

2022

OSCE

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

osce

Organization for Security and  
Co-operation in Europe

# CONTENTS

Letter of Transmittal to the Chairperson of the Permanent Council of the OSCE from the Secretary General .....	2
Letter of Transmittal to the First President of the Court of Auditors from the Secretary General .....	4
Financial Report of the Secretary General .....	6
Statement of the Responsibilities of the Secretary General and Conformity of the Financial Statements.....	19
<b>I AUDITED FINANCIAL STATEMENTS .....</b>	<b>20</b>
Letter from the External Auditor to the Secretary General .....	21
Audit Opinion .....	22
STATEMENT I: Statement of Financial Position .....	25
STATEMENT II: Statement of Financial Performance.....	26
STATEMENT III: Statement of Changes in Net Assets .....	27
STATEMENT IV: Cash Flow Statement .....	28
STATEMENT V: Statement of Comparison of Budget and Actual Amounts.....	29
<b>Notes to the Financial Statements .....</b>	<b>30</b>
Note 1: Reporting Structure.....	33
Note 2: Significant Accounting Policies .....	34
Note 3: Assets .....	40
Note 4: Liabilities .....	47
Note 5: Reserves.....	51
Note 6: Revenue .....	52
Note 7: Expenses .....	54
Note 8: Foreign Exchange Gains/(Losses).....	58
Note 9: Reconciliations of Budgets to Financial Statements .....	58
Note 10: Other Disclosures .....	60
<b>II ANNEXES TO THE FINANCIAL STATEMENTS .....</b>	<b>64</b>
<b>ANNEX 1 – SEGMENTAL REPORTING BY FUND .....</b>	<b>65</b>
Fund Accounting and Segment Reporting .....	66
1: Financial Position - Summary by Source of Funds.....	69
2: Financial Performance - Summary by Source of Funds .....	70
3: Cash Flow - Summary by Source of Funds.....	71
A.1: Financial Position - Secretariat and Institutions.....	72
A.2: Financial Performance - Secretariat and Institutions .....	73
B.1: Financial Position - Field Operations by Region.....	74
B.2: Financial Performance - Field Operations by Region .....	75
C.1: Financial Position - South-Eastern Europe.....	76
C.2: Financial Performance - South-Eastern Europe .....	77
D.1: Financial Position - Eastern Europe .....	78
D.2: Financial Performance - Eastern Europe .....	79
E.1: Financial Position - Caucasus .....	80
E.2: Financial Performance - Caucasus .....	81
F.1: Financial Position - Central Asia.....	82
F.2: Financial Performance - Central Asia.....	83
G.1: Financial Position - Special Purpose Funds .....	84
G.2: Financial Performance - Special Purpose Funds .....	85
H.1: Financial Position - Extra-Budgetary Funds .....	86
H.2: Financial Performance - Extra-Budgetary Funds.....	87
J.1. Financial Position - Special Monitoring Mission to Ukraine - consolidated .....	88
J.2. Financial Performance - Special Monitoring Mission to Ukraine - consolidated .....	89
K. Expenditure - Extra-budgetary by Executive Structure.....	90

<b>ANNEX 2 – YEAR-END EXPENDITURE REPORT AND STAFFING OVERVIEW ....</b>	<b>91</b>
Year-end Expenditure Report .....	92
Staffing Overview - Budget and Actual Staff Positions, Post Table.....	101
<b>ANNEX 3 – STATEMENT ON INTERNAL CONTROL .....</b>	<b>102</b>
Statement on Internal Control for 2022 .....	103
<b>ANNEX 4 – REPORT OF THE EXTERNAL AUDITOR .....</b>	<b>114</b>
Report of the External Auditor on the Financial Statements of the Organization for Security and Co-operation in Europe for the year ended 31 December 2022.....	115
<b>APPENDIX – OSCE PROVIDENT FUND STATEMENT .....</b>	<b>143</b>
OSCE Provident Fund Summary Statement.....	144

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

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



Organization for Security and Co-operation in Europe  
The Secretariat

14 July 2023

Sir,

Pursuant to Financial Regulation 7.04, I have the honour to submit the Financial Report and Financial Statements of the Organization for Security and Co-operation in Europe for the year ended 31 December 2022 and the Report of the External Auditor thereon for your consideration and approval.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'H. Schmid', written in a cursive style.

Helga Maria Schmid  
Secretary General

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

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



Organization for Security and Co-operation in Europe  
The Secretariat

31 March 2023

Sir,

Pursuant to Financial Regulation 7.04, I have the honour to submit the draft Financial Statements of the Organization for Security and Co-operation in Europe for the year ended 31 December 2022.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'H. Schmid', is written over a faint, circular watermark of the OSCE logo.

Helga Maria Schmid  
Secretary General

**M. Pierre Moscovici**  
**Premier President de la Cour des Comptes**

**13 rue Cambon**  
**75100 Paris**  
**FRANCE**

# Financial Report of the Secretary General



# Financial Report of the Secretary General for the year ended 31 December 2022

## INTRODUCTION

1. The Secretary General of the Organization for Security and Co-operation in Europe hereby submits the Financial Report, the Financial Statements, and the Report of the External Auditor, with his opinion, for the year ended 31 December 2022, 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 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 co-operating 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. 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. This report focuses on the financial position and performance of the OSCE, its expenditure against all provisional expenditure authorizations issued in 2022, in line with FR 3.04 and relevant PC decisions, and the closure of the Special Monitoring Mission to Ukraine.
5. An organisational chart of OSCE Structures and Institutions as at 31 December 2022 is included as Annex 1 to the Financial Report.

## SUMMARY OF THE YEAR 2022

6. There were three major factors influencing the financial performance of the OSCE during the year 2022. The most significant of these was the closure of two executive structures in Ukraine: the Special Monitoring Mission to Ukraine (SMM), which accounted for approximately 53% of the Organisation's total net assets as at 31 December 2021 and 41% of total expenses during the 2021 financial year, and the closure of the Project Co-ordinator in Ukraine (PCU), as there was no consensus on the extension of their mandates. The second major factor was the lack of consensus to agree the 2022 Unified Budget, which adversely affected both programmatic activity and the efficiency of resource utilisation. In consequence of this, Financial Regulation 3.04 was applied throughout 2022 and an allotment of 25% of the 2021 budget was made to cover the first three months of the year, followed by monthly allotments for the remainder of the year and an additional expenditure authorization approved by the Permanent Council Decision 1455 dated 8 December 2022 (PC.DEC/1455). Finally, the impacts of the COVID-19 pandemic continued to abate over the course of the year. The variances caused by these factors make simple year-on-year comparisons between 2022 and 2021 difficult and potentially misleading; therefore, the analysis in this report is based on a four year window from 2019, the last full year before the COVID-

19 pandemic, to illustrate the impacts of both the pandemic and the closure of the two missions in Ukraine.

7. The consolidated surplus rose by 15.9 million Euros to 27.9 million, this is no cause for concern: International Organisations are expