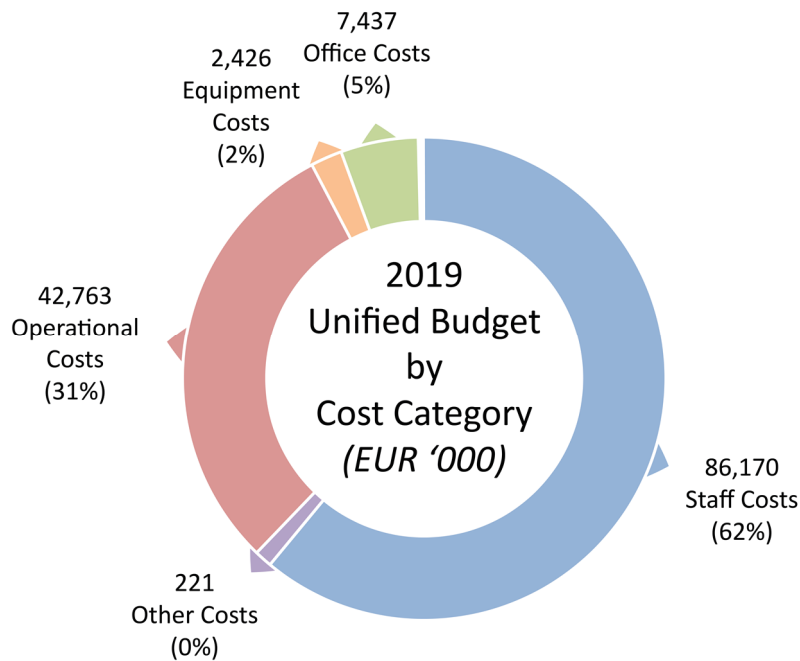


Of the 2019 approved Unified Budget, Field Operations represent EUR 75.9 million or 54% and Secretariat and Institutions represent EUR 63.1 million or 46% of the total. The geographical distribution of the budget is shown below:



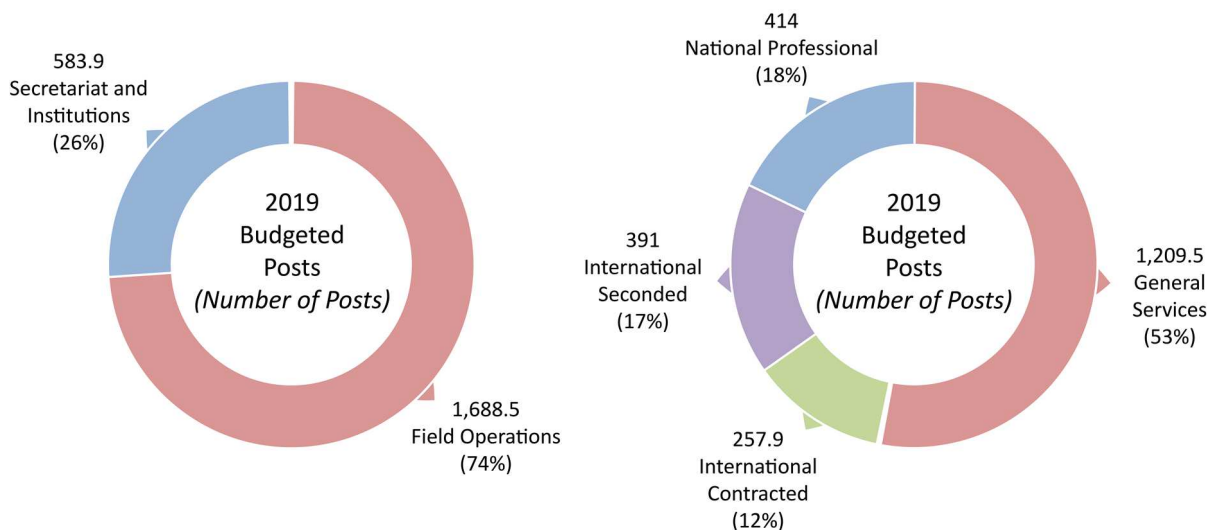
34. The distribution of the budget by main cost category in the chart below shows that staff costs continue to represent the largest share with 62% of the total (unchanged from 2018) and operational costs,

principally consultancy and contract services, expenditure on conferences/seminars/workshops and duty travel, are the second largest category with 31% of the total (also unchanged from 2018).



35. Although staff costs account for the most significant share of the budget, the OSCE continues to operate with lower budgets for staff than required. In preparing standard staff costs that are used to translate the post table into budget estimates, vacancy rates are used. These rates are based on the assumption that a post would remain empty for a defined period of time over the fiscal year. In some cases, vacancy rates used to generate reductions in budget levels, which are based on averages, result in staff cost budgets that are not distributed in the same proportions as actual vacancies, resulting in misalignments between budgets and actual costs.
36. The distribution of Unified Budget posts and staff in post by fund is shown in Chapter II. The following chart indicates the number of Unified Budget posts by post category and the split between Secretariat and Institutions and Field Operations in 2019.

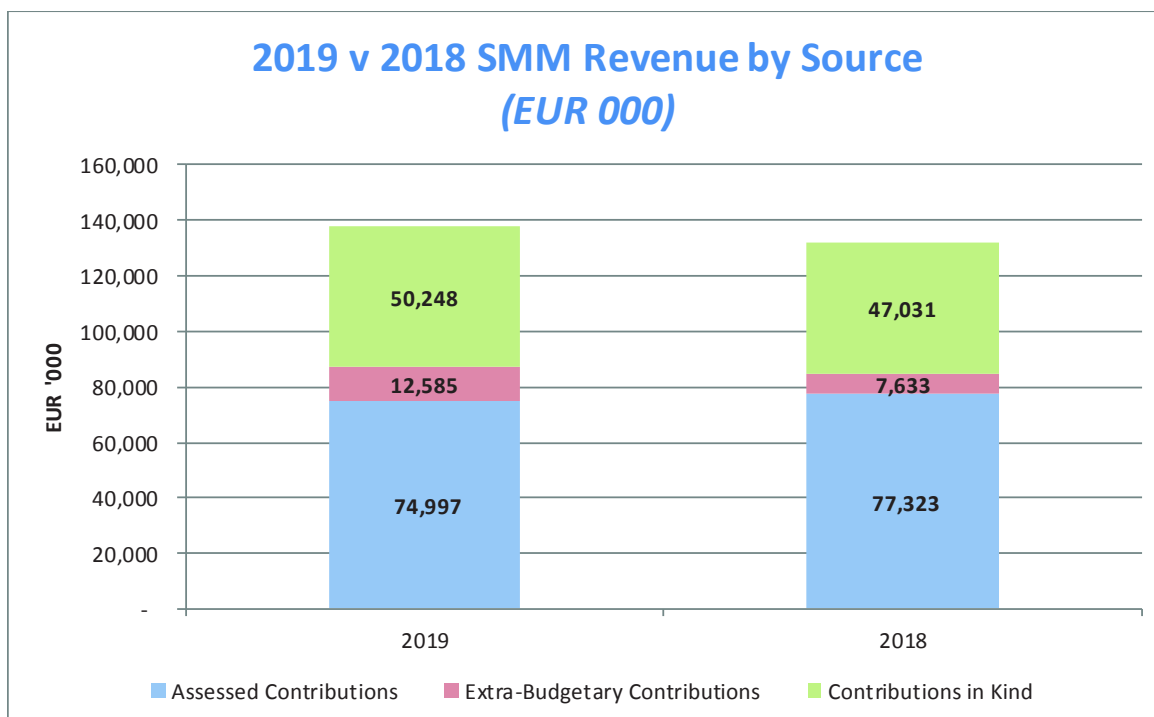
2019 Budgeted Posts (Number of Posts)



37. The above charts show that 53% of the total Unified Budget posts are at the General Services level and 74% are in the Field Operations. Furthermore, 17% are seconded posts for which the Organization does not pay a salary. In other words, if it weren't for these seconded posts, 152% more International Contracted posts would need to be included in the Unified Budget to maintain the current level of mandated activities.

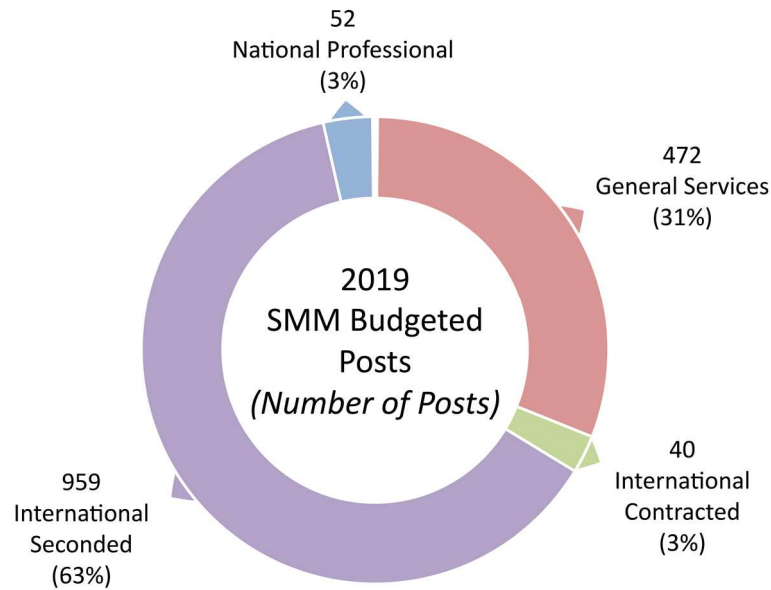
SPECIAL MONITORING MISSION TO UKRAINE

38. The Special Monitoring Mission (SMM) to Ukraine was originally established pursuant to PC.DEC/1117 of 21 March 2014 for a period of six months. The mandate was subsequently extended by further Permanent Council Decisions, of which PC.DEC/1289 dated 22 March 2018 relates to the first quarter of the 2019 financial year and PC.DEC/1323 dated 29 March 2019, which approved a fresh mandate until 31 March 2020, covers the remainder of the period of this report.
39. The successive mandates of the SMM in 2019 did not correspond to the calendar year. The mandate under PC.DEC/1289 ended on 31 March 2019, while the mandate under PC.DEC/1323 extends beyond the end of the year until 31 March 2020. The figures reported in the financial statements and in this report represent an apportionment of the two mandates to the financial and calendar year 2019, i.e. revenue and expenses were reported on an accrual basis as incurred in 2019.
40. As can be seen in Statement VI.2.G Segment Reporting, assessed contributions amounted to EUR 75.0 million in 2019 (77.3 million in 2018) and contributions in kind to EUR 50.2 million (EUR 47.0 million in 2018), underlining the critical importance of seconded staff to the work of the SMM. The remaining budget is financed through voluntary contributions which amounted to EUR 12.6 million in 2019 as can be seen in the Statement VI.2.H Segment Reporting (EUR 7.6 million in 2018). The following chart shows the revenue sources of the SMM in 2018 and 2019, calculated on an IPSAS basis net of savings. It can be seen that overall revenues recognised have increased by 4%.

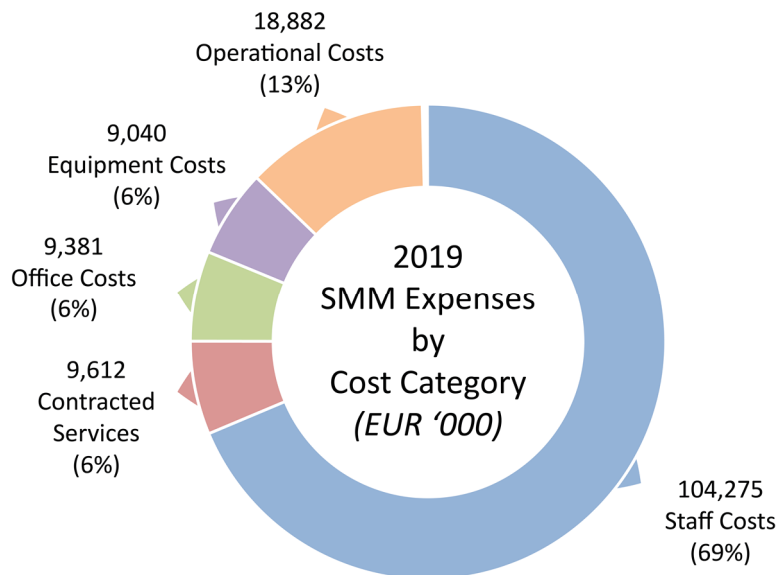


41. As at 31 December 2019, there were 1,523 budgeted posts for the SMM, compared with 2,272.4 posts for the Unified Budget, further demonstrating the magnitude of the SMM as compared to the rest of the

Organization. It should be noted that 63% of SMM budgeted posts are seconded posts (959 seconded posts), demonstrating the Mission’s high reliance on voluntary resources.



42. Total expenses, on an IPSAS basis, for the SMM amounted to EUR 151.2 million (EUR 139.4 million in 2018). Staff costs, including the value of seconded staff, represented the highest share, amounting to EUR 104.3 million or 69% of total expenses, followed by contract services of EUR 9.6 million or 6%, mainly for paramedical services. Expenses are reported on an accrual basis, which requires the capitalization, rather than expensing, of purchases of property, plant and equipment. The EUR 9.0 million expenses for equipment relates to equipment purchases below the capitalization threshold of EUR 1 thousand, together with depreciation and impairment of capitalised equipment. The chart below details the SMM’s 2019 expenses by major cost category.



EXTRA-BUDGETARY EXPENDITURE

43. Extra-budgetary revenue is received from a variety of donors, both States and others (for example, the European Union), to implement projects funded by them. A separate voluntary revenue stream is used to part-finance the approved budget of the SMM. Overall, it is an important source of revenue for the OSCE and accounted for 15% of all non-SMM expenditure. The following table shows extra-budgetary expenditure by Executive Structure, excluding IPSAS-related adjustments.

| EUR '000 | 2019 | 2018 |
|---|---------------|---------------|
| Secretariat | 11,455 | 9,101 |
| Office for Democratic Institutions and Human Rights | 5,742 | 5,472 |
| High Commissioner on National Minorities | 815 | 747 |
| Representative on Freedom of the Media | 479 | 506 |
| Total - Secretariat and Institutions | 18,491 | 15,826 |
| Mission in Kosovo | 276 | 218 |
| Mission to Bosnia and Herzegovina | 1,088 | 1,341 |
| Mission to Serbia | 1,510 | 1,056 |
| Presence in Albania | 522 | 354 |
| Mission to Skopje | 486 | 388 |
| Mission to Montenegro | 463 | 142 |
| Total - South-Eastern Europe | 4,344 | 3,499 |
| Mission to Moldova | 316 | 167 |
| Project Coordinator in Ukraine | 2,739 | 2,549 |
| Representative on the Latvian-Russian Joint Commission on Military Pensioners | | |
| Total - Eastern Europe | 3,055 | 2,717 |
| Office in Yerevan | | |
| High-Level Planning Group | | |
| The Minsk Process | | |
| Personal Representative of the CiO on the Conflict dealt with by the Minsk Conference | | |
| Total - Caucasus | 0 | 0 |
| Programme Office in Astana | 30 | 1 |
| Centre in Ashgabat | 430 | 871 |
| Programme Office in Bishkek | 261 | 464 |
| Project Co-ordinator in Uzbekistan | 385 | 129 |
| Programme Office in Dushanbe | 2,265 | 1,727 |
| Total - Central Asia | 3,370 | 3,191 |
| Special Monitoring Mission to Ukraine | 12,474 | 7,476 |
| GRAND TOTAL | 41,734 | 32,709 |

INTERNAL CONTROLS

44. The Statement on Internal Control (SIC), published with this Report and the Financial Statements, is the means by which the Secretary General declares his approach to, and responsibility for, risk management, internal control and corporate governance.
45. The Statement on Internal Control highlights significant matters pertaining to 2019, and describes a number of issues that limit the scope of internal control in the OSCE.
46. The 2019 Statement on Internal Control acknowledges the Organization's unique decentralised structure and the independent administrative operation of the executive structures, which continues to limit the effectiveness of the system of internal controls. The Department of Management and Finance has taken steps to enhance the effectiveness of the internal control systems, as described in the Statement.

RESPONSIBILITY

47. Pursuant to Financial Regulation 7.04, I am pleased to submit the following financial statements. These financial statements have been prepared in accordance with International Public Sector Accounting Standards and the OSCE's Financial Regulations.

48. I certify that to the best of my knowledge and information, all transactions during the period have been properly entered in the accounting records and that these transactions together with the following financial statements and notes, details of which form part of this document, truly and fairly present the financial position of the OSCE as at 31 December 2019 and its performance for the year ended 31 December 2019.

Statement I Statement of Financial Position

Statement II Statement of Financial Performance

Statement III Cash Flow Statement

Statement IV Statement of Changes in Net Assets

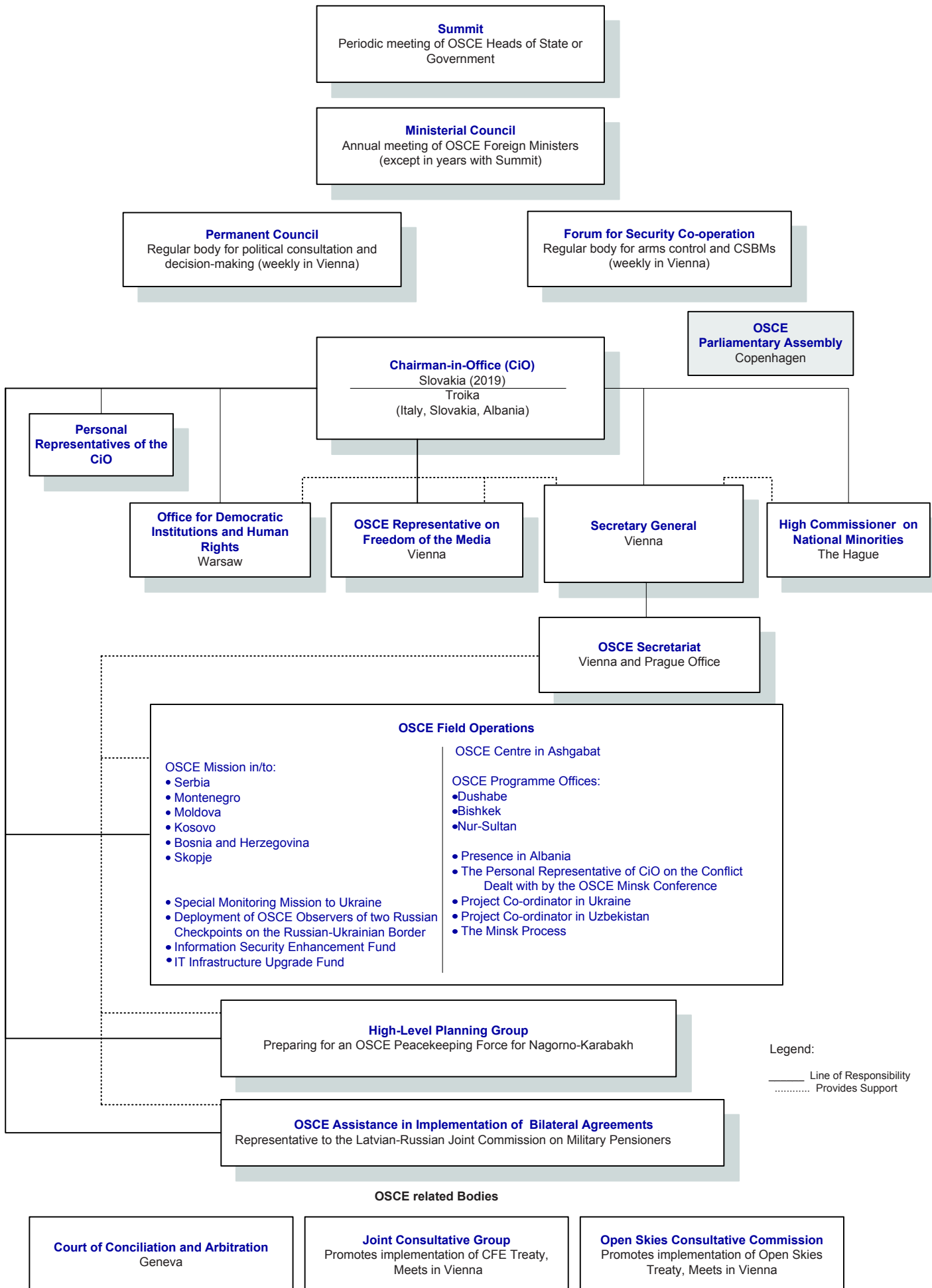
Statement V Statement of Comparison of Budget and Actual Amounts

Statement VI Segment Reporting

Notes to the Financial Statements

OSCE Structures and Institutions

As at 31 December 2019



Chapter II – Budget and Expenditure Report
and
Staffing Overview

OSCE 2019 Year-end Unified Budget report

| Fund | 2019 | Revised | Expenditure | Approved | Revised |
|--|---------------------|------------------------|---------------|-------------|-------------|
| Main Programme | Approved | Budget after | | Utilization | Utilization |
| Programme | Budget ¹ | Transfers ² | | Rate (%) | Rate (%) |
| EUR ,000 | | | | | |
| I. FUNDS RELATED TO SECRETARIAT AND INSTITUTIONS | | | | | |
| The Secretariat | | | | | |
| Secretary General and Central Services | | | | | |
| Executive Management | 1,197 | 1,150 | 1,150 | 96 | 100 |
| Security Management | 566 | 566 | 565 | 100 | 100 |
| External Co-operation | 739 | 714 | 713 | 97 | 100 |
| Office of Legal Affairs | 694 | 694 | 694 | 100 | 100 |
| Communication and Media Relations Section | 1,561 | 1,561 | 1,561 | 100 | 100 |
| Conference and Language Services | 5,421 | 5,507 | 5,507 | 102 | 100 |
| Records Management | 191 | 191 | 191 | 100 | 100 |
| The OSCE Documentation Centre in Prague | 447 | 403 | 403 | 90 | 100 |
| Gender Issues | 444 | 474 | 474 | 107 | 100 |
| TOTAL | 11,259 | 11,259 | 11,258 | 100 | 100 |
| Chairman-in-Office | | | | | |
| Short-Term Mission/Visits of CiO and PR of the CiO | 550 | 550 | 550 | 100 | 100 |
| Advisory Committee on Management and Finance (ACMF) | 15 | 15 | 9 | 59 | 59 |
| Panel of Adjudicators | 39 | 39 | 14 | 37 | 37 |
| Audit Committee | 49 | 49 | 14 | 29 | 29 |
| External Auditors | 100 | 100 | 84 | 84 | 84 |
| TOTAL | 753 | 753 | 671 | 89 | 89 |
| Internal Oversight | | | | | |
| Internal Oversight | 1,798 | 1,798 | 1,798 | 100 | 100 |
| TOTAL | 1,798 | 1,798 | 1,798 | 100 | 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 | 1,092 | 1,092 | 1,092 | 100 | 100 |
| TOTAL | 1,092 | 1,092 | 1,092 | 100 | 100 |

¹ PC.DEC/1326 Approval of the 2019 Unified Budget, PC.DEC/1331, Essential Infrastructure Investments, PC.DEC/1329 Supplemental Budget for OMIK and PC.DEC 1347 Supplemental Budget for ODIHR

² Financial Regulation 3.02(b)

OSCE 2019 Year-end Unified Budget report

| Fund | 2019 | Revised | Expenditure | Approved | Revised |
|---|---------------------|------------------------|---------------|-------------|-------------|
| Main Programme | Approved | Budget after | | Utilization | Utilization |
| Programme | Budget ¹ | Transfers ² | | Rate (%) | Rate (%) |
| EUR ,000 | | | | | |
| Addressing Transnational Threats | | | | | |
| Co-ordination of TNT Activities | 653 | 623 | 623 | 95 | 100 |
| Strategic Police Matters Unit | 746 | 746 | 738 | 99 | 99 |
| Action Against Terrorism | 881 | 881 | 881 | 100 | 100 |
| Borders Security and Management | 753 | 783 | 783 | 104 | 100 |
| TOTAL | 3,033 | 3,033 | 3,024 | 100 | 100 |
| Activities Related to the Economic and Environmental Aspects of Security | | | | | |
| Co-ordinator of OSCE Economic and Environmental Activities | 1,933 | 1,925 | 1,924 | 100 | 100 |
| Economic and Environmental Forum | 380 | 388 | 387 | 102 | 100 |
| TOTAL | 2,313 | 2,313 | 2,312 | 100 | 100 |
| Conflict Prevention | | | | | |
| CPC Direction and Management | 469 | 469 | 469 | 100 | 100 |
| Policy Support Service | 1,478 | 1,478 | 1,478 | 100 | 100 |
| Operations Service | 1,103 | 1,103 | 1,103 | 100 | 100 |
| Programming and Evaluation Support Unit | 524 | 524 | 524 | 100 | 100 |
| FSC Chairmanship | 35 | 35 | 35 | 99 | 99 |
| FSC Support | 733 | 733 | 733 | 100 | 100 |
| Communications Network | 584 | 584 | 584 | 100 | 100 |
| TOTAL | 4,927 | 4,927 | 4,926 | 100 | 100 |
| Human Resources Management | | | | | |
| HR Direction and Management | 435 | 475 | 471 | 108 | 99 |
| HR Services | 1,281 | 1,200 | 1,200 | 94 | 100 |
| Talent Management | 2,022 | 2,063 | 1,971 | 98 | 96 |
| TOTAL | 3,738 | 3,738 | 3,643 | 97 | 97 |
| Department of Management and Finance | | | | | |
| Management and Co-ordination | 696 | 626 | 626 | 90 | 100 |
| Budget and Finance Services | 1,558 | 1,528 | 1,528 | 98 | 100 |
| Information and Communication Technology Services | 4,270 | 4,270 | 4,268 | 100 | 100 |
| Mission Support Services | 2,495 | 2,595 | 2,593 | 104 | 100 |
| TOTAL | 9,019 | 9,019 | 9,015 | 100 | 100 |
| TOTAL FOR THE SECRETARIAT | 37,932 | 37,932 | 37,738 | 99 | 99 |

¹ PC.DEC/1326 Approval of the 2019 Unified Budget, PC.DEC/1331, Essential Infrastructure Investments, PC.DEC/1329 Supplemental Budget for OMIK and PC.DEC 1347 Supplemental Budget for ODIHR

² Financial Regulation 3.02(b)

OSCE 2019 Year-end Unified Budget report

| Fund | 2019 | Revised | Expenditure | Approved | Revised |
|--|---------------------|------------------------|---------------|-------------|-------------|
| Main Programme | Approved | Budget after | | Utilization | Utilization |
| Programme | Budget ¹ | Transfers ² | | Rate (%) | Rate (%) |
| EUR ,000 | | | | | |
| Office for Democratic Institutions and Human Rights | | | | | |
| Direction and Policy | 1,295 | 1,288 | 1,288 | 99 | 100 |
| Fund Administration Unit | 2,971 | 2,954 | 2,954 | 99 | 100 |
| Human Dimension Meetings | 603 | 573 | 573 | 95 | 100 |
| Democratization | 1,580 | 1,593 | 1,592 | 101 | 100 |
| Human Rights | 1,232 | 1,227 | 1,227 | 100 | 100 |
| Elections | 6,805 | 6,893 | 6,893 | 101 | 100 |
| Tolerance and Non-Discrimination | 1,418 | 1,400 | 1,400 | 99 | 100 |
| Roma and Sinti Issues | 556 | 533 | 533 | 96 | 100 |
| TOTAL | 16,460 | 16,460 | 16,459 | 100 | 100 |
| High Commissioner on National Minorities | | | | | |
| Fund Administration Unit | 552 | 552 | 546 | 99 | 99 |
| Office of the High Commissioner | 2,952 | 2,952 | 2,935 | 99 | 99 |
| TOTAL | 3,504 | 3,504 | 3,481 | 99 | 99 |
| Representative on Freedom of the Media | | | | | |
| Freedom of the Media | 1,603 | 1,603 | 1,466 | 91 | 91 |
| TOTAL | 1,603 | 1,603 | 1,466 | 91 | 91 |
| TOTAL FOR FUNDS RELATED TO THE SECRETARIAT AND INSTITUTIONS | 59,499 | 59,499 | 59,144 | 99 | 99 |

¹ PC.DEC/1326 Approval of the 2019 Unified Budget, PC.DEC/1331, Essential Infrastructure Investments, PC.DEC/1329 Supplemental Budget for OMIK and PC.DEC 1347 Supplemental Budget for ODIHR

² Financial Regulation 3.02(b)

OSCE 2019 Year-end Unified Budget report

| Fund | 2019 | Revised | Expenditure | Approved | Revised |
|---|---------------------|------------------------|---------------|-------------|-------------|
| Main Programme | Approved | Budget after | | Utilization | Utilization |
| Programme | Budget ¹ | Transfers ² | | Rate (%) | Rate (%) |
| EUR ,000 | | | | | |
| II. FUNDS RELATED TO OSCE FIELD OPERATIONS | | | | | |
| AUGMENTATIONS | | | | | |
| Secretariat Augmentations | | | | | |
| Communication and Media Relations Section | 112 | 112 | 112 | 100 | 100 |
| Policy Support Service | 240 | 248 | 247 | 103 | 100 |
| Operations Service | 70 | 64 | 64 | 91 | 100 |
| HR Services | 251 | 231 | 231 | 92 | 100 |
| Talent Management | 251 | 276 | 275 | 110 | 100 |
| Management and Co-ordination | 112 | 102 | 100 | 89 | 98 |
| Budget and Finance Services | 546 | 546 | 545 | 100 | 100 |
| Information and Communication Technology Services | 907 | 900 | 899 | 99 | 100 |
| Mission Support Service | 875 | 886 | 885 | 101 | 100 |
| TOTAL | 3,363 | 3,363 | 3,359 | 100 | 100 |
| ODIHR Augmentations | | | | | |
| ODIHR Democratization | 234 | 234 | 230 | 98 | 98 |
| TOTAL | 234 | 234 | 230 | 98 | 98 |
| TOTAL FOR AUGMENTATIONS | 3,597 | 3,597 | 3,589 | 100 | 100 |
| SOUTH-EASTERN EUROPE | | | | | |
| Mission in Kosovo | | | | | |
| Office of Head of Mission | 2,747 | 2,829 | 2,829 | 103 | 100 |
| Fund Administration Unit | 5,521 | 5,416 | 5,416 | 98 | 100 |
| Security and Public Safety | 1,616 | 1,666 | 1,666 | 103 | 100 |
| Democratization | 1,884 | 2,027 | 2,026 | 108 | 100 |
| Human Rights and Communities | 5,794 | 5,624 | 5,624 | 97 | 100 |
| TOTAL | 17,562 | 17,562 | 17,561 | 100 | 100 |

¹ PC.DEC/1326 Approval of the 2019 Unified Budget, PC.DEC/1331, Essential Infrastructure Investments, PC.DEC/1329 Supplemental Budget for OMIK and PC.DEC 1347 Supplemental Budget for ODIHR

² Financial Regulation 3.02(b)

OSCE 2019 Year-end Unified Budget report

| Fund | 2019 | Revised | Expenditure | Approved | Revised |
|---|---------------------|------------------------|---------------|-------------|-------------|
| Main Programme | Approved | Budget after | | Utilization | Utilization |
| Programme | Budget ¹ | Transfers ² | | Rate (%) | Rate (%) |
| EUR ,000 | | | | | |
| Mission to Bosnia and Herzegovina | | | | | |
| Office of Head of Mission | 1,565 | 1,598 | 1,597 | 102 | 100 |
| Fund Administration Unit | 3,973 | 4,095 | 4,090 | 103 | 100 |
| Shared Service Centre, ICT Help Desk | 209 | 212 | 212 | 101 | 100 |
| Security Co-operation | 604 | 603 | 600 | 99 | 99 |
| Human Dimension | 5,332 | 5,174 | 5,172 | 97 | 100 |
| TOTAL | 11,682 | 11,682 | 11,669 | 100 | 100 |
| Mission to Serbia | | | | | |
| Office of Head of Mission | 978 | 981 | 981 | 100 | 100 |
| Fund Administration Unit | 1,701 | 1,690 | 1,689 | 99 | 100 |
| Security Co-operation | 945 | 914 | 914 | 97 | 100 |
| Democratization | 1,135 | 1,139 | 1,139 | 100 | 100 |
| Media | 429 | 446 | 446 | 104 | 100 |
| Rule of Law and Human Rights | 1,071 | 1,088 | 1,088 | 102 | 100 |
| TOTAL | 6,259 | 6,259 | 6,257 | 100 | 100 |
| Presence in Albania | | | | | |
| Office of Head of Mission | 483 | 507 | 507 | 105 | 100 |
| Fund Administration Unit | 1,028 | 1,062 | 1,058 | 103 | 100 |
| Security Co-operation | 366 | 329 | 303 | 83 | 92 |
| Governance in Economic and Environmental Issues | 308 | 282 | 278 | 90 | 99 |
| Democratization | 433 | 443 | 437 | 101 | 99 |
| Rule of Law and Human Rights | 363 | 358 | 355 | 98 | 99 |
| TOTAL | 2,981 | 2,981 | 2,938 | 99 | 99 |
| Mission to Skopje | | | | | |
| Office of Head of Mission | 1,034 | 1,005 | 1,002 | 97 | 100 |
| Fund Administration Unit | 1,893 | 2,011 | 2,006 | 106 | 100 |
| Public Safety and Community Outreach | 1,777 | 1,813 | 1,810 | 102 | 100 |
| Human Dimension | 1,802 | 1,677 | 1,675 | 93 | 100 |
| TOTAL | 6,506 | 6,506 | 6,493 | 100 | 100 |

¹ PC.DEC/1326 Approval of the 2019 Unified Budget, PC.DEC/1331, Essential Infrastructure Investments, PC.DEC/1329 Supplemental Budget for OMIK and PC.DEC 1347 Supplemental Budget for ODIHR

² Financial Regulation 3.02(b)

OSCE 2019 Year-end Unified Budget report

| Fund | 2019 | Revised | Expenditure | Approved | Revised |
|--|---------------------|------------------------|---------------|-------------|-------------|
| Main Programme | Approved | Budget after | | Utilization | Utilization |
| Programme | Budget ¹ | Transfers ² | | Rate (%) | Rate (%) |
| EUR ,000 | | | | | |
| Mission to Montenegro | | | | | |
| Office of Head of Mission | 316 | 316 | 289 | 91 | 91 |
| Fund Administration Unit | 604 | 604 | 519 | 86 | 86 |
| Democratization | 468 | 468 | 408 | 87 | 87 |
| Media | 362 | 362 | 300 | 83 | 83 |
| Security Co-operation and Governance | 403 | 403 | 321 | 80 | 80 |
| TOTAL | 2,152 | 2,152 | 1,837 | 85 | 85 |
| TOTAL FOR SOUTH-EASTERN EUROPE | 47,142 | 47,142 | 46,754 | 99 | 99 |
| EASTERN EUROPE | | | | | |
| Mission to Moldova | | | | | |
| Office of Head of Mission | 446 | 446 | 438 | 98 | 98 |
| Fund Administration Unit | 832 | 822 | 820 | 99 | 100 |
| Conflict Prevention/Resolution | 539 | 549 | 548 | 102 | 100 |
| Human Rights | 486 | 486 | 479 | 99 | 99 |
| TOTAL | 2,303 | 2,303 | 2,285 | 99 | 99 |
| Project Co-ordinator in Ukraine | | | | | |
| Office of Head of Mission | 328 | 322 | 289 | 88 | 90 |
| Fund Administration Unit | 924 | 932 | 883 | 96 | 95 |
| Democratization and Good Governance | 484 | 436 | 364 | 75 | 84 |
| Rule of Law and Human Rights | 780 | 799 | 767 | 98 | 96 |
| Human Security | 590 | 600 | 597 | 101 | 99 |
| Economic, Environmental and Politico-Military Projects | 512 | 530 | 504 | 98 | 95 |
| TOTAL | 3,619 | 3,619 | 3,404 | 94 | 94 |
| Representative to the Latvian-Russian Joint Commission on Military Pensioners | | | | | |
| Office of Head of Mission | 6 | 6 | 5 | 88 | 88 |
| TOTAL | 6 | 6 | 5 | 88 | 88 |
| TOTAL FOR EASTERN EUROPE | 5,927 | 5,927 | 5,694 | 96 | 96 |

¹ PC.DEC/1326 Approval of the 2019 Unified Budget, PC.DEC/1331, Essential Infrastructure Investments, PC.DEC/1329 Supplemental Budget for OMIK and PC.DEC 1347 Supplemental Budget for ODIHR

² Financial Regulation 3.02(b)

OSCE 2019 Year-end Unified Budget report

| Fund | 2019 | Revised | Expenditure | Approved | Revised |
|--|---------------------|------------------------|--------------|-------------|-------------|
| Main Programme | Approved | Budget after | | Utilization | Utilization |
| Programme | Budget ¹ | Transfers ² | | Rate (%) | Rate (%) |
| EUR ,000 | | | | | |
| CAUCASUS | | | | | |
| High-Level Planning Group | | | | | |
| Office of Head of Mission | 247 | 247 | 193 | 78 | 78 |
| TOTAL | 247 | 247 | 193 | 78 | 78 |
| The Minsk Process | | | | | |
| Office of Head of Mission | 911 | 911 | 435 | 48 | 48 |
| TOTAL | 911 | 911 | 435 | 48 | 48 |
| Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference | | | | | |
| Office of Head of Mission | 462 | 462 | 408 | 88 | 88 |
| Fund Administration Unit | 718 | 718 | 618 | 86 | 86 |
| TOTAL | 1,180 | 1,180 | 1,026 | 87 | 87 |
| TOTAL FOR CAUCASUS | 2,337 | 2,337 | 1,654 | 71 | 71 |
| CENTRAL ASIA | | | | | |
| Programme Office in Nur-Sultan | | | | | |
| Office of Head of Mission | 235 | 245 | 244 | 104 | 100 |
| Fund Administration Unit | 661 | 669 | 662 | 100 | 99 |
| Politico-Military Activities | 445 | 445 | 441 | 99 | 99 |
| Economic and Environmental Activities | 448 | 445 | 429 | 96 | 96 |
| Human Dimension Activities | 445 | 430 | 401 | 90 | 93 |
| TOTAL | 2,233 | 2,233 | 2,178 | 98 | 98 |
| Centre in Ashgabat | | | | | |
| Office of Head of Mission | 376 | 405 | 405 | 108 | 100 |
| Fund Administration Unit | 507 | 518 | 517 | 102 | 100 |
| Conflict Prevention and Confidence and Security Building | 268 | 241 | 236 | 88 | 98 |
| Economic and Environmental Activities | 269 | 268 | 268 | 99 | 100 |
| Human Dimension Activities | 242 | 230 | 230 | 95 | 100 |
| TOTAL | 1,661 | 1,661 | 1,656 | 100 | 100 |

¹ PC.DEC/1326 Approval of the 2019 Unified Budget, PC.DEC/1331, Essential Infrastructure Investments, PC.DEC/1329 Supplemental Budget for OMIK and PC.DEC 1347 Supplemental Budget for ODIHR

² Financial Regulation 3.02(b)

OSCE 2019 Year-end Unified Budget report

| Fund | 2019 | Revised | Expenditure | Approved | Revised |
|---|---------------------|------------------------|----------------|-------------|-------------|
| Main Programme | Approved | Budget after | | Utilization | Utilization |
| Programme | Budget ¹ | Transfers ² | | Rate (%) | Rate (%) |
| EUR ,000 | | | | | |
| Programme Office in Bishkek | | | | | |
| Office of Head of Mission | 1,251 | 1,275 | 1,257 | 101 | 99 |
| Fund Administration Unit | 1,326 | 1,356 | 1,340 | 101 | 99 |
| Politico-Military Activities | 1,403 | 1,393 | 1,371 | 98 | 98 |
| Economic and Environmental Activities | 1,644 | 1,592 | 1,572 | 96 | 99 |
| Human Dimension Activities | 1,187 | 1,195 | 1,186 | 100 | 99 |
| TOTAL | 6,811 | 6,811 | 6,727 | 99 | 99 |
| Project Co-ordinator in Uzbekistan | | | | | |
| Office of Head of Mission | 270 | 272 | 272 | 101 | 100 |
| Fund Administration Unit | 490 | 486 | 486 | 99 | 100 |
| Politico-Military Activities | 518 | 517 | 516 | 100 | 100 |
| Economic and Environmental Activities | 654 | 660 | 658 | 101 | 100 |
| Human Dimension Activities | 568 | 565 | 565 | 99 | 100 |
| TOTAL | 2,499 | 2,499 | 2,497 | 100 | 100 |
| Programme Office in Dushanbe | | | | | |
| Office of Head of Mission | 1,169 | 1,170 | 1,169 | 100 | 100 |
| Fund Administration Unit | 2,186 | 1,967 | 1,967 | 90 | 100 |
| Political and Military Aspects of Security | 1,857 | 1,870 | 1,849 | 100 | 99 |
| Economic and Environmental Activities | 1,022 | 1,120 | 1,107 | 108 | 99 |
| Human Dimension Activities | 1,078 | 1,185 | 1,177 | 109 | 99 |
| TOTAL | 7,312 | 7,312 | 7,269 | 99 | 99 |
| TOTAL FOR CENTRAL ASIA | 20,516 | 20,516 | 20,326 | 99 | 99 |
| TOTAL FOR FUNDS RELATED TO THE OSCE FIELD OPERATIONS | 79,518 | 79,518 | 78,016 | 98 | 98 |
| TOTAL OSCE UNIFIED BUDGET | 139,017 | 139,017 | 137,160 | 99 | 99 |

¹ PC.DEC/1326 Approval of the 2019 Unified Budget, PC.DEC/1331, Essential Infrastructure Investments, PC.DEC/1329 Supplemental Budget for OMIK and PC.DEC 1347 Supplemental Budget for ODIHR

² Financial Regulation 3.02(b)

Staffing Overview - Budget and Actual Staff Positions
Unified Budget
as at 31 December 2019

| 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 | 142.9 | 119.0 | 67.0 | 50.0 | 209.9 | 169.0 | 0.0 | 0.0 | 184.5 | 169.3 | 184.5 | 169.3 | 394.4 | 338.3 |
| Office for Democratic Institutions and Human Rights | 63.0 | 61.0 | 22.0 | 16.0 | 85.0 | 77.0 | 0.0 | 0.0 | 56.0 | 54.0 | 56.0 | 54.0 | 141.0 | 131.0 |
| High Commissioner on National Minorities | 16.0 | 16.0 | 4.0 | 4.0 | 20.0 | 20.0 | 0.0 | 0.0 | 11.5 | 9.0 | 11.5 | 9.0 | 31.5 | 29.0 |
| Representative on Freedom of the Media | 7.0 | 5.0 | 6.0 | 4.0 | 13.0 | 9.0 | 0.0 | 0.0 | 4.0 | 3.0 | 4.0 | 3.0 | 17.0 | 12.0 |
| Total for the Secretariat and Institutions | 228.9 | 201.0 | 99.0 | 74.0 | 327.9 | 275.0 | 0.0 | 0.0 | 256.0 | 235.3 | 256.0 | 235.3 | 583.9 | 510.3 |
| Mission in Kosovo | 7.0 | 6.0 | 110.0 | 90.0 | 117.0 | 96.0 | 107.0 | 98.0 | 280.0 | 271.0 | 387.0 | 369.0 | 504.0 | 465.0 |
| Mission to Bosnia and Herzegovina | 5.0 | 5.0 | 29.0 | 26.0 | 34.0 | 31.0 | 135.0 | 127.0 | 146.5 | 144.5 | 281.5 | 271.5 | 315.5 | 302.5 |
| Mission to Serbia | 1.0 | 1.0 | 21.0 | 18.0 | 22.0 | 19.0 | 35.0 | 34.0 | 67.0 | 63.0 | 102.0 | 97.0 | 124.0 | 116.0 |
| Presence in Albania | 1.0 | 1.0 | 18.0 | 15.0 | 19.0 | 16.0 | 19.0 | 18.0 | 45.5 | 41.5 | 64.5 | 59.5 | 83.5 | 75.5 |
| Mission to Skopje | 2.0 | 2.0 | 38.0 | 34.0 | 40.0 | 36.0 | 22.0 | 22.0 | 91.5 | 87.5 | 113.5 | 109.5 | 153.5 | 145.5 |
| 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 | 16.0 | 224.0 | 190.0 | 241.0 | 206.0 | 326.0 | 307.0 | 645.5 | 622.5 | 971.5 | 929.5 | 1,212.5 | 1,135.5 |
| Mission to Moldova | 1.0 | 1.0 | 12.0 | 12.0 | 13.0 | 13.0 | 9.0 | 9.0 | 30.0 | 27.0 | 39.0 | 36.0 | 52.0 | 49.0 |
| Project Co-ordinator in Ukraine | 1.0 | 1.0 | 2.0 | 1.0 | 3.0 | 2.0 | 24.0 | 23.0 | 25.0 | 25.0 | 49.0 | 48.0 | 52.0 | 50.0 |
| Eastern Europe | 2.0 | 2.0 | 14.0 | 13.0 | 16.0 | 15.0 | 33.0 | 32.0 | 55.0 | 52.0 | 88.0 | 84.0 | 104.0 | 99.0 |
| 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 | 3.0 | 18.0 | 16.0 | 22.0 | 19.0 | 28.0 | 24.0 |
| Centre in Ashgabat | 1.0 | 1.0 | 5.0 | 4.0 | 6.0 | 5.0 | 2.0 | 2.0 | 20.0 | 18.0 | 22.0 | 20.0 | 28.0 | 25.0 |
| Programme Office in Bishkek | 3.0 | 2.0 | 10.0 | 8.0 | 13.0 | 10.0 | 22.0 | 21.0 | 86.0 | 73.0 | 108.0 | 94.0 | 121.0 | 104.0 |
| Project Co-ordinator in Uzbekistan | 0.0 | 0.0 | 3.0 | 2.0 | 3.0 | 2.0 | 6.0 | 6.0 | 27.0 | 24.0 | 33.0 | 30.0 | 36.0 | 32.0 |
| Programme Office in Dushanbe | 4.0 | 4.0 | 18.0 | 14.0 | 22.0 | 18.0 | 21.0 | 20.0 | 90.0 | 87.0 | 111.0 | 107.0 | 133.0 | 125.0 |
| Central Asia | 9.0 | 8.0 | 41.0 | 32.0 | 50.0 | 40.0 | 55.0 | 52.0 | 241.0 | 218.0 | 296.0 | 270.0 | 346.0 | 310.0 |
| Total for Funds Related to OSCE Field Operations | 29.0 | 27.0 | 292.0 | 246.0 | 321.0 | 273.0 | 414.0 | 391.0 | 953.5 | 904.5 | 1,367.5 | 1,295.5 | 1,688.5 | 1,568.5 |
| Total OSCE 2019 Unified Budget Post Table | 257.9 | 228.0 | 391.0 | 320.0 | 648.9 | 548.0 | 414.0 | 391.0 | 1,209.5 | 1,139.8 | 1,623.5 | 1,530.8 | 2,272.4 | 2,078.8 |

Staffing Overview - Budget and Actual Staff Positions
Unified Budget
as at 31 December 2019

| Fund number of positions | Contracted | | International Staff | | | | Professional | | Local Staff | | Sub-Total | | Grand Total | |
|---|---------------|---------------|---------------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|
| | Budget | Actual | Budget | Actual | Budget | Actual | Budget | Actual | Budget | Actual | Budget | Actual | Budget | Actual |
| Special Monitoring Mission to Ukraine | 40.0 | 24.0 | 959.0 | 861.0 | 999.0 | 885.0 | 52.0 | 44.0 | 472.0 | 391.0 | 524.0 | 435.0 | 1,523.0 | 1,320.0 |
| Observer Mission to the Two Russian Checkpoints | 0.0 | 0.0 | 22.0 | 22.0 | 22.0 | 22.0 | 0.0 | 0.0 | 3.0 | 1.0 | 3.0 | 1.0 | 25.0 | 23.0 |
| Total Special Purpose Funds | 40.0 | 24.0 | 981.0 | 883.0 | 1,021.0 | 907.0 | 52.0 | 44.0 | 475.0 | 392.0 | 527.0 | 436.0 | 1,548.0 | 1,343.0 |

Chapter III – Financial Statements

I. Statement of Financial Position

Total OSCE

As at 31 December 2019

| EUR '000 | | TOTAL OSCE | |
|--------------------------------|------|-------------------|----------------|
| | Note | 2019 | 2018 |
| ASSETS | | | |
| Current Assets | | <i>(Restated)</i> | |
| Cash and Cash Equivalents | 3.1 | 95,094 | 107,526 |
| Investments | 3.2 | 13,971 | 9,133 |
| Contributions Receivable | 3.3 | 16,897 | 13,983 |
| Accounts Receivable | 3.4 | 3,877 | 3,464 |
| Prepayments | 3.5 | 6,578 | 5,773 |
| Inventory | 3.6 | 1,474 | 1,526 |
| Other Current Assets | 3.7 | 17 | 0 |
| | | 137,908 | 141,405 |
| Non-Current Assets | | | |
| Property, Plant and Equipment | 3.8 | 13,877 | 20,807 |
| Intangible Assets | 3.9 | 1,573 | 2,303 |
| Other Non-Current Assets | 3.7 | 524 | 857 |
| | | 15,974 | 23,967 |
| Total Assets | | 153,882 | 165,372 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts Payable | 4.1 | 3,621 | 3,922 |
| Accruals | 4.2 | 8,489 | 7,106 |
| Deferred Revenue | 4.3 | 9,295 | 6,278 |
| Conditional ExB Contributions | 4.4 | 71,429 | 65,839 |
| Funds Held for Third Parties | 4.5 | 5,312 | 14,019 |
| Employee Benefits Current | 4.6 | 3,865 | 3,789 |
| Cash Surplus Current | 4.8 | 1,231 | 2,949 |
| Provisions | 4.9 | 8,512 | 8,751 |
| Other Current Liabilities | 4.10 | 791 | 562 |
| | | 112,545 | 113,215 |
| Non-Current Liabilities | | | |
| Employee Benefits Non-Current | 4.6 | 3,680 | 3,878 |
| Cash Surplus Non-Current | 4.8 | 2,778 | 3,255 |
| Other Non-Current Liabilities | 4.10 | 0 | 40 |
| | | 6,458 | 7,173 |
| Total Liabilities | | 119,003 | 120,388 |
| NET ASSETS | | | |
| Cash Surplus Withheld | 5.1 | 208 | 252 |
| Revolving Fund | 5.2 | 2,710 | 2,710 |
| Contingency Fund | 5.2 | 2,180 | 2,180 |
| Other Reserves | 5.3 | (2,201) | (2,306) |
| Accumulated Surplus/(Deficit) | 5.4 | 31,982 | 42,148 |
| Total Net Assets | | 34,879 | 44,984 |

II. Statement of Financial Performance

Total OSCE

For the Year Ended 31 December 2019

| EUR '000 | | TOTAL OSCE | |
|---|------|----------------|-------------------|
| | Note | 2019 | 2018 |
| REVENUE | | | <i>(Restated)</i> |
| Assessed Contributions | 6.1 | 213,201 | 215,124 |
| Extra-Budgetary Contributions | 6.2 | 42,317 | 22,038 |
| Finance Revenue | 6.3 | 340 | 233 |
| Contributions In-Kind | 6.4 | 81,685 | 75,433 |
| Revenue from Exchange Transactions | 6.5 | 303 | 171 |
| Foreign Exchange Gains/(Losses) | 6.6 | (390) | 313 |
| Other Revenue | 6.7 | 11,229 | 3,798 |
| Total Revenue | | 348,685 | 317,110 |
| EXPENSES | | | |
| Staff Costs | 7.1 | 220,409 | 209,554 |
| Consultancy and Subcontracting | 7.2 | 34,851 | 29,247 |
| Travel Expenses | 7.3 | 24,722 | 23,868 |
| Services and Office Costs | 7.4 | 41,538 | 36,326 |
| Consumables and Supplies | 7.5 | 7,080 | 6,842 |
| Depreciation and Amortisation | 7.6 | 9,814 | 9,976 |
| Equipment Expenses | 7.7 | 6,652 | 4,433 |
| Other Operating Expenses | 7.8 | 11,006 | 10,951 |
| Total Expenses | | 356,072 | 331,197 |
| Surplus/(Deficit) for the Period | 8.1 | (7,387) | (14,087) |

III. Cash Flow Statement

Total OSCE

For the Year Ended 31 December 2019

| EUR '000 | | TOTAL OSCE | |
|--|----------|-----------------|----------------|
| | Note | 2019 | 2018 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Surplus/(Deficit) for the Period | 8.1 | (7,387) | (14,234) |
| Non-Cash Movements | | | |
| Deduction of Unrealized Foreign Exchange Gains/Losses on Cash and Cash Equivalents | 6.6 | (309) | (164) |
| Deduction of Depreciation, Amortisation and Impairments | 7.6,3.10 | 9,814 | 9,976 |
| Deduction of Loss on Disposal of PP&E | 6.5 | 111 | 1,102 |
| Deduction of Non-Cash Changes in Net Assets | 5.3 | 105 | (130) |
| (Increase) / Decrease in Contributions Receivable | 3.3 | (2,914) | 3,678 |
| (Increase) / Decrease in Accounts Receivable | 3.4 | (413) | (346) |
| (Increase) / Decrease in Prepayments | 3.5 | (805) | (2,051) |
| (Increase) / Decrease in Inventory | 3.6 | 51 | (275) |
| (Increase) / Decrease in Other Current/Non-Current Assets | 3.7 | 316 | (128) |
| Increase /(Decrease) in Accounts Payable | 4.1 | (301) | (2,338) |
| Increase /(Decrease) in Accruals | 4.2 | 1,382 | (87) |
| Increase /(Decrease) in Deferred Revenue | 4.3 | 3,017 | (6,940) |
| Increase /(Decrease) in Conditional ExB Contributions | 4.4 | 5,590 | 11,127 |
| Increase /(Decrease) in Funds Held for Third Parties | 4.5 | (8,707) | 1,628 |
| Increase /(Decrease) in Employee Benefits | 4.6 | (122) | 170 |
| Increase /(Decrease) in Cash Surplus Payable | 4.8 | (2,194) | 2,584 |
| Increase /(Decrease) in Provisions | 4.9 | (239) | 3,419 |
| Increase /(Decrease) in Other Liabilities | 4.10 | 189 | (76) |
| Net Cash Flows from Operating Activities | | (2,815) | 6,916 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| (Purchase) / Sale of Investments | 3.2 | (4,839) | 5,720 |
| (Addition) / Disposal of PP&E and Intangibles | 3.8,3.9 | (2,265) | (5,243) |
| Net Cash Flows from Investing Activities | | (7,103) | 478 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Credits for Cash Surplus Withheld | 5.1 | (44) | 0 |
| Allocation of Current Year Cash Surplus | 4.8 | (2,778) | (3,255) |
| Refund of Unspent Extra-budgetary Contributions | 5.4 | - | 0 |
| Net Cash Flows from Financing Activities | | (2,823) | (3,255) |
| Net Increase/(Decrease) in Cash and Cash Equivalents | 3.1 | (12,741) | 4,138 |
| Cash and Cash Equivalents at Beginning of Period | 3.1 | 107,526 | 103,225 |
| Foreign Exchange Gains/(Losses) on Cash and Cash Equivalents | 6.6 | 309 | 164 |
| Cash and Cash Equivalents at End of Period | | 95,094 | 107,526 |

IV. Statement of Changes in Net Assets

Total OSCE

For the Year Ended 31 December 2019

| EUR '000 | Note | Cash Surplus Withheld | Revolving Fund | Contingency Fund | Other Reserves | Accumulated Surplus/(Deficit) | Total Net Assets |
|--|-------------|--------------------------|----------------|---------------------|----------------|----------------------------------|------------------|
| Balance as at 31 December 2018 | | 252 | 2,710 | 2,180 | (2,306) | 41,840 | 44,676 |
| Establishment of Indirect Common Costs Fund | 3.2 and 6.7 | | | | | 308 | 308 |
| Restated balance as at 31 December 2018 | | 252 | 2,710 | 2,180 | (2,306) | 42,148 | 44,984 |
| Changes in Net Assets for 2019 | | | | | | | |
| Increase in Cash Surplus Withheld | 5.1 | (44) | | | | | (44) |
| Allocation of Current Year Cash Surplus | 4.8.2 | | | | | (2,778) | (2,778) |
| Actuarial Gains/(Losses) | 4.6 | | | | 105 | | 105 |
| Surplus/(Deficit) for the Period | 8.1 | | | | | (7,387) | (7,387) |
| Balance as at 31 December 2019 | | 208 | 2,710 | 2,180 | (2,201) | 31,982 | 34,879 |

V. Statement of Comparison of Budget and Actual Amounts

Total PC Approved Budgets ¹

For the Year Ended 31 December 2019

| EUR '000 | Note | Approved Budget ² | PC Authorized Transfers | Revised Budget | Actuals | Variance |
|---|--------------|---------------------------------|-------------------------------|-------------------|----------------|--------------|
| Unified Budget Funds | | | | | | |
| The Secretariat | | 37,932 | 0 | 37,932 | 37,738 | 194 |
| Office for Democratic Institutions and Human Rights | | 16,460 | 0 | 16,460 | 16,459 | 1 |
| High Commissioner on National Minorities | | 3,504 | 0 | 3,504 | 3,481 | 23 |
| Representative on Freedom of the Media | | 1,603 | 0 | 1,603 | 1,466 | 137 |
| Total Secretariat and Institutions | | 59,499 | 0 | 59,499 | 59,144 | 355 |
| Augmentations | | 3,597 | 0 | 3,597 | 3,589 | 8 |
| South-Eastern Europe | | 47,142 | 0 | 47,142 | 46,754 | 387 |
| Eastern Europe | | 5,927 | 0 | 5,927 | 5,694 | 233 |
| Caucasus | | 2,337 | 0 | 2,337 | 1,654 | 684 |
| Central Asia | | 20,516 | 0 | 20,516 | 20,326 | 190 |
| Total Field Operations | | 79,518 | 0 | 79,518 | 78,016 | 1,502 |
| Total Unified Budget | 8.2.1 | 139,017 | 0 | 139,017 | 137,160 | 1,857 |
| Special Purpose Funds | | | | | | |
| Special Monitoring Mission to Ukraine ³ | | 84,556 | (1,454) | 83,102 | 82,924 | 178 |
| Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border | | 1,459 | 0 | 1,459 | 1,294 | 165 |
| Information Security Enhancement | | 59 | 0 | 59 | 9 | 50 |
| IT Infrastructure Upgrade Fund | | 2,736 | 1,454 | 4,190 | 1,720 | 2,470 |
| Total Special Purpose Funds | 8.2.2 | 88,810 | 0 | 88,810 | 85,947 | 2,862 |
| PC.DEC/1288, PC.DEC/1240 and PC.DEC/1177 | | 849 | 0 | 849 | 0 | 849 |
| Total PC.DEC Approved Funds | 4.3 | 849 | 0 | 849 | 0 | 849 |
| Total PC Approved Budgets | | 228,676 | 0 | 228,676 | 223,108 | 5,568 |

¹ The budget basis and the accounting basis differ. Actuals are reported on this statement on a budget basis and include solely Funds whose budgets are approved by the Permanent Council. Refer to Note 8.2 for more information.

² The column Approved Budget includes the Essential Infrastructure Investments for Secretariat in amount of EUR 414 thousand (PC.DEC/1331) and Supplemental Budget for Mission in Kosovo in amount of EUR 99 thousand (PC.DEC/1329), both financed from 2017 Cash Surplus, and Supplemental Budget for Office for Democratic Institutions and Human Rights in amount of EUR 300 thousand financed from 2018 Cash Surplus (PC.DEC/1347). The funds variance of EUR 89 thousand from PC.DEC/1287 and PC.ACMF/15/19 for Secretariat expired and are not included in the report.

³ The Special Monitoring Mission to Ukraine reallocated an amount of EUR 1,240 thousand from the 2018–2019 budget (PC.DEC/1322) and EUR 214 thousand from the 2019–2020 budget to support implementation of the ICT Core Platform Infrastructure upgrade (PC.DEC/1345)

VI.1 Segment Reporting
Statement of Financial Position
Summary by Source of Funds

As at 31 December 2019

| EUR '000 | | Total Secretariat and Institutions | | Total Field Operations | | Total Unified Budget | | Total Special Purpose Funds | | Total Extra-Budgetary Funds | | TOTAL OSCE | |
|--------------------------------|------|------------------------------------|---------------|------------------------|---------------|----------------------|---------------|-----------------------------|---------------|-----------------------------|---------------|----------------|----------------|
| | Note | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| ASSETS | | | | | | | | | | | | | |
| Current Assets | | | | | | | | | | | | | |
| Cash and Cash Equivalents | 3.1 | 79,531 | 95,092 | 1,472 | 1,766 | 81,003 | 96,859 | 780 | 795 | 13,311 | 9,873 | 95,094 | 107,526 |
| Investments | 3.2 | 6,363 | 0 | 0 | 0 | 6,363 | 0 | 0 | 0 | 7,608 | 9,133 | 13,971 | 9,133 |
| Contributions Receivable | 3.3 | 749 | 217 | 212 | 107 | 961 | 323 | 197 | 113 | 15,739 | 13,547 | 16,897 | 13,983 |
| Accounts Receivable | 3.4 | 2,318 | 1,971 | 1,129 | 1,028 | 3,447 | 2,999 | 430 | 465 | 0 | 0 | 3,877 | 3,464 |
| Prepayments | 3.5 | 2,027 | 2,934 | 1,736 | 1,805 | 3,763 | 4,739 | 2,796 | 1,026 | 19 | 8 | 6,578 | 5,773 |
| Inventory | 3.6 | 0 | 0 | 87 | 205 | 87 | 205 | 922 | 1,060 | 466 | 261 | 1,474 | 1,526 |
| Inter-Fund Balances | | (69,949) | (71,939) | 5,962 | 8,286 | (63,987) | (63,653) | 18,848 | 19,989 | 45,139 | 43,664 | 0 | 0 |
| Other Current Assets | 3.7 | 17 | 0 | 0 | 0 | 17 | 0 | 0 | 0 | 0 | 0 | 17 | 0 |
| | | 21,057 | 28,275 | 10,597 | 13,197 | 31,655 | 41,472 | 23,972 | 23,447 | 82,281 | 76,486 | 137,908 | 141,405 |
| Non-Current Assets | | | | | | | | | | | | | |
| Property, Plant and Equipment | 3.8 | 2,770 | 2,871 | 3,356 | 4,032 | 6,126 | 6,902 | 5,362 | 9,003 | 2,389 | 4,902 | 13,877 | 20,807 |
| Intangible Assets | 3.9 | 1,194 | 1,858 | 29 | 87 | 1,223 | 1,944 | 203 | 212 | 147 | 147 | 1,573 | 2,303 |
| Other Non-Current Assets | 3.7 | 263 | 424 | 191 | 316 | 454 | 740 | 71 | 117 | 0 | 0 | 524 | 857 |
| | | 4,227 | 5,152 | 3,576 | 4,434 | 7,803 | 9,586 | 5,636 | 9,332 | 2,536 | 5,049 | 15,974 | 23,967 |
| Total Assets | | 25,284 | 33,427 | 14,173 | 17,631 | 39,457 | 51,058 | 29,607 | 32,779 | 84,818 | 81,535 | 153,882 | 165,372 |
| LIABILITIES | | | | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | | | | |
| Accounts Payable | 4.1 | 1,509 | 2,147 | 1,792 | 1,570 | 3,301 | 3,717 | 319 | 205 | 0 | 0 | 3,621 | 3,922 |
| Accruals | 4.2 | 3,495 | 1,774 | 2,710 | 2,673 | 6,205 | 4,447 | 898 | 994 | 1,386 | 1,666 | 8,489 | 7,106 |
| Deferred Revenue | 4.3 | 1,597 | 1,747 | 0 | 0 | 1,597 | 1,747 | 7,698 | 4,530 | 0 | 0 | 9,295 | 6,278 |
| Conditional ExB Contributions | 4.4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 71,429 | 65,839 | 71,429 | 65,839 |
| Funds Held for Third Parties | 4.5 | 5,281 | 13,996 | 31 | 23 | 5,312 | 14,019 | 0 | 0 | 0 | 0 | 5,312 | 14,019 |
| Employee Benefits Current | 4.6 | 1,530 | 1,374 | 1,722 | 1,793 | 3,252 | 3,167 | 479 | 468 | 134 | 154 | 3,865 | 3,789 |
| Cash Surplus Current | 4.8 | 275 | 41 | 957 | 2,907 | 1,231 | 2,949 | 0 | 0 | 0 | 0 | 1,231 | 2,949 |
| Provisions | 4.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8,512 | 8,751 | 8,512 | 8,751 |
| Other Current Liabilities | 4.10 | 738 | 514 | 45 | 44 | 782 | 558 | 9 | 4 | 0 | 0 | 791 | 562 |
| | | 14,424 | 21,594 | 7,256 | 9,011 | 21,680 | 30,604 | 9,403 | 6,201 | 81,461 | 76,409 | 112,545 | 113,215 |
| Non-Current Liabilities | | | | | | | | | | | | | |
| Employee Benefits Non-Current | 4.6 | 2,893 | 3,132 | 370 | 302 | 3,263 | 3,434 | 287 | 290 | 130 | 154 | 3,680 | 3,878 |
| Cash Surplus Non-Current | 4.8 | 705 | 666 | 2,074 | 2,590 | 2,778 | 3,255 | 0 | 0 | 0 | 0 | 2,778 | 3,255 |
| Other Non-Current Liabilities | 4.10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 40 | 0 | 40 |
| | | 3,598 | 3,798 | 2,444 | 2,892 | 6,042 | 6,689 | 287 | 290 | 130 | 194 | 6,458 | 7,173 |
| Total Liabilities | | 18,022 | 25,391 | 9,700 | 11,902 | 27,722 | 37,294 | 9,690 | 6,491 | 81,591 | 76,603 | 119,003 | 120,388 |
| NET ASSETS | | | | | | | | | | | | | |
| Cash Surplus Withheld | 5.1 | 159 | 192 | 49 | 60 | 208 | 252 | 0 | 0 | 0 | 0 | 208 | 252 |
| Revolving Fund | 5.2 | 2,710 | 2,710 | 0 | 0 | 2,710 | 2,710 | 0 | 0 | 0 | 0 | 2,710 | 2,710 |
| Contingency Fund | 5.2 | 2,180 | 2,180 | 0 | 0 | 2,180 | 2,180 | 0 | 0 | 0 | 0 | 2,180 | 2,180 |
| Other Reserves | 5.3 | (2,425) | (2,487) | 389 | 415 | (2,036) | (2,072) | 44 | (21) | (208) | (213) | (2,201) | (2,306) |
| Accumulated Surplus/(Deficit) | 5.4 | 4,638 | 5,440 | 4,036 | 5,254 | 8,674 | 10,694 | 19,873 | 26,309 | 3,435 | 5,144 | 31,982 | 42,148 |
| Total Net Assets | | 7,262 | 8,036 | 4,473 | 5,729 | 11,735 | 13,764 | 19,917 | 26,288 | 3,227 | 4,931 | 34,879 | 44,984 |

VI.2 Segment Reporting
Statement of Financial Performance
Summary by Source of Funds

For the Year Ended 31 December 2019

| EUR '000 | Note | Total Secretariat and Institutions | | Total Field Operations | | Total Unified Budget | | Total Special Purpose Funds | | Total Extra-Budgetary Funds | | Total OSCE | |
|---|------|------------------------------------|-------------------|------------------------|---------------|----------------------|-------------------|-----------------------------|----------------|-----------------------------|-------------------|----------------|-------------------|
| | | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| REVENUE | | | <i>(Restated)</i> | | | | <i>(Restated)</i> | | | | <i>(Restated)</i> | | <i>(Restated)</i> |
| Assessed Contributions | 6.1 | 58,785 | 58,250 | 79,419 | 79,552 | 138,204 | 137,801 | 74,997 | 77,323 | 0 | 0 | 213,201 | 215,124 |
| Extra-Budgetary Contributions | 6.2 | 0 | (1) | 0 | 0 | 0 | (1) | 0 | 0 | 42,316 | 22,039 | 42,317 | 22,038 |
| Finance Revenue | 6.3 | 340 | 233 | 1 | 1 | 340 | 233 | 0 | 0 | 0 | 0 | 340 | 233 |
| Contributions In-Kind | 6.4 | 12,650 | 11,138 | 17,210 | 15,784 | 29,860 | 26,922 | 51,631 | 48,316 | 194 | 196 | 81,685 | 75,433 |
| Revenue from Exchange Transactions | 6.5 | 50 | 11 | 243 | 158 | 294 | 169 | (14) | 34 | 24 | (32) | 303 | 171 |
| Foreign Exchange Gains/(Losses) | 6.6 | 155 | 159 | (199) | (147) | (44) | 13 | (462) | (216) | 116 | 515 | (390) | 313 |
| Other Revenue | 6.7 | 1,907 | 1,455 | 925 | (69) | 2,832 | 1,386 | 7,303 | 1,865 | 1,095 | 546 | 11,229 | 3,798 |
| Total Revenue | | 73,887 | 71,244 | 97,599 | 95,278 | 171,486 | 166,522 | 133,455 | 127,322 | 43,744 | 23,266 | 348,685 | 317,110 |
| EXPENSES | | | | | | | | | | | | | |
| Staff Costs | 7.1 | 44,650 | 42,869 | 63,019 | 60,948 | 107,669 | 103,817 | 98,642 | 95,995 | 14,099 | 9,742 | 220,409 | 209,554 |
| Consultancy and Subcontracting | 7.2 | 6,703 | 5,576 | 7,052 | 6,291 | 13,755 | 11,867 | 9,742 | 8,431 | 11,354 | 8,950 | 34,851 | 29,247 |
| Travel Expenses | 7.3 | 4,625 | 4,736 | 8,448 | 8,426 | 13,073 | 13,162 | 5,685 | 5,434 | 5,964 | 5,272 | 24,722 | 23,868 |
| Services and Office Costs | 7.4 | 14,430 | 13,790 | 11,745 | 10,644 | 26,175 | 24,434 | 9,771 | 6,999 | 5,592 | 4,892 | 41,538 | 36,326 |
| Consumables and Supplies | 7.5 | 1,237 | 713 | 1,828 | 2,396 | 3,065 | 3,109 | 3,541 | 3,028 | 474 | 705 | 7,080 | 6,842 |
| Depreciation and Amortisation | 7.6 | 1,281 | 1,313 | 1,585 | 1,569 | 2,866 | 2,881 | 4,152 | 4,189 | 2,796 | 2,905 | 9,814 | 9,976 |
| Equipment Expenses | 7.7 | 523 | 771 | 2,709 | 1,777 | 3,232 | 2,548 | 2,294 | 1,029 | 1,126 | 857 | 6,652 | 4,433 |
| Other Operating Expenses | 7.8 | 534 | 1,013 | 358 | 156 | 892 | 1,169 | 6,065 | 7,406 | 4,048 | 2,376 | 11,006 | 10,951 |
| Total Expenses | | 73,984 | 70,782 | 96,743 | 92,206 | 170,728 | 162,988 | 139,891 | 132,510 | 45,453 | 35,699 | 356,072 | 331,197 |
| Surplus/(Deficit) for the Period | 8.1 | (98) | 462 | 856 | 3,072 | 758 | 3,534 | (6,436) | (5,188) | (1,709) | (12,434) | (7,387) | (14,087) |

VI.3 Segment Reporting
Cash Flow Statement
Summary by Source of Funds

For the Year Ended 31 December 2019

| EUR '000 | | Total Secretariat and Institutions | | Total Field Operations | | Total Unified Budget | | Total Special Purpose Funds | | Total Extra-Budgetary Funds | | Total OSCE | |
|--|----------|---------------------------------------|----------------|------------------------|----------------|----------------------|----------------|--------------------------------|----------------|--------------------------------|----------------|-----------------|----------------|
| | Note | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | | | | | | |
| Surplus/(Deficit) for the Period | 8.1 | (98) | 462 | 856 | 3,072 | 758 | 3,534 | (6,436) | (5,188) | (1,709) | (12,580) | (7,387) | (14,234) |
| Non-Cash Movements | | | | | | | | | | | | | |
| Deduction of Unrealized Foreign Exchange Gains/Losses on Cash and Cash Equivalents | 6.6 | (243) | (143) | (18) | (3) | (260) | (146) | (33) | 12 | (16) | (29) | (309) | (164) |
| Deduction of Depreciation, Amortisation and Impairments | 7.6,3,10 | 1,281 | 1,313 | 1,585 | 1,569 | 2,866 | 2,881 | 4,152 | 4,189 | 2,796 | 2,905 | 9,814 | 9,976 |
| Deduction of Loss on Disposal of PP&E | 6.5 | 4 | 263 | 41 | 253 | 46 | 516 | 18 | 408 | 47 | 178 | 111 | 1,102 |
| Deduction of Non-Cash Changes in Net Assets | 5.3 | 62 | (214) | (26) | 28 | 36 | (186) | 65 | 65 | 5 | (8) | 105 | (130) |
| (Increase) / Decrease in Contributions Receivable | 3.3 | (533) | 204 | (105) | 111 | (638) | 315 | (84) | (113) | (2,192) | 3,476 | (2,914) | 3,678 |
| (Increase) / Decrease in Accounts Receivable | 3.4 | (347) | (206) | (101) | (206) | (448) | (412) | 35 | 67 | 0 | 0 | (413) | (346) |
| (Increase) / Decrease in Prepayments | 3.5 | 906 | (774) | 69 | (558) | 976 | (1,332) | (1,770) | (711) | (11) | (8) | (805) | (2,051) |
| (Increase) / Decrease in Inventory | 3.6 | 0 | 3 | 118 | (91) | 118 | (88) | 138 | (93) | (204) | (94) | 51 | (275) |
| (Increase) / Decrease in Other Current/Non-Current Assets | 3.7 | 143 | (30) | 126 | (54) | 269 | (85) | 47 | (43) | 0 | 0 | 316 | (128) |
| Increase /(Decrease) in Accounts Payable | 4.1 | (638) | (2,189) | 222 | (18) | (415) | (2,207) | 114 | (131) | 0 | 0 | (301) | (2,338) |
| Increase /(Decrease) in Accruals | 4.2 | 1,721 | (19) | 37 | 189 | 1,758 | 170 | (97) | (608) | (280) | 351 | 1,382 | (87) |
| Increase /(Decrease) in Deferred Revenue | 4.3 | (151) | (6,143) | 0 | 0 | (151) | (6,143) | 3,168 | (797) | 0 | 0 | 3,017 | (6,940) |
| Increase /(Decrease) in Conditional ExB Contributions | 4.4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,590 | 11,127 | 5,590 | 11,127 |
| Increase /(Decrease) in Funds Held for Third Parties | 4.5 | (8,715) | 1,634 | 8 | (6) | (8,707) | 1,628 | 0 | 0 | 0 | 0 | (8,707) | 1,628 |
| Increase /(Decrease) in Employee Benefits | 4.6 | (82) | (85) | (3) | 158 | (86) | 73 | 8 | 61 | (44) | 36 | (122) | 170 |
| Increase /(Decrease) in Cash Surplus Payable | 4.8 | 272 | 294 | (2,467) | 2,290 | (2,194) | 2,584 | 0 | 0 | 0 | 0 | (2,194) | 2,584 |
| Increase /(Decrease) in Provisions | 4.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (239) | 3,419 | (239) | 3,419 |
| Increase /(Decrease) in Other Liabilities | 4.10 | 223 | (59) | 0 | (186) | 224 | (245) | 6 | (3) | (40) | 172 | 189 | (76) |
| Increase /(Decrease) in Inter-Fund Balances | | (1,990) | 271 | 2,324 | (2,133) | 334 | (1,862) | 1,141 | 4,789 | (1,475) | (2,927) | 0 | 0 |
| Net Cash Flows from Operating Activities | | (8,182) | (5,419) | 2,667 | 4,414 | (5,515) | (1,006) | 471 | 1,905 | 2,229 | 6,017 | (2,815) | 6,916 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | | | | | |
| (Purchase) / Sale of Investments | 3.2 | (6,363) | 10,000 | 0 | 0 | (6,363) | 10,000 | 0 | 0 | 1,524 | (4,280) | (4,839) | 5,720 |
| (Addition) / Disposal of PP&E and Intangibles | 3.8,3,9 | (521) | (388) | (893) | (1,916) | (1,415) | (2,304) | (519) | (1,812) | (331) | (1,127) | (2,265) | (5,243) |
| Net Cash Flows from Investing Activities | | (6,884) | 9,612 | (893) | (1,916) | (7,778) | 7,696 | (519) | (1,812) | 1,193 | (5,406) | (7,103) | 478 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | | | | | | |
| Credits for Cash Surplus Withheld | 5.1 | (33) | 0 | (11) | 0 | (44) | 0 | 0 | 0 | 0 | 0 | (44) | 0 |
| Allocation of Current Year Cash Surplus | 4.8 | (705) | (666) | (2,074) | (2,590) | (2,778) | (3,255) | 0 | 0 | 0 | 0 | (2,778) | (3,255) |
| Refund of Unspent Extra-budgetary Contributions | 5.4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Cash Flows from Financing Activities | | (738) | (666) | (2,085) | (2,590) | (2,823) | (3,255) | 0 | 0 | 0 | 0 | (2,823) | (3,255) |
| Net Increase/(Decrease) in Cash and Cash Equivalents | 3.1 | (15,804) | 3,526 | (312) | (92) | (16,116) | 3,435 | (48) | 93 | 3,422 | 610 | (12,741) | 4,138 |
| Cash and Cash Equivalents at Beginning of Period | 3.1 | 95,092 | 91,423 | 1,766 | 1,855 | 96,859 | 93,277 | 795 | 714 | 9,873 | 9,233 | 107,526 | 103,225 |
| Foreign Exchange Gains/(Losses) on Cash and Cash Equivalents | 6.6 | 243 | 143 | 18 | 3 | 260 | 146 | 33 | (12) | 16 | 29 | 309 | 164 |
| Cash and Cash Equivalents at End of Period | | 79,531 | 95,092 | 1,472 | 1,766 | 81,003 | 96,859 | 780 | 795 | 13,311 | 9,873 | 95,094 | 107,526 |

VI.1.A Segment Reporting
Statement of Financial Position
Secretariat and Institutions

As at 31 December 2019

| 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 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| ASSETS | | | | | | | | | | | |
| Current Assets | | | | | | | | | | | |
| Cash and Cash Equivalents | 3.1 | 78,437 | 94,201 | 971 | 575 | 123 | 316 | 0 | 0 | 79,531 | 95,092 |
| Investments | 3.2 | 6,363 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6,363 | 0 |
| Contributions Receivable | 3.3 | 465 | 136 | 208 | 62 | 46 | 13 | 30 | 5 | 749 | 217 |
| Accounts Receivable | 3.4 | 2,054 | 1,737 | 143 | 110 | 121 | 124 | 0 | 0 | 2,318 | 1,971 |
| Prepayments | 3.5 | 1,253 | 2,062 | 549 | 610 | 224 | 261 | 1 | 0 | 2,027 | 2,934 |
| Inventory | 3.6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Inter-Fund Balances | | (70,728) | (72,733) | 780 | 983 | (106) | (354) | 106 | 165 | (69,949) | (71,939) |
| Other Current Assets | 3.7 | 14 | 0 | 0 | 0 | 3 | 0 | 0 | 0 | 17 | 0 |
| | | 17,858 | 25,403 | 2,650 | 2,340 | 411 | 362 | 137 | 170 | 21,057 | 28,275 |
| Non-Current Assets | | | | | | | | | | | |
| Property, Plant and Equipment | 3.8 | 2,591 | 2,729 | 133 | 115 | 41 | 23 | 5 | 3 | 2,770 | 2,871 |
| Intangible Assets | 3.9 | 1,169 | 1,821 | 24 | 37 | 0 | 0 | 0 | 0 | 1,194 | 1,858 |
| Other Non-Current Assets | 3.7 | 188 | 298 | 57 | 95 | 12 | 20 | 6 | 10 | 263 | 424 |
| | | 3,948 | 4,849 | 215 | 247 | 53 | 43 | 11 | 13 | 4,227 | 5,152 |
| Total Assets | | 21,806 | 30,252 | 2,865 | 2,587 | 465 | 404 | 148 | 184 | 25,284 | 33,427 |
| LIABILITIES | | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | | |
| Accounts Payable | 4.1 | 821 | 1,642 | 676 | 473 | 12 | 33 | (0) | (1) | 1,509 | 2,147 |
| Accruals | 4.2 | 2,738 | 1,235 | 582 | 392 | 154 | 117 | 21 | 30 | 3,495 | 1,774 |
| Deferred Revenue | 4.3 | 748 | 898 | 849 | 849 | 0 | 0 | 0 | 0 | 1,597 | 1,747 |
| Conditional ExB Contributions | 4.4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Funds Held for Third Parties | 4.5 | 5,237 | 13,847 | 44 | 149 | 0 | 0 | 0 | 0 | 5,281 | 13,996 |
| Employee Benefits Current | 4.6 | 995 | 931 | 380 | 270 | 121 | 130 | 34 | 43 | 1,530 | 1,374 |
| Cash Surplus Current | 4.8 | 245 | (103) | 16 | 64 | 6 | (1) | 8 | 80 | 275 | 41 |
| Provisions | 4.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Current Liabilities | 4.10 | 674 | 437 | (1) | 9 | 64 | 68 | 0 | 0 | 738 | 514 |
| | | 11,458 | 18,888 | 2,546 | 2,207 | 357 | 347 | 64 | 152 | 14,424 | 21,594 |
| Non-Current Liabilities | | | | | | | | | | | |
| Employee Benefits Non-Current | 4.6 | 1,677 | 1,848 | 871 | 910 | 267 | 251 | 78 | 122 | 2,893 | 3,132 |
| Cash Surplus Non-Current | 4.8 | 687 | 602 | (48) | 33 | 7 | 10 | 60 | 21 | 705 | 666 |
| Other Non-Current Liabilities | 4.10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 2,364 | 2,450 | 822 | 943 | 273 | 261 | 138 | 144 | 3,598 | 3,798 |
| Total Liabilities | | 13,822 | 21,338 | 3,368 | 3,150 | 630 | 608 | 202 | 296 | 18,022 | 25,391 |
| NET ASSETS | | | | | | | | | | | |
| Cash Surplus Withheld | 5.1 | 146 | 178 | 9 | 9 | 2 | 4 | 1 | 1 | 159 | 192 |
| Revolving Fund | 5.2 | 2,710 | 2,710 | 0 | 0 | 0 | 0 | 0 | 0 | 2,710 | 2,710 |
| Contingency Fund | 5.2 | 2,180 | 2,180 | 0 | 0 | 0 | 0 | 0 | 0 | 2,180 | 2,180 |
| Other Reserves | 5.3 | (1,311) | (1,401) | (939) | (890) | (126) | (138) | (49) | (58) | (2,425) | (2,487) |
| Accumulated Surplus/(Deficit) | 5.4 | 4,259 | 5,247 | 427 | 319 | (41) | (69) | (6) | (56) | 4,638 | 5,440 |
| Total Net Assets | | 7,984 | 8,914 | (503) | (563) | (165) | (204) | (54) | (112) | 7,262 | 8,036 |

VI.2.A Segment Reporting
Statement of Financial Performance
Secretariat and Institutions

For the Year Ended 31 December 2019

| 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 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| REVENUE | | | <i>(Restated)</i> | | | | | | | | <i>(Restated)</i> |
| Assessed Contributions | 6.1 | 37,518 | 37,218 | 16,160 | 16,045 | 3,504 | 3,466 | 1,603 | 1,520 | 58,785 | 58,250 |
| Extra-Budgetary Contributions | 6.2 | 0 | (1) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1) |
| Finance Revenue | 6.3 | 338 | 232 | 1 | 1 | 0 | 0 | 0 | 0 | 340 | 233 |
| Contributions In-Kind | 6.4 | 9,770 | 8,367 | 2,075 | 1,900 | 481 | 473 | 324 | 398 | 12,650 | 11,138 |
| Revenue from Exchange Transactions | 6.5 | 13 | (0) | 38 | 11 | (0) | (1) | 0 | 1 | 50 | 11 |
| Foreign Exchange Gains/(Losses) | 6.6 | 207 | 161 | (51) | (1) | (0) | 0 | (0) | (0) | 155 | 159 |
| Other Revenue | 6.7 | 1,533 | 1,446 | 410 | 4 | 17 | 5 | (53) | 0 | 1,907 | 1,455 |
| Total Revenue | | 49,379 | 47,421 | 18,632 | 17,961 | 4,001 | 3,944 | 1,874 | 1,918 | 73,887 | 71,244 |
| EXPENSES | | | | | | | | | | | |
| Staff Costs | 7.1 | 30,906 | 29,588 | 9,365 | 8,744 | 2,920 | 2,957 | 1,458 | 1,581 | 44,650 | 42,869 |
| Consultancy and Subcontracting | 7.2 | 2,103 | 1,279 | 4,345 | 4,114 | 222 | 160 | 34 | 23 | 6,703 | 5,576 |
| Travel Expenses | 7.3 | 2,601 | 2,351 | 1,531 | 1,773 | 315 | 417 | 178 | 194 | 4,625 | 4,736 |
| Services and Office Costs | 7.4 | 11,252 | 10,867 | 2,768 | 2,617 | 349 | 261 | 61 | 45 | 14,430 | 13,790 |
| Consumables and Supplies | 7.5 | 804 | 357 | 327 | 274 | 95 | 71 | 12 | 11 | 1,237 | 713 |
| Depreciation and Amortisation | 7.6 | 1,186 | 1,215 | 80 | 86 | 13 | 11 | 2 | 1 | 1,281 | 1,313 |
| Equipment Expenses | 7.7 | 321 | 363 | 142 | 370 | 43 | 31 | 17 | 8 | 523 | 771 |
| Other Operating Expenses | 7.8 | 508 | 818 | 13 | 141 | 9 | 40 | 4 | 14 | 534 | 1,013 |
| Total Expenses | | 49,681 | 46,839 | 18,572 | 18,119 | 3,967 | 3,947 | 1,765 | 1,877 | 73,984 | 70,782 |
| Surplus/(Deficit) for the Period | 8.1 | (302) | 582 | 60 | (158) | 34 | (4) | 110 | 41 | (98) | 462 |

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

As at 31 December 2019

| EUR '000 | | Augmentations | | South-Eastern Europe | | Eastern Europe | | Caucasus | | Central Asia | | Total Regions | | Closed Funds | | Total Field Operations | |
|--------------------------------|------|---------------|--------------|----------------------|--------------|----------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|-----------|------------------------|---------------|
| | Note | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| ASSETS | | | | | | | | | | | | | | | | | |
| Current Assets | | | | | | | | | | | | | | | | | |
| Cash and Cash Equivalents | 3.1 | 0 | 0 | 712 | 864 | 69 | 153 | 53 | 43 | 637 | 707 | 1,472 | 1,766 | 0 | 0 | 1,472 | 1,766 |
| Investments | 3.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contributions Receivable | 3.3 | 0 | 2 | 119 | 65 | 16 | 4 | 6 | 3 | 65 | 11 | 207 | 85 | 4 | 22 | 212 | 107 |
| Accounts Receivable | 3.4 | 0 | 0 | 381 | 378 | 399 | 420 | 0 | 0 | 348 | 230 | 1,129 | 1,028 | 0 | 0 | 1,129 | 1,028 |
| Prepayments | 3.5 | 0 | 0 | 618 | 1,063 | 243 | 250 | 2 | 2 | 873 | 490 | 1,736 | 1,805 | 0 | 0 | 1,736 | 1,805 |
| Inventory | 3.6 | 0 | 0 | 48 | 66 | 6 | 14 | 0 | 0 | 33 | 124 | 87 | 205 | 0 | 0 | 87 | 205 |
| Inter-Fund Balances | | (34) | (67) | 3,052 | 1,809 | (232) | 253 | 1,050 | 1,890 | 1,866 | 4,379 | 5,702 | 8,263 | 260 | 22 | 5,962 | 8,286 |
| Other Current Assets | 3.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | (34) | (65) | 4,932 | 4,246 | 501 | 1,094 | 1,112 | 1,936 | 3,822 | 5,942 | 10,333 | 13,152 | 265 | 44 | 10,597 | 13,197 |
| Non-Current Assets | | | | | | | | | | | | | | | | | |
| Property, Plant and Equipment | 3.8 | 0 | 0 | 2,161 | 2,635 | 309 | 400 | 119 | 131 | 767 | 866 | 3,356 | 4,032 | 0 | 0 | 3,356 | 4,032 |
| Intangible Assets | 3.9 | 0 | 0 | 22 | 61 | 0 | 1 | 0 | 0 | 7 | 25 | 29 | 87 | 0 | 0 | 29 | 87 |
| Other Non-Current Assets | 3.7 | 0 | 0 | 144 | 239 | 13 | 22 | 3 | 4 | 31 | 51 | 191 | 316 | 0 | 0 | 191 | 316 |
| | | 0 | 0 | 2,328 | 2,935 | 322 | 422 | 121 | 136 | 805 | 941 | 3,576 | 4,434 | 0 | 0 | 3,576 | 4,434 |
| Total Assets | | (34) | (65) | 7,259 | 7,181 | 823 | 1,516 | 1,233 | 2,072 | 4,626 | 6,882 | 13,909 | 17,587 | 265 | 44 | 14,173 | 17,631 |
| LIABILITIES | | | | | | | | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | | | | | | | | |
| Accounts Payable | 4.1 | 0 | 0 | 517 | 425 | 55 | 155 | 1 | 2 | 1,219 | 988 | 1,792 | 1,570 | 0 | 0 | 1,792 | 1,570 |
| Accruals | 4.2 | 8 | 11 | 1,387 | 1,452 | 106 | 145 | 23 | 21 | 1,187 | 1,044 | 2,710 | 2,673 | 0 | 0 | 2,710 | 2,673 |
| 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 | 30 | 22 | 0 | 0 | 0 | 0 | 0 | 0 | 31 | 23 | 0 | 0 | 31 | 23 |
| Employee Benefits Current | 4.6 | 125 | 137 | 1,179 | 1,292 | 89 | 76 | 15 | 16 | 315 | 272 | 1,722 | 1,793 | 0 | 0 | 1,722 | 1,793 |
| Cash Surplus Current | 4.8 | 10 | 0 | 281 | (17) | 127 | 282 | 313 | 987 | 223 | 1,648 | 955 | 2,900 | 2 | 8 | 957 | 2,907 |
| 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 | 52 | 38 | 5 | (0) | 1 | 0 | (14) | 6 | 45 | 44 | 0 | 0 | 45 | 44 |
| | | 143 | 149 | 3,446 | 3,212 | 382 | 659 | 353 | 1,026 | 2,931 | 3,958 | 7,255 | 9,003 | 2 | 8 | 7,256 | 9,011 |
| Non-Current Liabilities | | | | | | | | | | | | | | | | | |
| Employee Benefits Non-Current | 4.6 | 264 | 197 | 74 | 66 | 6 | 9 | 2 | 2 | 24 | 28 | 370 | 302 | 0 | 0 | 370 | 302 |
| Cash Surplus Non-Current | 4.8 | 54 | 27 | 1,024 | 770 | 50 | 343 | 699 | 845 | (4) | 600 | 1,823 | 2,585 | 251 | 4 | 2,074 | 2,590 |
| Other Non-Current Liabilities | 4.10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 318 | 224 | 1,099 | 836 | 55 | 352 | 701 | 847 | 20 | 628 | 2,193 | 2,888 | 251 | 4 | 2,444 | 2,892 |
| Total Liabilities | | 461 | 373 | 4,545 | 4,048 | 437 | 1,011 | 1,055 | 1,873 | 2,950 | 4,586 | 9,448 | 11,891 | 252 | 12 | 9,700 | 11,902 |
| NET ASSETS | | | | | | | | | | | | | | | | | |
| Cash Surplus Withheld | 5.1 | 0 | 0 | 26 | 27 | 1 | 2 | 3 | 9 | 5 | 5 | 34 | 43 | 14 | 17 | 49 | 60 |
| Revolving Fund | 5.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contingency Fund | 5.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Reserves | 5.3 | 206 | 235 | 316 | 322 | 1 | (4) | (5) | (6) | (124) | (127) | 394 | 420 | (6) | (6) | 389 | 415 |
| Accumulated Surplus/(Deficit) | 5.4 | (701) | (672) | 2,373 | 2,784 | 384 | 507 | 180 | 196 | 1,795 | 2,419 | 4,032 | 5,233 | 4 | 21 | 4,036 | 5,254 |
| Total Net Assets | | (495) | (438) | 2,715 | 3,133 | 386 | 505 | 178 | 199 | 1,676 | 2,297 | 4,461 | 5,696 | 12 | 33 | 4,473 | 5,729 |

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

For the Year Ended 31 December 2019

| EUR '000 | | Augmentations | | South-Eastern Europe | | Eastern Europe | | Caucasus | | Central Asia | | Total Regions | | Closed Funds | | Total Field Operations | |
|---|------|---------------|--------------|----------------------|---------------|----------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|--------------|-------------|------------------------|---------------|
| | Note | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| REVENUE | | | | | | | | | | | | | | | | | |
| Assessed Contributions | 6.1 | 3,597 | 4,180 | 47,043 | 46,847 | 5,927 | 5,868 | 2,337 | 2,399 | 20,516 | 20,258 | 79,419 | 79,552 | 0 | 0 | 79,419 | 79,552 |
| 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 | 12,806 | 11,615 | 985 | 806 | 728 | 692 | 2,691 | 2,672 | 17,210 | 15,784 | 0 | 0 | 17,210 | 15,784 |
| Revenue from Exchange Transactions | 6.5 | 0 | 0 | 243 | 186 | 1 | 2 | (1) | (5) | 0 | (26) | 243 | 158 | 0 | 0 | 243 | 158 |
| Foreign Exchange Gains/(Losses) | 6.6 | 0 | 0 | 6 | 13 | (157) | (107) | (2) | (1) | (46) | (52) | (199) | (147) | 0 | 0 | (199) | (147) |
| Other Revenue | 6.7 | 44 | 0 | 769 | (82) | (17) | 4 | 17 | 5 | (121) | 3 | 692 | (69) | 233 | 0 | 925 | (69) |
| Total Revenue | | 3,641 | 4,180 | 60,867 | 58,579 | 6,738 | 6,574 | 3,080 | 3,090 | 23,040 | 22,856 | 97,366 | 95,278 | 233 | 0 | 97,599 | 95,278 |
| EXPENSES | | | | | | | | | | | | | | | | | |
| Staff Costs | 7.1 | 3,498 | 4,036 | 45,121 | 43,303 | 3,439 | 3,116 | 1,482 | 1,445 | 9,479 | 9,048 | 63,019 | 60,948 | 0 | 0 | 63,019 | 60,948 |
| Consultancy and Subcontracting | 7.2 | 51 | 52 | 2,610 | 2,296 | 664 | 712 | 1 | 2 | 3,726 | 3,228 | 7,052 | 6,291 | 0 | 0 | 7,052 | 6,291 |
| Travel Expenses | 7.3 | 54 | 64 | 3,046 | 3,066 | 788 | 726 | 512 | 452 | 4,049 | 4,118 | 8,448 | 8,426 | 0 | 0 | 8,448 | 8,426 |
| Services and Office Costs | 7.4 | 8 | 17 | 6,443 | 5,974 | 1,390 | 1,163 | 266 | 256 | 3,638 | 3,234 | 11,745 | 10,644 | 0 | 0 | 11,745 | 10,644 |
| Consumables and Supplies | 7.5 | 4 | 1 | 853 | 1,342 | 168 | 189 | 57 | 67 | 747 | 798 | 1,828 | 2,396 | 0 | 0 | 1,828 | 2,396 |
| Depreciation and Amortisation | 7.6 | 0 | 0 | 1,025 | 984 | 151 | 145 | 49 | 54 | 360 | 386 | 1,585 | 1,569 | 0 | 0 | 1,585 | 1,569 |
| Equipment Expenses | 7.7 | 0 | 27 | 1,023 | 672 | 171 | 121 | 4 | 23 | 1,510 | 934 | 2,709 | 1,777 | 0 | 0 | 2,709 | 1,777 |
| Other Operating Expenses | 7.8 | 0 | 8 | 133 | 125 | 41 | 17 | 26 | (38) | 158 | 69 | 358 | 180 | 0 | (24) | 358 | 156 |
| Total Expenses | | 3,615 | 4,205 | 60,254 | 57,761 | 6,811 | 6,189 | 2,396 | 2,261 | 23,667 | 21,814 | 96,743 | 92,230 | 0 | (24) | 96,743 | 92,206 |
| Surplus/(Deficit) for the Period | 8.1 | 25 | (25) | 614 | 818 | (72) | 385 | 684 | 828 | (628) | 1,042 | 623 | 3,048 | 233 | 24 | 856 | 3,072 |

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

As at 31 December 2019

| 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 | |
|--------------------------------|------|-------------------|--------------|-----------------------------------|------------|-------------------|------------|---------------------|------------|-------------------|------------|-----------------------|--------------|----------------------------|--------------|
| | | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| ASSETS | | | | | | | | | | | | | | | |
| Current Assets | | | | | | | | | | | | | | | |
| Cash and Cash Equivalents | 3.1 | 14 | 143 | 210 | 316 | 346 | 163 | 56 | 81 | 84 | 136 | 2 | 24 | 712 | 864 |
| Investments | 3.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contributions Receivable | 3.3 | 44 | 26 | 25 | 13 | 15 | 9 | 16 | 7 | 16 | 9 | 3 | 1 | 119 | 65 |
| Accounts Receivable | 3.4 | (1) | (1) | 185 | 193 | 0 | 0 | 56 | 65 | 142 | 122 | 0 | 0 | 381 | 378 |
| Prepayments | 3.5 | 111 | 111 | 64 | 129 | 302 | 273 | 59 | 19 | 60 | 47 | 22 | 485 | 618 | 1,063 |
| Inventory | 3.6 | 0 | 0 | 7 | 4 | 0 | 1 | 0 | 0 | 41 | 62 | 0 | 0 | 48 | 66 |
| Inter-Fund Balances | | 1,487 | 1,272 | 184 | (233) | 73 | 20 | 258 | 158 | 285 | 165 | 765 | 426 | 3,052 | 1,809 |
| Other Current Assets | 3.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 1,655 | 1,551 | 675 | 422 | 736 | 465 | 445 | 331 | 628 | 542 | 792 | 936 | 4,932 | 4,246 |
| Non-Current Assets | | | | | | | | | | | | | | | |
| Property, Plant and Equipment | 3.8 | 1,059 | 1,412 | 422 | 495 | 140 | 107 | 129 | 146 | 373 | 412 | 39 | 64 | 2,161 | 2,635 |
| Intangible Assets | 3.9 | 13 | 25 | 5 | 10 | 0 | 1 | 0 | 0 | 4 | 16 | 0 | 10 | 22 | 61 |
| Other Non-Current Assets | 3.7 | 62 | 102 | 39 | 65 | 17 | 29 | 3 | 5 | 18 | 30 | 4 | 7 | 144 | 239 |
| | | 1,134 | 1,540 | 467 | 570 | 158 | 136 | 132 | 151 | 394 | 458 | 43 | 81 | 2,328 | 2,935 |
| Total Assets | | 2,788 | 3,091 | 1,142 | 991 | 894 | 601 | 577 | 482 | 1,022 | 999 | 835 | 1,017 | 7,259 | 7,181 |
| LIABILITIES | | | | | | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | | | | | | |
| Accounts Payable | 4.1 | 157 | 119 | 27 | 39 | 98 | 49 | 84 | 48 | 130 | 140 | 21 | 29 | 517 | 425 |
| Accruals | 4.2 | 413 | 625 | 140 | 144 | 398 | 317 | 111 | 102 | 133 | 185 | 193 | 79 | 1,387 | 1,452 |
| 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 | 11 | 7 | 0 | 0 | 0 | 0 | 19 | 15 | 0 | 0 | 30 | 22 |
| Employee Benefits Current | 4.6 | 450 | 626 | 340 | 324 | 142 | 142 | 86 | 47 | 131 | 125 | 28 | 27 | 1,179 | 1,292 |
| Cash Surplus Current | 4.8 | 41 | (2) | 13 | (240) | (1) | (28) | 18 | 42 | (1) | (10) | 211 | 221 | 281 | (17) |
| Provisions | 4.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Current Liabilities | 4.10 | 50 | 39 | 0 | 1 | 1 | 0 | (0) | (0) | 0 | 0 | 0 | (1) | 52 | 38 |
| | | 1,111 | 1,408 | 532 | 274 | 638 | 481 | 299 | 238 | 413 | 455 | 453 | 356 | 3,446 | 3,212 |
| Non-Current Liabilities | | | | | | | | | | | | | | | |
| Employee Benefits Non-Current | 4.6 | 30 | 28 | 14 | 13 | 7 | 6 | 7 | 7 | 13 | 10 | 3 | 2 | 74 | 66 |
| Cash Surplus Non-Current | 4.8 | 276 | 104 | 124 | 28 | 99 | 6 | 105 | 43 | 103 | 15 | 318 | 574 | 1,024 | 770 |
| Other Non-Current Liabilities | 4.10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 306 | 132 | 138 | 41 | 105 | 12 | 112 | 50 | 117 | 25 | 321 | 576 | 1,099 | 836 |
| Total Liabilities | | 1,417 | 1,539 | 670 | 315 | 744 | 493 | 411 | 288 | 529 | 481 | 774 | 932 | 4,545 | 4,048 |
| NET ASSETS | | | | | | | | | | | | | | | |
| Cash Surplus Withheld | 5.1 | 13 | 20 | 4 | 7 | 5 | 2 | 3 | 4 | 1 | (6) | 0 | 0 | 26 | 27 |
| Revolving Fund | 5.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contingency Fund | 5.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Reserves | 5.3 | 241 | 239 | 25 | 30 | 28 | 27 | 11 | 10 | 12 | 15 | (1) | (0) | 316 | 322 |
| Accumulated Surplus/(Deficit) | 5.4 | 1,118 | 1,292 | 444 | 639 | 118 | 79 | 153 | 179 | 480 | 510 | 62 | 85 | 2,373 | 2,784 |
| Total Net Assets | | 1,371 | 1,552 | 472 | 676 | 150 | 108 | 167 | 193 | 493 | 519 | 61 | 85 | 2,715 | 3,133 |

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

For the Year Ended 31 December 2019

| 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 | |
|---|------|-------------------|---------------|-----------------------------------|---------------|-------------------|--------------|---------------------|--------------|-------------------|--------------|-----------------------|--------------|----------------------------|---------------|
| | | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| REVENUE | | | | | | | | | | | | | | | |
| Assessed Contributions | 6.1 | 17,463 | 17,414 | 11,682 | 11,647 | 6,259 | 6,238 | 2,981 | 2,918 | 6,506 | 6,483 | 2,152 | 2,146 | 47,043 | 46,847 |
| 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 | 5,792 | 5,106 | 1,846 | 1,719 | 1,352 | 1,272 | 1,178 | 1,045 | 2,158 | 2,031 | 479 | 441 | 12,806 | 11,615 |
| Revenue from Exchange Transactions | 6.5 | 69 | 62 | 64 | 35 | 44 | 29 | 20 | 16 | 46 | 14 | 0 | 29 | 243 | 186 |
| Foreign Exchange Gains/(Losses) | 6.6 | (0) | 0 | 0 | 0 | (7) | 2 | 16 | 15 | (3) | (5) | 0 | 0 | 6 | 13 |
| Other Revenue | 6.7 | 391 | (95) | 127 | 4 | 100 | 2 | 54 | 0 | 100 | 7 | (3) | (0) | 769 | (82) |
| Total Revenue | | 23,715 | 22,488 | 13,719 | 13,406 | 7,748 | 7,544 | 4,250 | 3,994 | 8,807 | 8,530 | 2,629 | 2,617 | 60,867 | 58,579 |
| EXPENSES | | | | | | | | | | | | | | | |
| Staff Costs | 7.1 | 18,662 | 17,675 | 10,431 | 10,158 | 5,225 | 5,158 | 3,094 | 2,835 | 6,309 | 6,104 | 1,400 | 1,374 | 45,121 | 43,303 |
| Consultancy and Subcontracting | 7.2 | 858 | 719 | 377 | 413 | 511 | 513 | 139 | 123 | 421 | 345 | 304 | 184 | 2,610 | 2,296 |
| Travel Expenses | 7.3 | 796 | 749 | 624 | 786 | 639 | 584 | 257 | 278 | 511 | 503 | 218 | 165 | 3,046 | 3,066 |
| Services and Office Costs | 7.4 | 2,126 | 1,981 | 1,497 | 1,219 | 1,034 | 1,038 | 439 | 449 | 1,034 | 1,017 | 314 | 270 | 6,443 | 5,974 |
| Consumables and Supplies | 7.5 | 291 | 676 | 248 | 233 | 85 | 86 | 82 | 103 | 126 | 218 | 21 | 25 | 853 | 1,342 |
| Depreciation and Amortisation | 7.6 | 539 | 513 | 199 | 198 | 59 | 72 | 60 | 52 | 143 | 122 | 25 | 27 | 1,025 | 984 |
| Equipment Expenses | 7.7 | 316 | 295 | 392 | 41 | 13 | 75 | 84 | 80 | 174 | 93 | 45 | 88 | 1,023 | 672 |
| Other Operating Expenses | 7.8 | 25 | 18 | 23 | 28 | 45 | 27 | 16 | 13 | 17 | 34 | 7 | 4 | 133 | 125 |
| Total Expenses | | 23,613 | 22,625 | 13,790 | 13,076 | 7,611 | 7,554 | 4,171 | 3,934 | 8,734 | 8,436 | 2,334 | 2,136 | 60,254 | 57,761 |
| Surplus/(Deficit) for the Period | 8.1 | 101 | (138) | (71) | 330 | 137 | (10) | 79 | 60 | 73 | 95 | 294 | 480 | 614 | 818 |

VI.1.D Segment Reporting
Statement of Financial Position
Eastern Europe

As at 31 December 2019

| EUR '000 | | Mission to Moldova | | Project Co-ordinator in Ukraine | | Representative on the Latvian-Russian Joint Commission on Military Pensioners | | Total Eastern Europe | |
|--------------------------------|------|--------------------|------------|---------------------------------|------------|---|----------|----------------------|--------------|
| | Note | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| ASSETS | | | | | | | | | |
| Current Assets | | | | | | | | | |
| Cash and Cash Equivalents | 3.1 | 15 | 38 | 54 | 115 | 0 | 0 | 69 | 153 |
| Investments | 3.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contributions Receivable | 3.3 | 9 | 2 | 7 | 2 | 0 | 0 | 16 | 4 |
| Accounts Receivable | 3.4 | 18 | 17 | 382 | 403 | 0 | 0 | 399 | 420 |
| Prepayments | 3.5 | 20 | 11 | 223 | 240 | 0 | 0 | 243 | 250 |
| Inventory | 3.6 | 0 | 0 | 6 | 14 | 0 | 0 | 6 | 14 |
| Inter-Fund Balances | | 175 | 409 | (408) | (156) | 1 | 0 | (232) | 253 |
| Other Current Assets | 3.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 236 | 476 | 264 | 617 | 1 | 0 | 501 | 1,094 |
| Non-Current Assets | | | | | | | | | |
| Property, Plant and Equipment | 3.8 | 224 | 288 | 85 | 112 | 0 | 0 | 309 | 400 |
| Intangible Assets | 3.9 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Other Non-Current Assets | 3.7 | 5 | 8 | 8 | 14 | 0 | 0 | 13 | 22 |
| | | 229 | 297 | 93 | 126 | 0 | 0 | 322 | 422 |
| Total Assets | | 466 | 772 | 357 | 743 | 1 | 0 | 823 | 1,516 |
| LIABILITIES | | | | | | | | | |
| Current Liabilities | | | | | | | | | |
| Accounts Payable | 4.1 | 32 | (30) | 22 | 184 | 0 | 0 | 55 | 155 |
| Accruals | 4.2 | 36 | 27 | 70 | 118 | 0 | 0 | 106 | 145 |
| 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 | 34 | 22 | 55 | 55 | 0 | 0 | 89 | 76 |
| Cash Surplus Current | 4.8 | 81 | 117 | 47 | 165 | 0 | 0 | 127 | 282 |
| Provisions | 4.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Current Liabilities | 4.10 | 0 | 0 | 5 | (0) | 0 | 0 | 5 | (0) |
| | | 183 | 137 | 198 | 521 | 0 | 0 | 382 | 659 |
| Non-Current Liabilities | | | | | | | | | |
| Employee Benefits Non-Current | 4.6 | 5 | 8 | 1 | 1 | 0 | 0 | 6 | 9 |
| Cash Surplus Non-Current | 4.8 | (4) | 218 | 53 | 125 | 1 | 0 | 50 | 343 |
| Other Non-Current Liabilities | 4.10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 1 | 227 | 54 | 126 | 1 | 0 | 55 | 352 |
| Total Liabilities | | 184 | 364 | 252 | 647 | 1 | 0 | 437 | 1,011 |
| NET ASSETS | | | | | | | | | |
| Cash Surplus Withheld | 5.1 | 0 | 1 | 0 | 1 | 0 | 0 | 1 | 2 |
| Revolving Fund | 5.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contingency Fund | 5.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Reserves | 5.3 | (6) | (10) | 7 | 7 | 0 | 0 | 1 | (4) |
| Accumulated Surplus/(Deficit) | 5.4 | 287 | 418 | 97 | 88 | 0 | 0 | 384 | 507 |
| Total Net Assets | | 281 | 408 | 105 | 96 | 0 | 0 | 386 | 505 |

VI.2.D Segment Reporting
Statement of Financial Performance
Eastern Europe

For the Year Ended 31 December 2019

| EUR '000 | | Mission to Moldova | | Project Co-ordinator in Ukraine | | Representative on the Latvian-Russian Joint Commission on Military Pensioners | | Total Eastern Europe | |
|---|------|--------------------|--------------|---------------------------------|--------------|---|----------|----------------------|--------------|
| | Note | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| REVENUE | | | | | | | | | |
| Assessed Contributions | 6.1 | 2,303 | 2,264 | 3,619 | 3,599 | 6 | 6 | 5,927 | 5,868 |
| 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 | 822 | 627 | 163 | 178 | 0 | 0 | 985 | 806 |
| Revenue from Exchange Transactions | 6.5 | 0 | 2 | 1 | 0 | 0 | 0 | 1 | 2 |
| Foreign Exchange Gains/(Losses) | 6.6 | (0) | (5) | (157) | (102) | 0 | 0 | (157) | (107) |
| Other Revenue | 6.7 | (21) | 1 | 3 | 3 | 0 | 0 | (17) | 4 |
| Total Revenue | | 3,103 | 2,890 | 3,629 | 3,678 | 6 | 6 | 6,738 | 6,574 |
| EXPENSES | | | | | | | | | |
| Staff Costs | 7.1 | 1,938 | 1,596 | 1,501 | 1,520 | 0 | 0 | 3,439 | 3,116 |
| Consultancy and Subcontracting | 7.2 | 227 | 122 | 437 | 590 | 0 | 0 | 664 | 712 |
| Travel Expenses | 7.3 | 198 | 152 | 585 | 569 | 5 | 5 | 788 | 726 |
| Services and Office Costs | 7.4 | 571 | 434 | 819 | 729 | 0 | 0 | 1,390 | 1,163 |
| Consumables and Supplies | 7.5 | 82 | 103 | 85 | 86 | 0 | 0 | 168 | 189 |
| Depreciation and Amortisation | 7.6 | 110 | 105 | 41 | 40 | 0 | 0 | 151 | 145 |
| Equipment Expenses | 7.7 | 82 | 62 | 89 | 60 | 0 | 0 | 171 | 121 |
| Other Operating Expenses | 7.8 | 31 | 14 | 10 | 3 | 0 | (0) | 41 | 17 |
| Total Expenses | | 3,238 | 2,588 | 3,567 | 3,596 | 5 | 5 | 6,811 | 6,189 |
| Surplus/(Deficit) for the Period | 8.1 | (135) | 302 | 62 | 83 | 1 | 0 | (72) | 385 |

VI.1.E Segment Reporting
Statement of Financial Position
Caucasus

As at 31 December 2019

| EUR '000 | | Office in Yerevan | | High-Level Planning Group | | The Minsk Process | | Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference | | Total Caucasus | |
|--------------------------------|------|-------------------|------------|---------------------------|------------|-------------------|--------------|---|------------|----------------|--------------|
| | Note | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| ASSETS | | | | | | | | | | | |
| Current Assets | | | | | | | | | | | |
| Cash and Cash Equivalents | 3.1 | 0 | 0 | 0 | 0 | 0 | 0 | 53 | 43 | 53 | 43 |
| Investments | 3.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contributions Receivable | 3.3 | 5 | 1 | 0 | 0 | 1 | (0) | 0 | 1 | 6 | 3 |
| Accounts Receivable | 3.4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Prepayments | 3.5 | 0 | 0 | 0 | 1 | 0 | 0 | 2 | 1 | 2 | 2 |
| Inventory | 3.6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Inter-Fund Balances | | 5 | 338 | 112 | 132 | 519 | 962 | 414 | 459 | 1,050 | 1,890 |
| Other Current Assets | 3.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 10 | 339 | 112 | 132 | 520 | 962 | 469 | 503 | 1,112 | 1,936 |
| Non-Current Assets | | | | | | | | | | | |
| Property, Plant and Equipment | 3.8 | 0 | 0 | 3 | 3 | 0 | 0 | 116 | 128 | 119 | 131 |
| Intangible Assets | 3.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Non-Current Assets | 3.7 | 0 | 0 | 1 | 1 | 0 | 0 | 2 | 3 | 3 | 4 |
| | | 0 | 0 | 4 | 5 | 0 | 0 | 118 | 131 | 121 | 136 |
| Total Assets | | 10 | 339 | 116 | 137 | 520 | 962 | 587 | 634 | 1,233 | 2,072 |
| LIABILITIES | | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | | |
| Accounts Payable | 4.1 | (0) | (0) | 0 | 0 | 0 | 0 | 1 | 2 | 1 | 2 |
| Accruals | 4.2 | 0 | 0 | 1 | 3 | 3 | 2 | 18 | 16 | 23 | 21 |
| Deferred Revenue | 4.3 | 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 |
| Funds Held for Third Parties | 4.5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Employee Benefits Current | 4.6 | 0 | 0 | 4 | 4 | 0 | 0 | 11 | 12 | 15 | 16 |
| Cash Surplus Current | 4.8 | 9 | 314 | 24 | 28 | 211 | 551 | 68 | 93 | 313 | 987 |
| Provisions | 4.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Current Liabilities | 4.10 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 0 |
| | | 9 | 314 | 30 | 35 | 215 | 553 | 99 | 123 | 353 | 1,026 |
| Non-Current Liabilities | | | | | | | | | | | |
| Employee Benefits Non-Current | 4.6 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 2 | 2 | 2 |
| Cash Surplus Non-Current | 4.8 | (1) | 25 | 51 | 63 | 469 | 571 | 180 | 185 | 699 | 845 |
| Other Non-Current Liabilities | 4.10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | (1) | 25 | 51 | 63 | 469 | 571 | 183 | 188 | 701 | 847 |
| Total Liabilities | | 8 | 340 | 81 | 99 | 684 | 1,124 | 282 | 311 | 1,055 | 1,873 |
| NET ASSETS | | | | | | | | | | | |
| Cash Surplus Withheld | 5.1 | 0 | 1 | 0 | 1 | 2 | 5 | 1 | 2 | 3 | 9 |
| Revolving Fund | 5.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contingency Fund | 5.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Reserves | 5.3 | (2) | (2) | 0 | 0 | 0 | 0 | (3) | (4) | (5) | (6) |
| Accumulated Surplus/(Deficit) | 5.4 | 3 | 0 | 35 | 38 | (165) | (167) | 307 | 325 | 180 | 196 |
| Total Net Assets | | 2 | (1) | 35 | 38 | (164) | (162) | 305 | 323 | 178 | 199 |

VI.2.E Segment Reporting
Statement of Financial Performance
Caucasus

For the Year Ended 31 December 2019

| EUR '000 | Note | Office in Yerevan | | High-Level Planning Group | | The Minsk Process | | Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference | | Total Caucasus | |
|---|------|-------------------|-------------|---------------------------|------------|-------------------|------------|---|--------------|----------------|--------------|
| | | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| REVENUE | | | | | | | | | | | |
| Assessed Contributions | 6.1 | 0 | 0 | 247 | 247 | 911 | 911 | 1,180 | 1,241 | 2,337 | 2,399 |
| 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 | 376 | 358 | 0 | 0 | 352 | 334 | 728 | 692 |
| Revenue from Exchange Transactions | 6.5 | 0 | 0 | 0 | 0 | 0 | 0 | (1) | (5) | (1) | (5) |
| Foreign Exchange Gains/(Losses) | 6.6 | 0 | (0) | 0 | 0 | 0 | 0 | (2) | (1) | (2) | (1) |
| Other Revenue | 6.7 | 2 | 5 | (2) | 0 | (6) | 0 | 23 | 0 | 17 | 5 |
| Total Revenue | | 2 | 5 | 620 | 604 | 905 | 911 | 1,552 | 1,569 | 3,080 | 3,090 |
| EXPENSES | | | | | | | | | | | |
| Staff Costs | 7.1 | 0 | 0 | 465 | 444 | 0 | 0 | 1,017 | 1,001 | 1,482 | 1,445 |
| Consultancy and Subcontracting | 7.2 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 2 | 1 | 2 |
| Travel Expenses | 7.3 | 0 | 0 | 32 | 28 | 413 | 357 | 67 | 67 | 512 | 452 |
| Services and Office Costs | 7.4 | 0 | 0 | 72 | 71 | 7 | 1 | 187 | 183 | 266 | 256 |
| Consumables and Supplies | 7.5 | 0 | 0 | 2 | 3 | 0 | 0 | 55 | 64 | 57 | 67 |
| Depreciation and Amortisation | 7.6 | 0 | 0 | 1 | 0 | 0 | 0 | 48 | 53 | 49 | 54 |
| Equipment Expenses | 7.7 | 0 | 0 | 0 | 17 | 0 | 0 | 4 | 7 | 4 | 23 |
| Other Operating Expenses | 7.8 | 0 | (14) | 0 | (6) | 15 | (16) | 11 | (3) | 26 | (38) |
| Total Expenses | | 0 | (14) | 572 | 557 | 435 | 343 | 1,389 | 1,376 | 2,396 | 2,261 |
| Surplus/(Deficit) for the Period | 8.1 | 2 | 19 | 48 | 48 | 471 | 569 | 162 | 194 | 684 | 828 |

VI.1.F Segment Reporting
Statement of Financial Position
Central Asia

As at 31 December 2019

| 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 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| ASSETS | | | | | | | | | | | | | |
| Current Assets | | | | | | | | | | | | | |
| Cash and Cash Equivalents | 3.1 | 97 | 77 | 114 | 101 | 197 | 308 | 216 | 93 | 14 | 129 | 637 | 707 |
| Investments | 3.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contributions Receivable | 3.3 | 5 | 2 | 3 | 1 | 11 | 3 | 33 | 2 | 14 | 2 | 65 | 11 |
| Accounts Receivable | 3.4 | 0 | 0 | 0 | 0 | 64 | 29 | 0 | 0 | 284 | 201 | 348 | 230 |
| Prepayments | 3.5 | 20 | 30 | 18 | 12 | 595 | 342 | 149 | 69 | 91 | 37 | 873 | 490 |
| Inventory | 3.6 | 0 | 0 | 0 | 0 | 24 | 19 | 9 | 14 | 0 | 91 | 33 | 124 |
| Inter-Fund Balances | | 119 | 49 | 41 | 51 | 416 | 1,820 | (110) | 160 | 1,400 | 2,299 | 1,866 | 4,379 |
| Other Current Assets | 3.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 240 | 158 | 176 | 166 | 1,306 | 2,522 | 296 | 337 | 1,803 | 2,759 | 3,822 | 5,942 |
| Non-Current Assets | | | | | | | | | | | | | |
| Property, Plant and Equipment | 3.8 | 107 | 82 | 62 | 78 | 166 | 136 | 70 | 78 | 362 | 491 | 767 | 866 |
| Intangible Assets | 3.9 | 1 | 1 | 0 | 13 | 2 | 4 | 0 | 0 | 4 | 6 | 7 | 25 |
| Other Non-Current Assets | 3.7 | 3 | 5 | 2 | 4 | 8 | 13 | 2 | 3 | 16 | 26 | 31 | 51 |
| | | 110 | 88 | 65 | 95 | 175 | 154 | 72 | 81 | 382 | 523 | 805 | 941 |
| Total Assets | | 351 | 246 | 241 | 261 | 1,482 | 2,676 | 368 | 419 | 2,184 | 3,281 | 4,626 | 6,882 |
| LIABILITIES | | | | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | | | | |
| Accounts Payable | 4.1 | 56 | 7 | 85 | 43 | 122 | 46 | 1 | 6 | 955 | 887 | 1,219 | 988 |
| Accruals | 4.2 | 66 | 49 | 24 | 83 | 527 | 449 | 242 | 210 | 327 | 252 | 1,187 | 1,044 |
| 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 | 63 | 64 | 51 | 23 | 68 | 58 | 55 | 44 | 78 | 82 | 315 | 272 |
| Cash Surplus Current | 4.8 | 5 | 32 | 3 | 0 | 40 | 887 | 9 | (16) | 166 | 744 | 223 | 1,648 |
| Provisions | 4.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Current Liabilities | 4.10 | (20) | 1 | 0 | (1) | 1 | 0 | 1 | 1 | 5 | 4 | (14) | 6 |
| | | 170 | 154 | 163 | 149 | 758 | 1,440 | 309 | 246 | 1,531 | 1,969 | 2,931 | 3,958 |
| Non-Current Liabilities | | | | | | | | | | | | | |
| Employee Benefits Non-Current | 4.6 | 4 | 4 | 3 | 4 | 5 | 5 | 2 | 2 | 10 | 12 | 24 | 28 |
| Cash Surplus Non-Current | 4.8 | 80 | 13 | 19 | 7 | 65 | 108 | (158) | 24 | (11) | 448 | (4) | 600 |
| Other Non-Current Liabilities | 4.10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 84 | 17 | 22 | 11 | 71 | 114 | (156) | 26 | (1) | 461 | 20 | 628 |
| Total Liabilities | | 254 | 171 | 185 | 160 | 829 | 1,554 | 153 | 272 | 1,530 | 2,430 | 2,950 | 4,586 |
| NET ASSETS | | | | | | | | | | | | | |
| Cash Surplus Withheld | 5.1 | 1 | 1 | 1 | 1 | 1 | 0 | 1 | 1 | 2 | 2 | 5 | 5 |
| Revolving Fund | 5.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contingency Fund | 5.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Reserves | 5.3 | (16) | (17) | (2) | (3) | (55) | (54) | (8) | (8) | (42) | (45) | (124) | (127) |
| Accumulated Surplus/(Deficit) | 5.4 | 112 | 90 | 58 | 104 | 707 | 1,176 | 223 | 154 | 695 | 894 | 1,795 | 2,419 |
| Total Net Assets | | 97 | 75 | 56 | 102 | 653 | 1,122 | 216 | 147 | 654 | 852 | 1,676 | 2,297 |

VI.2.F Segment Reporting
Statement of Financial Performance
Central Asia

For the Year Ended 31 December 2019

| 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 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| REVENUE | | | | | | | | | | | | | |
| Assessed Contributions | 6.1 | 2,233 | 2,226 | 1,661 | 1,655 | 6,811 | 6,797 | 2,499 | 2,293 | 7,312 | 7,286 | 20,516 | 20,258 |
| 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 | 406 | 446 | 295 | 287 | 822 | 658 | 222 | 247 | 946 | 1,035 | 2,691 | 2,672 |
| Revenue from Exchange Transactions | 6.5 | 12 | 0 | (12) | 1 | (0) | (3) | 0 | (43) | 0 | 19 | 0 | (26) |
| Foreign Exchange Gains/(Losses) | 6.6 | (5) | (4) | 1 | 2 | (15) | (16) | 1 | (3) | (28) | (31) | (46) | (52) |
| Other Revenue | 6.7 | 20 | 0 | 13 | (0) | 3 | 1 | (130) | 0 | (27) | 2 | (121) | 3 |
| Total Revenue | | 2,666 | 2,667 | 1,959 | 1,945 | 7,621 | 7,438 | 2,592 | 2,495 | 8,202 | 8,311 | 23,040 | 22,856 |
| EXPENSES | | | | | | | | | | | | | |
| Staff Costs | 7.1 | 1,187 | 1,250 | 1,017 | 1,007 | 2,649 | 2,164 | 808 | 785 | 3,819 | 3,842 | 9,479 | 9,048 |
| Consultancy and Subcontracting | 7.2 | 264 | 270 | 227 | 198 | 1,656 | 1,501 | 511 | 385 | 1,069 | 874 | 3,726 | 3,228 |
| Travel Expenses | 7.3 | 581 | 516 | 320 | 329 | 1,092 | 1,193 | 645 | 774 | 1,410 | 1,305 | 4,049 | 4,118 |
| Services and Office Costs | 7.4 | 400 | 447 | 318 | 265 | 1,396 | 1,178 | 479 | 345 | 1,047 | 999 | 3,638 | 3,234 |
| Consumables and Supplies | 7.5 | 34 | 42 | 40 | 67 | 231 | 334 | 54 | 39 | 388 | 316 | 747 | 798 |
| Depreciation and Amortisation | 7.6 | 31 | 19 | 28 | 35 | 60 | 66 | 41 | 51 | 201 | 214 | 360 | 386 |
| Equipment Expenses | 7.7 | 6 | 7 | 17 | 66 | 933 | 303 | 121 | 120 | 434 | 438 | 1,510 | 934 |
| Other Operating Expenses | 7.8 | 61 | 52 | 19 | 15 | 10 | (6) | 21 | 32 | 46 | (24) | 158 | 69 |
| Total Expenses | | 2,564 | 2,603 | 1,986 | 1,981 | 8,025 | 6,735 | 2,680 | 2,532 | 8,413 | 7,963 | 23,667 | 21,814 |
| Surplus/(Deficit) for the Period | 8.1 | 102 | 64 | (27) | (36) | (403) | 703 | (89) | (37) | (211) | 348 | (628) | 1,042 |

VI.1.G Segment Reporting
Statement of Financial Position
Special Purpose Funds

As at 31 December 2019

| 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 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| ASSETS | | | | | | | | | | | |
| Current Assets | | | | | | | | | | | |
| Cash and Cash Equivalents | 3.1 | 0 | 0 | 0 | 0 | 745 | 706 | 34 | 88 | 780 | 795 |
| Investments | 3.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contributions Receivable | 3.3 | 0 | 0 | 0 | 0 | 197 | 113 | 0 | 0 | 197 | 113 |
| Accounts Receivable | 3.4 | 0 | 0 | 0 | 0 | 430 | 464 | 0 | 1 | 430 | 465 |
| Prepayments | 3.5 | 0 | 0 | 603 | 0 | 2,184 | 1,017 | 8 | 9 | 2,796 | 1,026 |
| Inventory | 3.6 | 0 | 0 | 0 | 0 | 922 | 1,060 | 0 | 0 | 922 | 1,060 |
| Inter-Fund Balances | | 576 | 601 | 2,578 | 0 | 14,833 | 18,754 | 861 | 635 | 18,848 | 19,989 |
| Other Current Assets | 3.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 576 | 601 | 3,182 | 0 | 19,311 | 22,114 | 904 | 733 | 23,972 | 23,447 |
| Non-Current Assets | | | | | | | | | | | |
| Property, Plant and Equipment | 3.8 | 0 | 0 | 80 | 0 | 5,281 | 8,992 | 2 | 11 | 5,362 | 9,003 |
| Intangible Assets | 3.9 | 0 | 0 | 13 | 0 | 190 | 212 | 0 | 0 | 203 | 212 |
| Other Non-Current Assets | 3.7 | 0 | 0 | 0 | 0 | 70 | 116 | 1 | 1 | 71 | 117 |
| | | 0 | 0 | 93 | 0 | 5,541 | 9,320 | 2 | 13 | 5,636 | 9,332 |
| Total Assets | | 576 | 601 | 3,274 | 0 | 24,852 | 31,433 | 906 | 745 | 29,607 | 32,779 |
| LIABILITIES | | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | | |
| Accounts Payable | 4.1 | 0 | 0 | 0 | 0 | 308 | 194 | 11 | 11 | 319 | 205 |
| Accruals | 4.2 | 0 | 16 | 109 | 0 | 781 | 973 | 8 | 5 | 898 | 994 |
| Deferred Revenue | 4.3 | 0 | 0 | 0 | 0 | 7,230 | 4,111 | 468 | 419 | 7,698 | 4,530 |
| 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 | 0 | 0 | 474 | 463 | 5 | 5 | 479 | 468 |
| 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 | 11 | 5 | (2) | (2) | 9 | 4 |
| | | 0 | 16 | 109 | 0 | 8,804 | 5,748 | 490 | 438 | 9,403 | 6,201 |
| Non-Current Liabilities | | | | | | | | | | | |
| Employee Benefits Non-Current | 4.6 | 0 | 0 | 0 | 0 | 280 | 284 | 7 | 5 | 287 | 290 |
| Cash Surplus Non-Current | 4.8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Non-Current Liabilities | 4.10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 0 | 0 | 0 | 0 | 280 | 284 | 7 | 5 | 287 | 290 |
| Total Liabilities | | 0 | 16 | 109 | 0 | 9,084 | 6,032 | 497 | 443 | 9,690 | 6,491 |
| NET ASSETS | | | | | | | | | | | |
| Cash Surplus Withheld | 5.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revolving Fund | 5.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contingency Fund | 5.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Reserves | 5.3 | 0 | 0 | 0 | 0 | 46 | (19) | (2) | (1) | 44 | (21) |
| Accumulated Surplus/(Deficit) | 5.4 | 576 | 585 | 3,166 | 0 | 15,721 | 25,421 | 411 | 303 | 19,873 | 26,309 |
| Total Net Assets | | 576 | 585 | 3,166 | 0 | 15,768 | 25,401 | 409 | 302 | 19,917 | 26,288 |

VI.2.G Segment Reporting
Statement of Financial Performance
Special Purpose Funds

For the Year Ended 31 December 2019

| 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 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| REVENUE | | | | | | | | | | | |
| Assessed Contributions | 6.1 | 0 | 0 | 0 | 0 | 74,997 | 77,323 | 0 | 0 | 74,997 | 77,323 |
| 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 | 50,248 | 47,031 | 1,383 | 1,285 | 51,631 | 48,316 |
| Revenue from Exchange Transactions | 6.5 | 0 | 0 | 0 | 0 | (14) | 34 | 0 | 0 | (14) | 34 |
| Foreign Exchange Gains/(Losses) | 6.6 | 0 | 0 | 0 | 0 | (461) | (216) | (0) | (0) | (462) | (216) |
| Other Revenue | 6.7 | 0 | 0 | 4,190 | 0 | 1,699 | 570 | 1,414 | 1,295 | 7,303 | 1,865 |
| Total Revenue | | 0 | 0 | 4,190 | 0 | 126,469 | 124,743 | 2,796 | 2,580 | 133,455 | 127,322 |
| EXPENSES | | | | | | | | | | | |
| Staff Costs | 7.1 | 0 | 0 | 45 | 0 | 95,997 | 93,522 | 2,599 | 2,472 | 98,642 | 95,995 |
| Consultancy and Subcontracting | 7.2 | 9 | (1) | 120 | 0 | 9,612 | 8,432 | 0 | 0 | 9,742 | 8,431 |
| Travel Expenses | 7.3 | 0 | 1 | 8 | 0 | 5,657 | 5,415 | 20 | 18 | 5,685 | 5,434 |
| Services and Office Costs | 7.4 | 0 | 0 | 466 | 0 | 9,272 | 6,955 | 33 | 44 | 9,771 | 6,999 |
| Consumables and Supplies | 7.5 | 0 | 0 | 366 | 0 | 3,155 | 3,010 | 20 | 18 | 3,541 | 3,028 |
| Depreciation and Amortisation | 7.6 | 0 | 0 | 11 | 0 | 4,129 | 4,166 | 11 | 24 | 4,152 | 4,189 |
| Equipment Expenses | 7.7 | 0 | 0 | 8 | 0 | 2,286 | 1,028 | 0 | 1 | 2,294 | 1,029 |
| Other Operating Expenses | 7.8 | 0 | 0 | 0 | 0 | 6,061 | 7,401 | 5 | 5 | 6,065 | 7,406 |
| Total Expenses | | 9 | 0 | 1,024 | 0 | 136,168 | 129,928 | 2,689 | 2,582 | 139,891 | 132,510 |
| Surplus/(Deficit) for the Period | 8.1 | (9) | (0) | 3,166 | 0 | (9,699) | (5,186) | 108 | (2) | (6,436) | (5,188) |

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

As at 31 December 2019

| 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 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| ASSETS | | | | | | | | | | | | | | | |
| Current Assets | | | | | | | | | | | | | | | |
| Cash and Cash Equivalents | 3.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,516 | 13,311 | 6,357 | 0 | 0 | 13,311 | 9,873 |
| Investments | 3.2 | 0 | 0 | 0 | 0 | 0 | 0 | 7,608 | 9,133 | 0 | 0 | 0 | 0 | 7,608 | 9,133 |
| Contributions Receivable | 3.3 | 465 | 373 | 302 | 13 | 515 | 0 | 119 | 119 | 14,339 | 13,043 | 0 | 0 | 15,739 | 13,547 |
| Accounts Receivable | 3.4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Prepayments | 3.5 | 1 | 0 | 0 | 0 | 1 | 3 | 0 | 0 | 16 | 5 | 0 | 0 | 19 | 8 |
| Inventory | 3.6 | 193 | 155 | 0 | 31 | 0 | 0 | 0 | 0 | 273 | 76 | 0 | 0 | 466 | 261 |
| Inter-Fund Balances | | 1,083 | 1,769 | 1,488 | 1,230 | 3,644 | 5,407 | 681 | (4,592) | 37,129 | 39,533 | 1,113 | 317 | 45,139 | 43,664 |
| Other Current Assets | 3.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 1,741 | 2,296 | 1,790 | 1,273 | 4,161 | 5,410 | 8,408 | 8,176 | 65,068 | 59,014 | 1,113 | 317 | 82,281 | 76,486 |
| Non-Current Assets | | | | | | | | | | | | | | | |
| Property, Plant and Equipment | 3.8 | 231 | 239 | 15 | 22 | 2,071 | 4,558 | 0 | 0 | 72 | 83 | 0 | 0 | 2,389 | 4,902 |
| Intangible Assets | 3.9 | 59 | 0 | 0 | 0 | 36 | 78 | 0 | 0 | 52 | 69 | 0 | 0 | 147 | 147 |
| Other Non-Current Assets | 3.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 290 | 239 | 15 | 22 | 2,107 | 4,635 | 0 | 0 | 124 | 153 | 0 | 0 | 2,536 | 5,049 |
| Total Assets | | 2,031 | 2,535 | 1,806 | 1,295 | 6,268 | 10,045 | 8,408 | 8,176 | 65,192 | 59,167 | 1,113 | 317 | 84,818 | 81,535 |
| LIABILITIES | | | | | | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | | | | | | |
| Accounts Payable | 4.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Accruals | 4.2 | 1 | 158 | 135 | 22 | 0 | 0 | 30 | 32 | 1,219 | 1,446 | 2 | 9 | 1,386 | 1,666 |
| Deferred Revenue | 4.3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Conditional ExB Contributions | 4.4 | 1,330 | 1,466 | 1,474 | 639 | 3,054 | 4,408 | 7,561 | 7,028 | 58,009 | 52,297 | 0 | 0 | 71,429 | 65,839 |
| 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 | 4 | 8 | 4 | 2 | 0 | 0 | 1 | 1 | 122 | 143 | 4 | 0 | 134 | 154 |
| Cash Surplus Current | 4.8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Provisions | 4.9 | 755 | 861 | 416 | 713 | 1,037 | 1,032 | 276 | 175 | 6,028 | 5,970 | 0 | 0 | 8,512 | 8,751 |
| Other Current Liabilities | 4.10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 2,090 | 2,493 | 2,028 | 1,376 | 4,091 | 5,440 | 7,867 | 7,235 | 65,378 | 59,856 | 6 | 9 | 81,461 | 76,409 |
| Non-Current Liabilities | | | | | | | | | | | | | | | |
| Employee Benefits Non-Current | 4.6 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 128 | 153 | 1 | 0 | 130 | 154 |
| Cash Surplus Non-Current | 4.8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Non-Current Liabilities | 4.10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 40 | 0 | 0 | 0 | 0 | 40 |
| | | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 128 | 193 | 1 | 0 | 130 | 194 |
| Total Liabilities | | 2,091 | 2,494 | 2,028 | 1,376 | 4,091 | 5,440 | 7,867 | 7,235 | 65,506 | 60,049 | 6 | 9 | 81,591 | 76,603 |
| NET ASSETS | | | | | | | | | | | | | | | |
| Cash Surplus Withheld | 5.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revolving Fund | 5.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contingency Fund | 5.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Reserves | 5.3 | 2 | 1 | 8 | 8 | (4) | (3) | 0 | 0 | (209) | (219) | (5) | 0 | (208) | (213) |
| Accumulated Surplus/(Deficit) | 5.4 | (61) | 40 | (231) | (89) | 2,181 | 4,608 | 541 | 940 | (106) | (663) | 1,112 | 308 | 3,435 | 5,144 |
| Total Net Assets | | (59) | 41 | (223) | (81) | 2,176 | 4,605 | 541 | 940 | (315) | (882) | 1,106 | 308 | 3,227 | 4,931 |

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

For the Year Ended 31 December 2019

| 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 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | | <i>(Restated)</i> | | | | | | | | <i>(Restated)</i> | | <i>(Restated)</i> | | <i>(Restated)</i> | |
| REVENUE | | | | | | | | | | | | | | | |
| Assessed Contributions | 6.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Extra-Budgetary Contributions | 6.2 | 1,043 | 103 | 1,666 | 315 | 12,585 | 7,633 | (253) | (83) | 27,276 | 14,071 | 0 | 0 | 42,316 | 22,039 |
| Finance Revenue | 6.3 | 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 | 194 | 196 | 0 | 0 | 194 | 196 |
| Revenue from Exchange Transactions | 6.5 | 0 | 0 | 0 | (1) | 23 | (18) | 0 | 0 | 0 | (13) | 0 | 0 | 24 | (32) |
| Foreign Exchange Gains/(Losses) | 6.6 | 1 | (4) | (0) | 0 | (0) | (8) | 344 | 580 | (228) | (53) | 0 | 0 | 116 | 515 |
| Other Revenue | 6.7 | 0 | 0 | 0 | 0 | 40 | 0 | (40) | (3) | (4) | 1 | 1,098 | 548 | 1,095 | 546 |
| Total Revenue | | 1,043 | 99 | 1,666 | 314 | 12,648 | 7,607 | 50 | 494 | 27,238 | 14,203 | 1,098 | 548 | 43,744 | 23,266 |
| EXPENSES | | | | | | | | | | | | | | | |
| Staff Costs | 7.1 | 290 | 397 | 91 | 83 | 8,278 | 3,637 | 12 | 15 | 5,215 | 5,349 | 214 | 262 | 14,099 | 9,742 |
| Consultancy and Subcontracting | 7.2 | 361 | 234 | 1,282 | 295 | 0 | 79 | 213 | 54 | 9,495 | 8,284 | 3 | 5 | 11,354 | 8,950 |
| Travel Expenses | 7.3 | 20 | 64 | 281 | 148 | 0 | 4 | 167 | 190 | 5,494 | 4,866 | 1 | (0) | 5,964 | 5,272 |
| Services and Office Costs | 7.4 | 279 | 190 | 104 | 83 | 110 | 797 | 49 | 95 | 4,974 | 3,592 | 77 | 135 | 5,592 | 4,892 |
| Consumables and Supplies | 7.5 | 96 | 267 | 2 | 2 | 58 | 66 | 2 | 0 | 316 | 368 | 0 | 0 | 474 | 705 |
| Depreciation and Amortisation | 7.6 | 69 | 11 | 6 | 7 | 2,664 | 2,832 | 5 | 2 | 52 | 53 | 0 | 0 | 2,796 | 2,905 |
| Equipment Expenses | 7.7 | 84 | 74 | 40 | 22 | (39) | 43 | 0 | 0 | 1,042 | 718 | 0 | 0 | 1,126 | 857 |
| Other Operating Expenses | 7.8 | 0 | 0 | 3 | 1 | 3,952 | 2,000 | 0 | 0 | 93 | 375 | 0 | 0 | 4,048 | 2,376 |
| Total Expenses | | 1,199 | 1,238 | 1,808 | 640 | 15,022 | 9,458 | 449 | 357 | 26,681 | 23,605 | 295 | 401 | 45,453 | 35,699 |
| Surplus/(Deficit) for the Period | 8.1 | (155) | (1,139) | (142) | (326) | (2,374) | (1,850) | (399) | 137 | 557 | (9,402) | 804 | 146 | (1,709) | (12,434) |

Chapter IV – Notes to the Financial Statements

Notes to the Financial Statements

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NOTE 4: LIABILITIES

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NOTE 7: EXPENSES

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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/1272 dated 23 November 2017. In accordance with these Regulations, the OSCE operates a system of fund accounting and the Financial Statements present the financial results of Budgetary Funds approved under PC.DEC/1326 dated 11 April 2019, as well as Special Purpose Funds and Extra-Budgetary Funds.

For purposes of the presentation and approval of the 2019 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 of the 2019 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 Funds listed below were operational in 2019. The letters indicated in brackets correspond to the Reporting Segment in Statement VI.

Secretariat and Institutions (A)

These Funds are financed through the Standard Scale of Contributions for 2019 (PC.DEC/1325):

- The Secretariat
- Office for Democratic Institutions and Human Rights
- High Commissioner on National Minorities
- Representative on Freedom of the Media

Field Operations (B)

These Funds are financed through the Field Operations Scale of Contributions for 2019 (PC.DEC/1325):

| | |
|---|---|
| South-Eastern Europe (C) <ul style="list-style-type: none">- Augmentations 1- Mission in Kosovo- Mission to Bosnia and Herzegovina- Mission to Serbia- Presence in Albania- Mission to Skopje- Mission to Montenegro | Eastern Europe (D) <ul style="list-style-type: none">- Mission to Moldova- Project Co-ordinator in Ukraine- Representative to the Latvian-Russian Joint Commission on Military Pensioners |
| Caucasus (E) <ul style="list-style-type: none">- High Level Planning Group- The Minsk Process- Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference- Office in Yerevan 2 | Central Asia (F) <ul style="list-style-type: none">- Programme Office in Nur-Sultan 3- Centre in Ashgabat- Programme Office in Bishkek- Project Co-ordinator in Uzbekistan- Programme Office in Dushanbe |

Closed Funds (B)

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

| | |
|---|---|
| <ul style="list-style-type: none">- 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 | <ul style="list-style-type: none">- 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 |
|---|---|

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.

² The Office in Yerevan discontinued operations and closed on 31 August 2017. It is still presented under the Caucasus Group due to closing transactions in 2018.

³ The renaming of the Programme Office in Astana as the Programme Office in Nur-Sultan in March 2019 is reflected in the Journal of the 1,221st Plenary Meeting of the Permanent Council (PC.JOUR/1221) dated 28 March 2019.

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 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, taking the total to EUR 4,190 thousand. The Fund covers the implementation period, with the balance carried forward from one year to the next.
- 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/1293/Corr.1 dated 17 May 2018, and through voluntary contributions. Its mandate does not correspond with the calendar year; therefore the figures reported in the 2019 Financial Statements represent part of the mandate ending 31 March 2019 under PC.DEC/1289, and part of the mandate ending 31 March 2020 under PC.DEC/1323.
- The Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border, established by PC.DEC/1130 dated 24 July 2014, deploys observers to the two Russian checkpoints of Donetsk and Gukovo. The Border Observer Mission operates under a mandate whose duration is decided by the Permanent Council. The figures reported in the 2019 Financial Statements represent part of the mandate ending 31 January 2019 under PC.DEC/1304 dated 30 August 2018, the whole of the mandates under PC.DEC/1308 dated 29 November 2018 and PC.DEC/1328 dated 2 May 2019, and part of the mandate ending 31 January 2020 under PC.DEC/1344. During 2019 the Mission was financed from the 2016, 2017 and 2018 cash surpluses.

Extra-Budgetary Funds (H)

Extra-budgetary contributions are classified under a separate Extra-Budgetary grouping of projects called Other Activities and Special Projects.

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 Funds for Activities Related to Special Monitoring Mission to Ukraine (PC.DEC/1117 dated 21 March 2014).

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).

In addition to the Funds established by Permanent Council, also shown individually in the segment reports is the Indirect Common Costs Fund as presented in the Note 2.18.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

2.1 – Basis of Presentation

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.

These Financial Statements cover the calendar year ended 31 December 2019. The reporting period coincides with the calendar year.

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

Foreign currency transactions are translated into euros using the prevailing United Nations Operational Rates of Exchange (UNORE). The UNORE are set on the first day of each month, and revised mid-month if there are significant exchange rate fluctuations relating to individual currencies. UNORE are also published on 31 December and this rate is used to value assets and liabilities at the end of the reporting period. 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.

2.2 – Prior Year Restatements and Presentation Differences

An Indirect Common Costs fund has been created as part of the extra-budgetary funds, as described in Note 2.18. Consequently, the amount recognised in the 2018 Financial Statements as “Earned Indirect Common Cost Balance” within Other Current Liabilities is now shown as part of the Indirect Common Costs fund in Statements VI.1.H and VI.2.H.

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 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 10 |
| 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 (Prague Office), Pod Kastany 529, Praha 6 Bubeneč, Czech Republic ⁴;
- 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 the Enterprise Resource Planning (ERP) system and other 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 2019 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.

⁴ Subsequent to the date of these Financial Statements, the address of the Office was changed by Prague Municipal Council Resolution No 331 of 24 February 2020 to Náměstí Borisa Němcova, 160 00 Prague 6, Czech Republic.

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

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 Regulations, upon separation, contracted OSCE officials shall receive payment for unused leave days 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 number of unused leave days as of 31 December 2019 up to a maximum of fifteen 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.

2.10.2 - Employee Benefits Non-Current

Non-current employee benefits 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 budget revenue actually received over budgetary expenditure or the excess of budgetary expenditure over budget 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 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 what it would cost to employ international contracted staff and mission members in their place, and does not reflect the actual costs to the States seconding them. This does not include long-term and short-term observers seconded by participating States who take part in Election Observation Activities coordinated by ODIHR as calculation of a value for such observers would be excessively burdensome and any such calculation would be unreliably speculative.

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 assessed OSCE wide since 28 May 2018, and are intended to recover indirect common 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 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.

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 | Unified Budget | Special Purpose Funds | As at 31 December 2019 | | As at 31 December 2018 |
|---------------------|----------------|-----------------------|------------------------|---------------|------------------------|
| | | | Extra-Budgetary | Total | |
| Cash | 160 | 170 | - | 330 | 345 |
| Bank | 80,843 | 610 | 13,311 | 94,764 | 103,665 |
| Short-term Deposits | - | - | - | - | 3,516 |
| Total | 81,003 | 780 | 13,311 | 95,094 | 107,526 |

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 13,971 thousand (EUR 9,133 thousand in 2018) consisted of EUR 7,608 thousand related to Extra-Budgetary Funds and EUR 6,363 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 | 2019 | 2018 |
|---|---------------|---------------|
| Unified Budget Assessed Contributions Receivable | 6,068 | 6,462 |
| Special Monitoring Mission to Ukraine Assessed Contributions Receivable | 512 | 359 |
| Extra-budgetary Contributions Receivable | 15,739 | 13,547 |
| Total Contributions Receivable | 22,319 | 20,368 |
| Allowance for Doubtful Debts | (5,422) | (6,385) |
| Total Net Contributions Receivable | 16,897 | 13,983 |

Based on each participating State's historical pattern of payments, an allowance for doubtful debts has been established in accordance with IPSAS 29, to bring the balance of assessed contributions receivable in line with its fair value:

| EUR '000 | 2019 | 2018 |
|--|--------------|------------|
| Unified Budget Assessed Contributions Receivable | 6,068 | 6,462 |
| Allowance for Doubtful Debts | (5,107) | (6,139) |
| Net Unified Budget Assessed Contributions Receivable | 961 | 323 |
| Special Monitoring Mission Assessed Contributions Receivable | 512 | 359 |
| Allowance for Doubtful Debts | (315) | (246) |
| Net Special Purpose Funds Assessed Contributions Receivable | 197 | 113 |
| Total Net Assessed Contributions Receivable | 1,158 | 436 |

3.3.1 - Unified Budget Assessed Contributions Receivable

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

| Participating State | Outstanding for 2017 and Prior Years | 2018 | 2019 | Adjustment for actually approved 2019 UB and scales | Outstanding Balance as at 31 December 2019 |
|-------------------------------------|--------------------------------------|------------|------------|---|--|
| France | 0 | - | 177 | 37 | 214 |
| Kyrgyzstan | 975 | 42 | 45 | 0 | 1,062 |
| Romania | 0 | 0 | 444 | 3 | 447 |
| Tajikistan | 0 | 0 | 29 | 0 | 29 |
| Turkmenistan | 0 | 0 | 23 | 0 | 23 |
| Uzbekistan | 3,555 | 244 | 236 | 2 | 4,037 |
| Total Due Balance | 4,530 | 286 | 954 | 42 | 5,812 |
| Bills to other participating States | | | | 256 | 256 |
| Total | | | | 298 | 6,068 |

*Uzbekistan's bill for 2019 is reduced for release of cash surplus withheld in amount of EUR 7 thousand.

EUR 37 thousand will be deducted in 2020 from the amounts receivable to reflect the future distribution of the cash surplus withheld against it, as disclosed in Note 4.8.1 (Cash Surplus Withheld Release).

The allowance for doubtful debts for 2019 and its change compared to 2018 are as follows:

| EUR '000 | Outstanding Balance as at 1 January 2019 | Payments of Arrears Received in 2019 | Assessments/Credits for 2019 | Outstanding Balance as at 31 December 2019 | 2019 Allowance | Change in Allowance from 2018 |
|--------------|--|--------------------------------------|------------------------------|--|----------------|-------------------------------|
| Kyrgyzstan | 1,096 | (79) | 45 | 1,063 | 1,063 | (33) |
| Uzbekistan | 5,043 | (1,244) | 245 | 4,044 | 4,044 | (998) |
| Total | 6,139 | (1,333) | 291 | 5,107 | 5,107 | (1,032) |

The Governments of the Republic of Uzbekistan and Kyrgyzstan paid part of arrears in 2019 resulting in a consequent decrease in the allowance for doubtful debts.

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 | Outstanding for 2017 and Prior Years | 2018 | 2019 | Outstanding Balance as at 31 December 2019 |
|----------------------------|--------------------------------------|------------|------------|--|
| Participating State | | | | |
| Azerbaijan | - | - | 11 | 11 |
| Canada | - | - | 3 | 3 |
| Kyrgyzstan | 40 | 15 | 15 | 71 |
| Romania | - | 91 | 92 | 183 |
| Turkmenistan | 37 | 15 | 15 | 68 |
| Uzbekistan | 100 | 38 | 38 | 176 |
| Total | 177 | 159 | 174 | 512 |

The allowance for doubtful debts for 2019 and its change compared to 2018 are as follows:

| EUR '000 | Outstanding Balance as at 1 January 2019 | Payments of Arrears Received in 2019 | Assessments/ Credits for 2019 | Outstanding Balance as at 31 December 2019 | 2019 Allowance | Change in Allowance from 2018 |
|----------------------------|--|--------------------------------------|-------------------------------|--|----------------|-------------------------------|
| Participating State | | | | | | |
| Kyrgyzstan | 55 | - | 15 | 71 | 71 | 15 |
| Turkmenistan | 52 | - | 15 | 68 | 68 | 15 |
| Uzbekistan | 138 | - | 38 | 176 | 176 | 38 |
| Total | 246 | - | 69 | 315 | 315 | 69 |

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 | 2019 | 2018 |
|--|---------------|---------------|
| Fund to Support OSCE Action for Peace, Democracy and Stability in Bosnia and Herzegovina | 465 | 373 |
| Fund for Activities Relating to Economic and Environmental Aspects of Security | 302 | 13 |
| Fund for Activities Related to Special Monitoring Mission to Ukraine | 515 | - |
| Other PC Established Funds – Partnership Fund | 119 | 119 |
| Other Activities and Special Projects | 14,339 | 13,043 |
| Total | 15,739 | 13,547 |

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 | 465 | 381 | 25 | 58 | - |
| Fund for Activities Relating to Economic and Environmental Aspects of Security | 302 | 289 | - | 13 | - |
| Fund for Activities Related to Special Monitoring Mission to Ukraine | 515 | 515 | - | - | - |
| Other PC Established Funds - Partnership Fund | 119 | - | 119 | - | - |
| Other Activities and Special Projects | 14,339 | 9,261 | 3,789 | 1,290 | - |
| Total | 15,739 | 10,446 | 3,933 | 1,360 | - |

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 | 2019 | 2018 |
|---------------------------------|--------------|--------------|
| Tax Receivable from Governments | 1,638 | 1,402 |
| Receivable from Customers | 365 | 599 |
| Other Receivables | 1,871 | 1,408 |
| Accrued Interest Receivable | 94 | 107 |
| Allowance for Doubtful Debts | (92) | (53) |
| Total | 3,877 | 3,464 |

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 | 2019 | 2018 |
|--------------------------------------|--------------|--------------|
| Prepayments to Suppliers | 4,827 | 3,579 |
| Prepayments to Implementing Partners | 1,195 | 1,724 |
| Prepayments to Staff | 348 | 261 |
| Other Prepayments | 207 | 209 |
| Total | 6,577 | 5,773 |

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 2019 was EUR 2,941 thousand (EUR 1,832 thousand in 2018). Total value of inventory in 2019 was EUR 1,474 thousand (EUR 1,526 thousand in 2018):

| EUR '000 | 2019 | 2018 |
|---|--------------|--------------|
| Project assets held for distribution to beneficiaries | 552 | 466 |
| Special Monitoring Mission to Ukraine vehicle spare parts | 922 | 1,060 |
| Total | 1,474 | 1,526 |

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.

| EUR '000 | 2019 | 2018 |
|--|------------|------------|
| Current Payroll Prepayments | 17 | - |
| Total Other Current Assets | 17 | - |
| Non-Current Insurance Premium Receivable | 504 | 837 |
| Long Term Deposit for Rent | 20 | 20 |
| Total Other Non-Current Assets | 524 | 857 |
| Total | 542 | 857 |

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.

2019

| 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 2019</i> | 9,253 | 41,108 | 5,720 | 3,185 | 4,381 | 430 | 64,077 |
| Additions | 1,051 | 543 | 371 | 163 | - | 26 | 2,154 |
| Disposals | (614) | (1,754) | (299) | (92) | - | - | (2,759) |
| <i>Cost as at 31 December 2019</i> | 9,690 | 39,897 | 5,792 | 3,256 | 4,381 | 456 | 63,472 |
| <i>Accumulated Depreciation as at 1 January 2019</i> | 6,535 | 27,944 | 4,373 | 1,656 | 2,393 | 369 | 43,270 |
| Depreciation | 1,220 | 6,568 | 421 | 529 | 201 | 25 | 8,964 |
| Disposals | (600) | (1,698) | (251) | (90) | - | - | (2,639) |
| Impairments | - | - | - | - | - | - | - |
| <i>Accumulated Depreciation and Impairment Losses as at 31 December 2019</i> | 7,155 | 32,814 | 4,543 | 2,095 | 2,594 | 394 | 49,595 |
| Net Carrying Amount as at 31 December 2019 | 2,535 | 7,083 | 1,249 | 1,161 | 1,787 | 62 | 13,877 |

2018

| 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 2018</i> | 8,548 | 40,031 | 5,590 | 2,297 | 4,381 | 433 | 61,280 |
| Additions | 1,543 | 2,462 | 425 | 1,026 | - | 13 | 5,469 |
| Disposals | (838) | (1,385) | (295) | (138) | - | (16) | (2,672) |
| <i>Cost as at 31 December 2018</i> | 9,253 | 41,108 | 5,720 | 3,185 | 4,381 | 430 | 64,077 |
| <i>Accumulated Depreciation as at 1 January 2018</i> | 6,135 | 22,003 | 4,246 | 1,306 | 2,187 | 357 | 36,234 |
| Depreciation | 1,045 | 7,014 | 402 | 418 | 206 | 26 | 9,111 |
| Disposals | (645) | (1,073) | (275) | (68) | - | (14) | (2,075) |
| Impairments | - | - | - | - | - | - | - |
| <i>Accumulated Depreciation and Impairment Losses as at 31 December 2018</i> | 6,535 | 27,944 | 4,373 | 1,656 | 2,393 | 369 | 43,270 |
| Net Carrying Amount as at 31 December 2018 | 2,718 | 13,164 | 1,347 | 1,529 | 1,988 | 61 | 20,807 |

The Property, Plant and Equipment total cost as at 31 December 2019 of EUR 63,472 thousand includes fully depreciated assets still in use to the amount of EUR 23,377 thousand (EUR 14,289 thousand in 2018).

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.

2019

| EUR'000 | Software Licenses Purchased | Internally Developed Software | Intangible Assets under Development | Total Intangible Assets |
|--|-----------------------------|-------------------------------|-------------------------------------|-------------------------|
| <i>Cost as at 1 January 2019</i> | 1,491 | 4,145 | - | 5,636 |
| Additions | 151 | - | - | 151 |
| Disposals | (34) | - | - | (34) |
| Assets under Construction Capitalized | - | - | - | - |
| <i>Cost as at 31 December 2019</i> | 1,608 | 4,145 | - | 5,753 |
| <i>Accumulated Amortization as at 1 January 2019</i> | 886 | 2,447 | - | 3,333 |
| Amortization | 259 | 592 | - | 851 |
| Disposals | (4) | - | - | (4) |
| Impairments | - | - | - | - |
| <i>Accumulated Amortization and Impairment Losses as at 31 December 2019</i> | 1,141 | 3,039 | - | 4,180 |
| Net Carrying Amount as at 31 December 2019 | 467 | 1,106 | - | 1,573 |

2018

| EUR'000 | Software Licenses Purchased | Internally Developed Software | Intangible Assets under Development | Total Intangible Assets |
|--|-----------------------------|-------------------------------|-------------------------------------|-------------------------|
| <i>Cost as at 1 January 2018</i> | 3,086 | 4,145 | - | 7,231 |
| Additions | 283 | - | - | 283 |
| Disposals | (54) | - | - | (54) |
| Derecognition | (1,824) | - | - | (1,824) |
| Assets under Construction Capitalized | - | - | - | - |
| <i>Cost as at 31 December 2018</i> | 1,491 | 4,145 | - | 5,636 |
| <i>Accumulated Amortization as at 1 January 2018</i> | 1,476 | 1,855 | - | 3,331 |
| Amortization | 273 | 592 | - | 865 |
| Disposals | (25) | - | - | (25) |
| Impairments | - | - | - | - |
| Derecognition | (838) | - | - | (838) |
| <i>Accumulated Amortization and Impairment Losses as at 31 December 2018</i> | 886 | 2,447 | - | 3,333 |
| Net Carrying Amount as at 31 December 2018 | 605 | 1,698 | - | 2,303 |

3.10 - Impairment of Assets

No impairment losses or reversals of impairment were recorded in 2019 or 2018.

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 | 2019 | 2018 |
|-----------------------------------|--------------|--------------|
| Payables to Suppliers | 3,194 | 3,233 |
| Payables to Implementing Partners | 111 | 109 |
| Amounts Owed to Staff | 316 | 580 |
| Total | 3,621 | 3,922 |

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 Unified Budget deferred revenue consists of contributions advances by participating States and other deferred funds which will be used as determined by the Permanent Council.

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 in the amount of EUR 5,530 thousand by participating States to be applied against the next available bill, deferred savings of the Special Monitoring Mission to Ukraine and extension of deployment of OSCE Observers to two Russian Checkpoints on the Russian-Ukrainian Border. The deferred savings in an amount of EUR 1,700 thousand from unspent amounts and operational savings which will be used in accordance with the Permanent Council decision for the next mandate.

The Permanent Council approved extension of the deployment of OSCE Observers to two Russian Checkpoints on the Russian-Ukrainian Border from 31 January 2020 until 31 May 2020 (PC.DEC/1359) in an amount of EUR 468 thousand which is deferred to 2020.

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

| EUR '000 | 2019 | 2018 |
|---|--------------|--------------|
| Advance UB contributions payments by participating States | 748 | 809 |
| Deferred funds per PC.DEC/1287 and PC.ACMF/15/19 | - | 89 |
| Deferred funds per PC.DEC/1288 | 849 | 849 |
| Total Unified Budget Deferred Revenue | 1,597 | 1,747 |
| Advance Special Purpose contributions payments by participating States | 5,530 | 3,741 |
| Deferred savings to be used in next Special Monitoring Mission to Ukraine mandate | 1,700 | 370 |
| Deferred savings to be used in next OSCE Observers to two Russian Checkpoints on the Russian-Ukrainian Border mandate per PC.DEC/1359 | 468 | 0 |
| Deferred funds per PC.DEC/1308 | 0 | 419 |
| Total Special Purpose Funds Deferred Revenue | 7,698 | 4,530 |
| Total Deferred Revenue | 9,295 | 6,278 |

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 | 2019 | 2018 |
|---|---------------|---------------|
| Extra-Budgetary Contributions Subject to Conditions | 70,610 | 65,699 |
| Extra-Budgetary Contributions Advances | 819 | 140 |
| Total Extra-Budgetary Contributions | 71,429 | 65,839 |

4.5 – Funds Held for Third Parties

Funds held for Third Party Funds consists almost entirely of funds received from participating States for payment of salaries to seconded staff on their behalf. In 2019 there were five participating States on whose behalf the salary is paid directly by OSCE. The services of these staff, about two-thirds of whom serve with Special Monitoring Mission to Ukraine, are donated by participating States. The personnel concerned are paid by the OSCE from the third-party funds held in its accounts for this purpose. Due to the mismatch between the financial year and the Special Monitoring Mission to Ukraine mandate period, large sums may be held for salary payments at the end of the reporting period pending disbursement during the remainder of the mandate period. Also included is a bank account belonging to the Environmental Security Initiative (ENVSEC) which is held in trust by the OSCE, operating as the Trust Fund Manager.

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% (0.12% in 2018) derived in reference to market yields of high quality corporate bonds - iBoxx Euro Corporates AA, with a duration of 1.66 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.

Interest cost is the increase during the period in the present value of the defined benefit obligation which arises because the benefits are one period closer to settlement.

Both interest and service cost are recognized in the Statement of Financial Performance.

The following table provides more details regarding how the different types of benefits have changed in 2019:

| EUR'000 | Defined Benefit Obligation as at 1 January 2019 | Current Service Cost | Interest Cost | Actual Payments | Actuarial (Gains)/ Losses | Defined Benefit Obligation as at 31 December 2019 |
|---|---|----------------------|---------------|-----------------|---------------------------|---|
| Home leave and rest and recuperation | 352 | 803 | - | (834) | - | 321 |
| Annual leave | 3,022 | 303 | - | (254) | - | 3,071 |
| <i>Total annual leave, home leave and rest and recuperation</i> | <i>3,374</i> | <i>1,106</i> | <i>-</i> | <i>(1,088)</i> | <i>-</i> | <i>3,392</i> |
| Repatriation grant | 2,601 | 514 | 3 | (578) | (67) | 2,473 |
| Repatriation shipment | 877 | 207 | 1 | (272) | 41 | 854 |
| Repatriation travel | 399 | 104 | - | (70) | (79) | 354 |
| <i>Total repatriation benefits</i> | <i>3,878</i> | <i>825</i> | <i>4</i> | <i>(920)</i> | <i>(105)</i> | <i>3,681</i> |
| Total | 7,252 | 1,931 | 4 | (2,008) | (105) | 7,073 |

Liabilities for current employee benefits also include payroll-related accruals in the amount of EUR 473 thousand, for total current employees liabilities of EUR 3,865 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 2019 was EUR 115,469 thousand.

The Provident Fund is administered by Utmost Worldwide (formerly Generali Worldwide) in accordance with the contract. The OSCE obtains the Financial Statements of the company on an annual basis. The latest available Financial Statements were those for Generali Worldwide in respect of the year ended 31 December 2018 and were audited by Ernst & Young LLP, Chartered Accountants, who gave an unqualified opinion on the Financial Statements.

The Provident Fund summary statement for the year ending 31 December 2019 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. The OSCE's 11 Partners for Co-operation may 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.

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. 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.

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.

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 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 2019 | Outstanding Advances Against Entitlements |
|---|-----------------------|-----------------|----------------------------------|--------------|--------------------------------|-------------------------|---|
| SG and Heads of Institutions | 4 | 4 | 735 | 31 | 122 | 888 | - |
| Secretariat's Directors | 8 | 8 | 795 | 221 | 130 | 1,146 | - |
| Heads of Mission and Personal Representatives | 19 | 16 | 64 | 763 | 2 | 828 | - |
| Key Management Personnel | 31 | 28 | 1,594 | 1,015 | 254 | 2,862 | - |

4.8 – Cash Surplus or Deficit

4.8.1 - Cash Surplus Current

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 current cash surplus as at 31 December 2019 is made up from 2018 cash surplus which moved to current at the end of 2019 and cash surplus withheld release less sums used in accordance with applicable Permanent Council decisions to fund the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border and IT Infrastructure Upgrade Fund, as detailed in the following table:

| EUR '000 | Secretariat & Institutions | Field Operations | Total |
|--|----------------------------|------------------|--------------|
| <i>Current Cash Surplus as at 1 January 2019</i> | 42 | 2,907 | 2,949 |
| PC.DEC/1322 and PC.DEC/1345 – OSCE IT Infrastructure Upgrade Fund | 27 | 1,893 | 1,920 |
| PC.DEC/1328 – Extension of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border until 30 September 2019 | 8 | 508 | 516 |
| PC.DEC/1329 – Supplementary Budget for the Mission in Kosovo | 1 | 98 | 99 |
| PC.DEC/1331 – Strengthening the Infrastructure of the OSCE | 6 | 408 | 414 |
| <i>Remaining Current Cash Surplus</i> | - | - | - |
| <i>Non-Current Cash Surplus as at 1 January 2019</i> | 666 | 2,590 | 3,255 |
| PC.DEC/1322 – OSCE IT Infrastructure Upgrade Fund | 82 | 318 | 400 |
| PC.DEC/1344 – Extension of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border until 31 January 2020 | 98 | 380 | 478 |
| PC.DEC/1345 – Support to the IT Infrastructure Upgrade Fund | 85 | 331 | 416 |
| PC.DEC/1347 – Supplementary Budget for Office for Democratic Institutions and Human Rights | 61 | 239 | 300 |
| PC.DEC/1359 – Extension of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border until 31 May 2020 | 96 | 372 | 468 |
| Balance Reallocated to Current Cash Surplus | 244 | 950 | 1,194 |
| Cash Surplus Withheld Release | 30 | 7 | 37 |
| Total Current Cash Surplus as at 31 December 2019 | 274 | 957 | 1,231 |

The non-current cash surplus was partly reallocated to deferred revenue to be used for financing the extension of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border mandate from 01 February 2020 until 31 May 2020 (PC.DEC/1359) described in Note 4.3.

4.8.2 - Cash Surplus Non-Current

The cash surplus for 2019 is not due for settlement until 2021, and it is therefore classified as a non-current liability. The total cash surplus for 2019 is calculated as shown in the table below.

| EUR '000 | Secretariat & Institutions | Field Operations | Total |
|---|----------------------------|------------------|--------------|
| Budgetary Surplus/(Deficit) | 983 | 1,401 | 2,384 |
| Add: Assessed Contributions Receivable at Beginning of Period | 4,326 | 2,136 | 6,462 |
| Less: Assessed Contributions Receivable at End of Period | (4,605) | (1,463) | (6,068) |
| Cash Surplus for 2019 | 704 | 2,074 | 2,778 |

The budgetary surplus or deficit for the period does not include IPSAS adjustments. See Note 8.1 - Reconciliation of Surplus/ (Deficit) for the Period for a reconciliation to the Surplus/ (Deficit) shown in the Statement of Financial Performance.

4.9 – Provisions

The provision for unearned revenue of extra-budgetary pledges currently expiring on or before 31 December 2019 amounts to EUR 8,512 thousand.

| EUR '000 | 2019 | 2018 |
|---|-------|-------|
| Provision for Pending Refunds to Donors | 8,512 | 8,751 |

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. From 2019 unspent earned indirect common costs balances are presented in a separate extra-budgetary fund and this note is restated accordingly.

| EUR '000 | 2019 | 2018 (restated) |
|--|------------|--------------------|
| Governments Advance Refunds | 725 | 486 |
| Other Current Liabilities | 66 | 76 |
| Total Other Current Liabilities | 791 | 562 |
| Non-Current Extra-Budgetary Revenue | 0 | 40 |
| Total Other Non-Current Liabilities | 0 | 40 |
| Total | 791 | 602 |

NOTE 5: RESERVES

5.1 - 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 liability and is therefore included in 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 fiscal years from 2014 to 2018, and therefore none was retained for those years. The longest outstanding cash surplus withheld is from fiscal year 2001.

In 2019 Kyrgyzstan released EUR 79 thousand against 2000 and partly for 2001, while Uzbekistan released EUR 1,244 thousand against 1999 through 2001 and partly for 2002 contributions receivable, resulting in a decrease of cash surplus withheld for the amount of EUR 44 thousand.

| EUR '000 | 2017 and Prior Years | 2018 | 2019 | Total |
|------------------------------------|-------------------------|----------|----------|------------|
| Kyrgyzstan | 41 | - | - | 41 |
| Uzbekistan | 166 | - | - | 166 |
| Total Cash Surplus Withheld | 208 | - | - | 208 |

5.2 – 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.

5.3 – Other Reserves

Other Reserves consists of actuarial losses related to employee benefits amounting to EUR 2,201 thousand (EUR 2,306 thousand loss in 2018).

5.4 – Accumulated Surplus/(Deficit)

The Accumulated Surplus/Deficit decreased during 2019 to EUR 31,982 thousand from EUR 41,839 thousand in 2018 (restated to EUR 42,148 thousand to account for the surplus from the Indirect Common Costs Fund in amount of EUR 308 thousand). The changes to the Accumulated Surplus/Deficit shown in Statement IV include the allocation of the Cash Surplus for 2019 in the amount of EUR 2,778 thousand (see Note 4.8.2 – Cash Surplus Non-Current) and deficit for the period in the amount of EUR 7,387 thousand (see Note 8.1 – Reconciliation of Surplus/(Deficit) for the Period).

NOTE 6: REVENUE

6.1 – Assessed Contributions

Accrued revenue from assessed contributions amounted to EUR 213,201 thousand (EUR 215,124 thousand in 2018). It includes the 2019 Unified Budget and revenue from assessed contributions for the Special Monitoring Mission to Ukraine which, reduced for savings from previous mandates, adjusted scales of contributions and reallocation of revenue for Establishment of OSCE IT Infrastructure Fund, amounts to EUR 74,997 thousand (EUR 77,323 thousand in 2018).

| EUR '000 | 2019 |
|--|----------------|
| PC.DEC/1326 – Approval of the 2019 Unified Budget | 138,204 |
| Total Unified Budget Revenue from Assessed Contributions | 138,204 |
| PC.DEC/1289 – Extension of the mandate of the OSCE Special Monitoring Mission to Ukraine – Second Bill | 21,198 |
| PC.DEC/1323 – Extension of the mandate of the OSCE Special Monitoring Mission to Ukraine – First Bill | 55,253 |
| PC.DEC/1322 – Reallocation for Establishment of OSCE IT Infrastructure Upgrade Fund | (1,240) |
| PC.DEC/1345 – Infrastructure Upgrade Fund Financing from Special Monitoring Mission to Ukraine | (214) |
| Total Special Purpose Funds Revenue from Assessed Contributions | 74,997 |
| Total Revenue from Assessed Contributions | 213,201 |

6.2 – Extra-Budgetary Contributions

Revenue from extra-budgetary contributions includes revenue received in 2019, as well as revenue from conditional agreements previously recorded as deferred revenue, for which conditions were satisfied in 2019, decreased for the earned indirect common costs.

| EUR '000 | 2019 | 2018 (restated) |
|---|---------------|--------------------|
| Revenue from Extra-Budgetary Contributions | 48,968 | 36,179 |
| Revenue from Conditional Agreements Recognized/(Deferred) during the period | (6,224) | (16,360) |
| Reallocation of Project Funds | 599 | 2,367 |
| Decrease for earned Indirect Common Costs | (1,027) | (148) |
| Total | 42,316 | 22,038 |

The reallocation of project funds resulted in a net inflow of EUR 599 thousand from Third Party Funds to Extra-Budgetary Funds.

In May 2018, in addition to the Office for Democratic Institutions and Human Rights all Executive Structures adopted a methodology to recover indirect common costs incurred for provision of administrative support for Extra-Budgetary Funds that cannot be easily attributed to specific projects. The earned indirect common costs amount of EUR 1,027 thousand (EUR 148 thousand in 2018) is presented as other extra-budgetary revenue in the Note 6.7 – Other Revenue.

6.3 – Finance Revenue

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

| EUR '000 | 2019 | 2018 |
|------------------------------|------------|------------|
| Interest received from banks | 354 | 140 |
| Accrual adjustments | (13) | 93 |
| Total | 340 | 233 |

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 | 2019 | 2018 |
|------------------------------------|---------------|---------------|
| Seconded Staff | 76,400 | 70,126 |
| Ancillary Services | 890 | 867 |
| Goods In-Kind | 4,395 | 4,441 |
| Total Contributions In-Kind | 81,685 | 75,433 |

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 increase between 2018 and 2019 is partly due to the increase in engaged seconded staff and partly due to the increase in the salary scale. 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. This does not include long-term and short-term observers seconded by participating States who take part in Election Observation Activities coordinated by ODIHR.

| EUR '000 | 2019 | 2018 |
|---|---------------|---------------|
| Unified Budget and Extra-Budgetary Funds Seconded Staff | 24,770 | 21,849 |
| Special Purpose Funds Seconded Staff | 51,630 | 48,276 |
| Total Contributions In-Kind of Seconded Staff Services | 76,400 | 70,126 |

In addition, certain ancillary services, such as security, maintenance and utilities, were provided in respect of premises provided free of charge in the amount of EUR 890 thousand.

| EUR '000 | 2019 | 2018 |
|--|------------|------------|
| Ancillary Services | 890 | 867 |
| Total Contributions In-Kind of Ancillary Services | 890 | 867 |

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 | 2019 | 2018 |
|--|--------------|--------------|
| <i>Supplies</i> | <i>1</i> | <i>2</i> |
| Premises | 4,394 | 4,420 |
| Equipment | - | 19 |
| <i>Premises and Equipment provided rent-free</i> | <i>4,394</i> | <i>4,439</i> |
| Total Revenue from Goods In-Kind | 4,395 | 4,441 |

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 – Foreign Exchange Gains/(Losses)

The revenue pertains to both realized and unrealized gains and losses on foreign exchange balances and transactions.

| EUR '000 | 2019 | 2018 |
|---------------------------|--------------|------------|
| Realized Gains/(Losses) | (1,081) | (352) |
| Unrealized Gains/(Losses) | 691 | 665 |
| Total | (390) | 313 |

6.7 – 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, establishment of the OSCE IT Infrastructure Upgrade Fund, financing Infrastructure strengthening and supplementary budgets for Office for Democratic Institutions and Human Rights and Mission in Kosovo .

In May 2018, all Executive Structures adopted a methodology to recover indirect common costs incurred for provision of administrative support for Extra-Budgetary Funds that cannot be easily attributed to specific projects. The earned indirect common costs amount of EUR 1,098 thousand in 2019 consists of the EUR 1,027 thousand indirect costs of projects and EUR 71 thousand derived from charged costs for processing of seconded staff salaries by participating States.

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

| EUR '000 | 2019 | 2018 (restated) |
|---|---------------|--------------------|
| Revenue Reallocated from Internal Sources | 6,505 | 1,712 |
| Indirect Common Costs Revenue | 1,098 | 548 |
| Other Revenue | 3,626 | 1,537 |
| Total | 11,229 | 3,797 |

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 come into force on 1 January of the OSCE budget year for the whole of that 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 | 2019 | 2018 (restated) |
|--|----------------|--------------------|
| Salaries | 67,355 | 66,381 |
| BLA for international seconded staff | 49,600 | 46,715 |
| Provident fund | 9,180 | 9,192 |
| Other staff costs | 5,955 | 5,531 |
| BLA for international contracted staff | 2,880 | 2,523 |
| Insurance | 2,822 | 2,285 |
| Other employee benefits | 6,217 | 6,801 |
| In-kind seconded staff costs | 76,400 | 70,126 |
| Total | 220,409 | 209,554 |

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. This does not include long-term and short-term observers seconded by participating States who take part in Election Observation Activities coordinated by ODIHR.

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 | 2019 | 2018 (restated) |
|-----------------------------|---------------|----------------------------|
| Special Services Agreements | 14,577 | 13,261 |
| Implementing Partner costs | 6,134 | 4,374 |
| Paramedical services | 9,055 | 7,390 |
| Other contractual services | 5,085 | 4,222 |
| Total | 34,851 | 29,247 |

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 | 2019 | 2018 |
|---------------------------------------|---------------|---------------|
| Travel of non-OSCE officials | 10,604 | 10,124 |
| Duty travel for OSCE officials | 12,968 | 12,557 |
| Travel for training of OSCE officials | 1,150 | 1,187 |
| Total | 24,722 | 23,868 |

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 | 2019 | 2018 (restated) |
|---|---------------|----------------------------|
| Rental and maintenance of buildings | 15,883 | 15,858 |
| Conferences, seminars, workshops | 8,973 | 7,569 |
| Communication services | 3,594 | 3,102 |
| Interpreters, translators and typing services | 1,955 | 2,180 |
| IT services | 5,349 | 2,426 |
| Printing and copying services | 682 | 710 |
| Vehicles maintenance costs | 2,343 | 1,735 |
| Freight and transportation | 348 | 360 |
| Insurance other than staff | 648 | 689 |
| Bank charges | 873 | 830 |
| Ancillary services in-kind | 890 | 867 |
| Total | 41,538 | 36,326 |

Incurred costs of EUR 510 thousand of services and office costs relates to the agreements with third parties which are fully reimbursed through Other Revenue (see note 6.7).

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 | 2019 | 2018 |
|--|--------------|--------------|
| Fuel and lubricants | 1,052 | 1,160 |
| Other supplies | 2,219 | 2,346 |
| Communication and IT supplies | 1,773 | 1,379 |
| Publications, newspapers and printed materials | 419 | 390 |
| Spare parts | 1,037 | 1,119 |
| Building/Household Supplies | 580 | 448 |
| Total | 7,080 | 6,842 |

7.6 – Depreciation and Amortization

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

| EUR '000 | 2019 | 2018 |
|--------------|--------------|--------------|
| Amortization | 851 | 865 |
| Depreciation | 8,963 | 9,111 |
| Total | 9,814 | 9,976 |

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.

| EUR '000 | 2019 | 2018 |
|---------------------------------|--------------|--------------|
| Equipment Purchased | 6,651 | 4,412 |
| Equipment Donated | 1 | 2 |
| Equipment Provided Rent-Free | - | 19 |
| Total Equipment Expenses | 6,652 | 4,433 |

7.8 – Other Operating Expenses

| EUR '000 | 2019 | 2018 (restated) |
|--|---------------|--------------------|
| Unmanned Aerial Vehicle Services | 9,879 | 7,832 |
| Other Operating Costs | 410 | 1,922 |
| Representation Costs | 480 | 734 |
| Project Costs | 167 | 169 |
| Change in Allowance for Doubtful Debts | 69 | 294 |
| Total | 11,006 | 10,951 |

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 2019 ex gratia payments totalling EUR 10 thousand were approved by the Secretary General. The list of Executive Structures concerned is as follows:

| EUR '000 | 2019 |
|-----------------------------------|-----------|
| Mission to Bosnia and Herzegovina | 5.0 |
| Mission to Skopje | 2.5 |
| The Secretariat | 2.5 |
| Total | 10 |

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.

In 2018 OSCE initiated two Provident Fund payments for the same payment to one mission member. Despite multiple attempts to retrieve the second payment, the beneficiary declined the request to recall the payment, resulting in a bad debt allowance and a corresponding write-off in an amount of EUR 18 thousand. Efforts to solve the issue and recoup the debt in 2019 proved unsuccessful and have been abandoned (see also Note 9.5.2).

A travel advance and a supplier deposit made by one Executive Structure could not be recovered, and both were written off during the year, totalling EUR 2 thousand.

OSCE became aware in October 2019 that Air Adria was insolvent and unable to honour tickets purchased in the value of EUR 3 thousand. In view of the likelihood that legal costs would exceed the value of any successful claim, the case was not pursued.

The Joint Consultative Group 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-off.

NOTE 8: RECONCILIATIONS OF BUDGETS TO FINANCIAL STATEMENTS

8.1 - 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 excess/shortfall of income over expenditure on a budgetary basis, used to calculate the Cash Surplus, and the Surplus/(Deficit) for the Period as reported in the Statement of Financial Performance. The differences are due to IPSAS adjustments affecting revenue and expenses.

| EUR '000 | UB Funds | Special Purpose Funds | Extra-Budgetary Funds | Total OSCE |
|---|-----------------|-----------------------|-----------------------|-----------------|
| <i>Budgetary Excess of Income over Expenditure</i> | 2,384 | (4,105) | 6,792 | 5,071 |
| IPSAS Adjustments: | | | | |
| Revenue | | | | |
| Accrued Interest | (13) | - | - | (13) |
| Revenue from Conditional Funding Agreements | - | - | (6,223) | (6,223) |
| Contributions In-Kind | 29,860 | 51,631 | 194 | 81,685 |
| Revenue from Exchange Transactions | (48) | (20) | (56) | (123) |
| Other Revenue | 2 | 2 | (4) | - |
| Revenue from Change in Allowance for Doubtful Debts | 1,032 | - | - | 1,032 |
| <i>Subtotal Revenue</i> | 30,833 | 51,613 | (6,089) | 76,357 |
| Expense | | | | |
| Expense from Change in Allowances for Doubtful Debts | - | (69) | - | (69) |
| Unliquidated Obligations | 3,052 | - | - | 3,052 |
| Accruals Adjustments | 762 | 2,560 | 19 | 3,340 |
| Employee Benefits | 112 | (73) | 35 | 74 |
| Contributions In-Kind Expense | (29,860) | (51,631) | (194) | (81,685) |
| Insurance Adjustments | 286 | 47 | - | 333 |
| Inventory Adjustments | (1,360) | (647) | (935) | (2,941) |
| Property, plant and equipment Adjustments | (4,750) | (4,106) | (1,359) | (10,215) |
| Intangibles Adjustments | (702) | (24) | 21 | (704) |
| <i>Subtotal Expense</i> | (32,459) | (53,943) | (2,412) | (88,815) |
| <i>Total IPSAS Adjustments</i> | (1,626) | (2,330) | (8,502) | (12,458) |
| IPSAS Surplus/(Deficit) for the Period | 758 | (6,436) | (1,709) | (7,387) |

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

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.

| EUR'000 | Operating Activities | Investing Activities | Financing Activities | Total |
|---|----------------------|----------------------|----------------------|-----------------|
| <i>Actual Amount on Comparable Basis</i> | 5,568 | - | - | 5,568 |
| Presentation Differences | (12,545) | (6,363) | (2,823) | (21,731) |
| Basis Differences | 1,934 | (1,934) | - | - |
| Timing Differences | - | - | - | - |
| Entity Differences | 2,229 | 1,193 | - | 3,422 |
| Actual Amount in the Cash Flow Statement | (2,815) | (7,103) | (2,823) | (12,741) |

The reconciliation also requires that any differences be separately identified:

- *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, revenue that is not included in the Statement of Comparison of Budget and Actual Amounts is shown as a presentation difference;
- *Basis differences* - in order to reconcile the Budget results to the Cash Flow Statement, non-cash elements such as unliquidated obligations, prepayments and depreciation need to be considered as basis differences;
- *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. For Special Funds, the mandates of the Special Monitoring Mission to Ukraine, the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border and the Information Security Enhancement Fund do not correspond to the calendar year, however, the budgets have been prorated to cover the full year 2019 and therefore any timing differences have been removed.
- *Entity differences* - the Statement of Comparison of Budget and Actual Amounts refers to Unified Budget and Special Purpose Funds, whereas the Cash Flow Statement includes also Extra-Budgetary Funds. Extra-Budgetary Funds are excluded from Statement V because budgets under extra-budgetary activities are not subject to approval by the Permanent Council.

8.2.1 – Unified Budget as Presented in the Statement of Comparison of Budget and Actual Amounts

The original budget of EUR 138,204 thousand was approved by the Permanent Council on 11 April 2019 under PC.DEC/1326. The budget was subsequently increased to a total of EUR 139,017 thousand as follows:

- A supplementary budget of EUR 99 thousand, financed from the 2017 cash surplus, for the activities of the Mission in Kosovo Elections Programme was approved under PC.DEC/1329;
- An increase in Secretariat fund budget of EUR 414 thousand, financed from the 2017 cash surplus, for the essential infrastructure investments approved under PC.DEC/1331;
- A supplementary budget of EUR 300 thousand, financed from the 2018 cash surplus was approved for the Office for Democratic Institutions and Human Rights Elections Programme by PC.DEC/1347.

The difference of EUR 1,857 thousand between the approved budget and the actual amounts are tabulated in the Budget and Expenditure Report at Chapter II.

The Unified Budget is calculated on a cash basis and covers the period from 1 January 2019 to 31 December 2019; therefore it is in line with the period covered by the Financial Statements. These are prepared on an accrual basis, which 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 cash basis comparable with the budget. These adjustments are shown in the table above under basis differences.

8.2.2 – Special Purpose Funds as Presented in the Statement of Comparison of Budget and Actual Amounts

The mandate of the Special Monitoring Mission to Ukraine does not correspond with the calendar year, and the budget shown in the Statement of Comparison of Budget and Actual Amounts is a proration of the budget under PC.DEC/1289 based on the number of days of the mandate that fell in 2019, from 1 January to 31 March 2019, as well as the prorated budget for the period from 1 April to 31 December 2019 under PC.DEC/1323. Actuals differ by EUR 178 thousand from the prorated budget of EUR 83,102 thousand mainly because the current mandate had not ended on 31 December 2019.

The successive mandates of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border during 2019 did not match the calendar year. The figures reported in the Statement of Comparison of Budget and Actual Amounts represent part of the budget for the mandate ending 31 January 2019 under PC.DEC/1304, the whole budget under PC.DEC/1308 and PC.DEC/1328, and part of the budget for the mandate ending 31 January 2020 under PC.DEC/1344. Actuals differ by EUR 165 thousand from the prorated budget of EUR 1,459 thousand mainly due to the cumulative effect of savings in the successive mandates which were used to reduce the financial contributions of participating States to each succeeding mandate.

There was no material difference between the approved budgets and the actual amounts of the Special Monitoring Mission to Ukraine nor the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border.

The Information Security Enhancement Fund was established by PC.DEC/1247 on 6 April 2017 to strengthen the security of the OSCE's ICT systems and to enhance its defences against sophisticated information security threats. The Information Security Enhancement Fund was originally established to cover an implementation period extending to 24 months with the balance carried forward from one year to the next, and was subsequently extended until 6 October 2020 by PC.DEC/1324 dated 4 April 2019. The Statement of Comparison of Budget and Actuals shows the prorated budget of EUR 59 thousand for the calendar year 2019. Due to the unsuccessful recruitment of seconded posts the project implementation has been delayed, resulting in minimal expenditure on this Fund during the year and leaving a substantial amount of budget balance unspent in 2019.

The IT Infrastructure Upgrade Fund was established by PC.DEC/1322 on 28 March 2019 to upgrade to the latest version of the ICT core platform technologies and the re-architecture and deployment of a secure OSCE IT infrastructure. The Fund is established to cover the implementation period with the balance carried forward from one year to the next. The budget was supplemented with PC.DEC/1345 on 5 September 2019 in order to finance measures aimed at mitigating the risk of vendor support expiration for the ICT Core Platform Infrastructure. The Statement of Comparison of Budget and Actuals shows the full approved budget of EUR 4,190 thousand for the calendar year 2019. Actuals differ by EUR 2,470 thousand mainly due to the recurrent nature of the mandate with balance carried forward to the subsequent year.

8.3 – Reconciliation of Extra-budgetary expenditure by Executive Structure

Extra-budgetary expenditure shown in Statement VI.2.H 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.

| EUR '000 | Total |
|---|---------------|
| Secretariat | 11,455 |
| Office for Democratic Institutions and Human Rights | 5,742 |
| High Commissioner on National Minorities | 815 |
| Representative on Freedom of the Media | 479 |
| Total - Secretariat and Institutions | 18,491 |
| Mission in Kosovo | 276 |
| Mission to Bosnia and Herzegovina | 1,088 |
| Mission to Serbia | 1,510 |
| Presence in Albania | 522 |
| Mission to Skopje | 486 |
| Mission to Montenegro | 463 |
| Total - South-Eastern Europe | 4,344 |
| Mission to Moldova | 316 |
| Project Coordinator in Ukraine | 2,739 |
| Representative on the Latvian-Russian Joint Commission on Military Pensioners | - |
| Total - Eastern Europe | 3,055 |
| 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 Astana | 30 |
| Centre in Ashgabat | 430 |
| Programme Office in Bishkek | 261 |
| Project Co-ordinator in Uzbekistan | 385 |
| Programme Office in Dushanbe | 2,265 |
| Total - Central Asia | 3,370 |
| Special Monitoring Mission to Ukraine | 12,474 |
| TOTAL | 41,734 |
| <i>IPSAS Adjustments:</i> | |
| Salaries and Employees Benefits | 289 |
| Equipment | 634 |
| Depreciation and Amortization | 2,796 |
| GRAND TOTAL | 45,453 |

NOTE 9: OTHER DISCLOSURES

9.1 - 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 2019, 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 2019. 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 2019 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. In 2019, interest revenue represented 0.1% of total revenue.
- (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 2019 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, 98.6% 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, 97.9% of the total cash and investments was held in bank accounts administered by the Treasury Unit. The remaining 2.1% was held in bank accounts throughout OSCE locations for daily operational purposes.

| EUR '000 | Rating | Total as at 31 December 2019 | % | Total as at 31 December 2018 | % |
|----------------------------|--------------|---------------------------------------|---------------|------------------------------------|---------------|
| High Grade | AA- to AA+ | - | - | 24 | 0.0% |
| Upper Medium Grade | A- to A+ | 64,105 | 59.0% | 42,940 | 36.9% |
| Lower Medium Grade | BBB- to BBB+ | 43,050 | 39.6% | 71,666 | 61.6% |
| Non-Investment Grade | BB- to BB+ | 662 | 0.6% | 808 | 0.7% |
| Highly Speculative | B- to B+ | - | - | - | - |
| Unrated | N/A | 918 | 0.8% | 876 | 0.8% |
| Total Bank Balances | | 108,735 | 100.0% | 116,314 | 100.0% |

- (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.

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

9.2 – 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.

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 and 2019. The figure is derived from the amount agreed in 2017 settlements.

9.3 – 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 2019 amounted to EUR 7,614 thousand (EUR 7,290 thousand in 2018).

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 2,622 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 | 3,594 | 796 | - | 4,390 |

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.

9.4 – Adoption of new International Public Sector Accounting Standards

IPSAS 41, *Financial Instruments*, was published in August 2018 and applies to annual periods beginning on or after January 1, 2022. Earlier application is permitted, and OSCE has chosen to apply it to the period covered by these financial statements. This Standard, and the accompanying amendments to existing Standards, have had no impact on these statements.

9.5 – Events After the Reporting Date

The Financial Statements were authorized for issuance by the Secretary General and were submitted to the External Auditors on 27 March 2020.

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.

9.5.1 - Adjusting Events

There are no adjusting events.

9.5.2 - Non-Adjusting Events

In accordance with PC.DEC/1366 dated 19 March 2020, the mandate of the Special Monitoring Mission to Ukraine was extended until 31 March 2021. This extension is funded by assessed contributions in the sum of EUR 91,516 thousand, and through voluntary contributions.

In line with Financial and Administrative Instruction 5 and an Interoffice Memorandum approved by the Fund Manager dated 13 February 2020 there was a subsequent write-off of a receivable for a Provident Fund double payment to one mission member decreasing the established allowance for doubtful debts in an amount of EUR 18 thousand in the OSCE Programme Office in Dushanbe (see also Note 7.8.2).

COVID-19 began to have noticeable impacts on OSCE operations during March 2020. The pandemic is known to be affecting the global and participating States' economies and is also likely to impact on both beneficiaries and suppliers. The uncertainties surrounding the future extent and duration of the disease, and participating States' reactions to it, prevent reliable estimates of operational and financial consequences during 2020. Potential impacts on the decentralized system of internal control are also unpredictable and subject to factors beyond the control of management. OSCE management in all Executive Structures is working to manage the direct and indirect consequences of the pandemic on operational delivery, financial performance and internal control.

Chapter V – Statement on Internal Control



Organization for Security and Co-operation in Europe

Statement on Internal Control for 2019

27 March 2020

Scope of responsibility

As Secretary General of the OSCE, I am responsible to the Permanent Council 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. However, it can only provide a reasonable assurance of effectiveness. It is based on an ongoing process designed to identify the principal risks, evaluate 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 designed to provide reasonable assurance on the achievement of the following internal control objectives:

- Achieving 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.

My current statement on the OSCE's internal control process, as described above, applies for the year ended 31 December 2019, and up to the date of approval of the OSCE's financial statements.

Risk management and internal control framework

The OSCE established a risk management framework that sets out an integrated risk concept that covers both major risks that affect the Organization as a whole, and 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 risk management for 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, evaluate and manage risks as 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 addition, a comprehensive internal control framework that includes, along with the Risk Management process, the support of executive management, the OSCE Ethical Framework (still in progress), the Common Regulatory Management System, and established automated and manual control and monitoring activities has been designed

to ensure that the OSCE's objectives are achieved efficiently, underpinned by appropriate ethical values. The framework comprises, but is not limited to, Ministerial/Permanent Council decisions related to management of the OSCE's activities, the OSCE Code of Conduct, Financial and Staff Regulations, current Staff Regulations and Staff Rules, staff financial/ administrative and security instructions, which provide the mechanisms for managing the financial, human and material resources of the OSCE's activities. The framework also includes the coordinated review in the Secretariat of all Extra-Budgetary Projects planned to ensure compliance with the Common Regulatory Management System and with respective mandates; and the review of all executive structures' Unified Budget programmes and application of Performance Based Programme Budgeting. Furthermore, a compliance procedure is in place in the form of Exception Requests, bringing deviations from the Common Regulatory Management System to my attention for approval.

The accountability entrusted to the OSCE by participating States demands that it has a robust system of internal controls and that these controls are properly applied. The decentralized nature of the Organization and the limited central oversight places considerable reliance on the Fund Managers' and CFAs' statements about the effectiveness of the internal controls at executive structures.

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 streamlining of the CRMS.

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 serve as the Chief Administrative Officer for the Organization, vested with broad executive and administrative authorities to oversee the effective and efficient use of OSCE resources. The governance structure of the OSCE relies on a decentralized fund management structure 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 continues to create difficulties for me when exercising my role as Chief Administrative Officer. Re-invigorating the discussions on strengthening the administrative reporting lines of the Chiefs of Fund Administration will have a positive effect on internal controls and translate into a reinforcement of the Common Regulatory Management System.

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

- Co-ordinated by the Conflict Prevention Centre (CPC), implementation of the Financial/Administrative Instruction 04/2004 which ensures that all Extra-Budgetary Projects planned by the Institutions, Field Operations and the Secretariat comply with the Common Regulatory Management System and OSCE Project Management standards.
- Fund Managers of the executive structures, as well as senior managers who play important roles and are accountable for expected results, performance, controlling their executive structure's activities and the resources entrusted to them.
- The Department of Management and Finance (DMF) and the Department of Human Resources (DHR) ensuring a robust Common Regulatory Management System;
- The Department of Management and Finance (DMF), which co-ordinates and monitors control activities and the risk management process.
- The Office of Internal Oversight, on whose reports of internal audits, evaluations, advisory services and investigations I rely. These 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' observations.

As part of my initiative to improve the internal control environment, and following the recommendations of the Audit Committee, an initial set of explicitly defined control activities for selected administrative processes was introduced in 2018. The Letters of Representation previously submitted by Fund Managers have been replaced with more comprehensive Letters of Attestation, which are now supported by Internal Control Walkthroughs designed to test the working of control systems in selected key business processes and report on any weaknesses found and remedial measures planned or implemented.

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 satisfactorily by the Organization. The ability to continue to provide this mitigation is subject to suitable resources, specific circumstances and vigilant monitoring.

Inadequate resources

Legal, structural, security and financial risks continue to exist and/or are increasing. This is further exacerbated by the 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 challenged. The Organization needs to have the resources to be able to react to internal control recommendations. In 2019, I have placed significant focus, through the Secretariat's Unified Budget Proposal for 2020, on efforts to strengthen governance and access to justice. Also the Audit Committee has highlighted the risks to the Organization as a consequence of the continued underfunding of the organization. However, the risk mitigating measures put forward as part of the 2020 Unified Budget Proposal may not fully materialize, subject to the conclusion of the ongoing discussions among the participating states on the approval of the 2020 Unified Budget.

Knowledge management challenges

Internal controls rely first and foremost on the competency, capacity and continuity of a professional staff. High staff turnover, increases of the vacancy rate, underfunding of staff costs to meet financial targets, difficulties in attracting top talent and filling seconded 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.

Impact of political environment on management

The OSCE operates in a political environment characterized by tensions and conflict between OSCE participating States. At times, this situation has a negative spillover on the governance of the OSCE through a politicization of management-related decisions. While the Secretariat continues to adapt draft decisions to address voiced concerns, resulting delays have had a significant impact on being able to effectively respond to identified weaknesses and has led to additional risks for the organization.

Change of field operation mandates or closure of mission

The mandates of most field operations are subject to periodic renewal (annual or more frequent, depending on the mission) by the Permanent Council. It is therefore possible that a mandate is not renewed on 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 it is not possible to reach consensus on extension and the field operation 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 officials assigned to them, due to lack of clarity as to the continuing validity of the bilateral agreement or MoU. The short four-month mandate of the Observation Mission at two Russian Checkpoints Gukovo and Donetsk, and regularly late extensions also impose additional legal and administrative burdens and costs on the Mission and its staff.

While I do not anticipate further imminent changes of this sort, it remains a substantial risk given the consensus basis of field operation mandates.

Security Environment of the Special Monitoring Mission to Ukraine

The unpredictable and volatile environment in which the Special Monitoring Mission (SMM) to Ukraine continues to operate was underlined by the 23 April 2017 incident in which an SMM armoured vehicle hit, what was later determined to be an anti-tank mine, resulting in the death of a Mission paramedic and injuring two Mission patrol members. Building on the previous risk mitigation measures and recommendations resulting from of an internal investigation by the Office of Internal Oversight, an independent forensic investigation into the 23 April incident, and a Security System Review led by the Office of the Secretary General/Security Management, the SMM in conjunction with the OSG Security Management team developed a new Framework of Security and several SOP's (task force documents) in order to enhance security and improve risk management of the mission. Throughout 2018 and 2019, the task-force has been overseeing the implementation of and compliance with the documents with a number of verification visits throughout the SMM mission area. Additionally, OSG/Security Management has developed a new system of enhancing operational decision-making through a more effective security risk assessment methodology. This new methodology was specifically developed for the SMM and is fully applied throughout the mission.

Additional risks continue to exist, including; weapons being fired in close proximity to monitors or monitors being caught in exchanges of fire; mines, unexploded ordnance and other explosive remnants of war; and road accidents. Threats include antagonistic behaviour towards monitors and other mission members, the direct targeting of mission assets (e.g., unmanned aerial vehicles, cameras), and challenges and potential liabilities relating to securing SMM accommodation in conflict areas. Following withdrawal of the Russian Federation from the Joint Centre for Control and Co-ordination in Ukraine (JCCC) in December 2017, the SMM has put procedures in place to continue to operate on both sides of the contact line while maintaining security guaranties from both sides.

Information Security

In recent years, the OSCE has faced a series of major information security incidents, putting at risk the confidentiality, integrity and availability of OSCE ICT systems and information. In spite of recent strengthening measures, the current ICT infrastructure remains vulnerable to cyber security attacks and there is still a risk of similar ongoing incidents occurring again. The ICT and Information Security budget and available human resources of the OSCE is well below the relevant averages, impairing the level and scope of information security controls that the Organization is able to provide. There is a limited oversight of the information security posture OSCE-wide, resulting in reduced enforcement of policies and standards across all executive structures.

To mitigate these risks, DMF is 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. Other key measures are still under development, including implementation of an OSCE-wide information security management system, enhancement of the second line of defense activities, the replacement of the compromised and vulnerable infrastructure (started in 2019 following funding approval by the pS) and the implementation of an OSCE-wide incident detection system (implementation phase started in 2019).

Significant matters to report in 2019

The Significant Matters from 2018 affecting the integrity of the control environment of the OSCE continued to exist in 2019. Below is the summary of the issues and progress made last year.

The Legal Framework of the OSCE

The lack of a uniform set of privileges and immunities within the Organization continues to trigger legal, financial and compliance risks for the OSCE.

- The Organization relies on bilateral arrangements with, or national legislation of participating States to serve as the legal basis for the legal capacity of the field operations and the privileges and immunities of the field operations and the OSCE officials assigned to them. This results in a lack of uniformity and certainty regarding the existence, scope and level of such privileges and immunities. This fragmented structure also carries with it the added risk that a participating State may unilaterally cease to recognize the bilateral arrangement or terminate it. Similarly, in those participating States where the OSCE is carrying 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 recognition and protection, the Organization's ability to carry-out basic operational functions can be impaired.
- The issue of local staff income tax continues to be of concern. It is addressed by the Local Staff Income Tax Task Force in the Secretariat in liaison 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 and the Office of Legal Affairs, I continue to raise this issue with taxing States at the highest levels.

Scales of Contribution

The participating States failed to reach consensus on the proposal for a systematic reform of scales of contribution, while the interim solution 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, in line with the authorities granted to me by the Permanent Council in its decisions and in the Financial Regulations, as comprehensively outlined in the legal opinion prepared by the Office of Legal Affairs and presented to the ACMF on 19 January 2018.

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 of qualified candidates, in particular female candidates, by participating States for seconded posts, remain a challenge to the OSCE's efficiency and ability to deliver on its commitments. To enhance the effectiveness of the staffing framework and strengthen the integrity of the internal control framework, proposals to both adopt a modified tenure policy (which foresees the preservation of the non-career nature of the OSCE's employment policy), and to enhance the secondment system, have been developed under the "Fit For Purpose" reform agenda. Enhancement of the secondment system has also been one of the items addressed by the ACMF Group of Experts and Friends. In 2019, there was still no consensus to take initial steps for a secondment reform.

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. Measures described elsewhere in this Statement were implemented to address the internal control issues identified in 2018, within the limitations of available resources. As a priority, we will continue to work on other initiatives in the future 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 2019.


Thomas Greminger
OSCE Secretary General

Appendix

OSCE Provident Fund Summary Statement
Unaudited - For Information Purposes Only

For the Year Ended 31 December 2019

| | 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 2019 | 76,985 | 99,108 | 6,402 | 6,756 | 14 | 676 | 28 | 1,606 | 78 | 1,181 | |
| Contributions/Premium Allocation | 11,875 | 15,288 | 779 | 824 | 1 | 38 | 3 | 166 | 13 | 224 | |
| Unit Adjustments | - | - | - | - | - | - | - | - | - | - | |
| Surrenders | (5,984) | (7,704) | (702) | (742) | - | - | (3) | (167) | (17) | (306) | |
| Withdrawals | (1,403) | (1,806) | (70) | (74) | (0) | (27) | (1) | (103) | (2) | (38) | |
| Switch Out | (9) | (12) | - | - | - | - | - | - | (0) | (7) | |
| Switch In | 6 | 7 | - | - | 0 | 12 | - | - | - | - | |
| Transfer Out | - | - | - | - | - | - | - | - | - | - | |
| Transfer In | - | - | - | - | - | - | - | - | - | - | |
| Fees (Administration Fee and Establishment Charge) | - | - | - | - | - | - | - | - | - | - | |
| Total movements during year | 4,485 | 5,774 | 7 | 8 | 0 | 22 | (2) | (105) | (7) | (127) | |
| Guaranteed Interest on Opening Balance | - | 10 | 37 | 34 | - | - | - | - | - | - | |
| Guaranteed Interest on units accumulated during year | - | 0 | - | (0) | - | - | - | - | - | - | |
| Deposit Administration Bonus Units (additional interest) | 217 | 280 | 35 | 37 | - | - | - | - | - | - | |
| Market Value Adjustment | - | (0) | (37) | (0) | - | 224 | - | 470 | - | 319 | |
| Closing Balance as at 31 December 2019 | 81,687 | 105,171 | 6,444 | 6,834 | 14 | 922 | 27 | 1,971 | 71 | 1,372 | 115,469 |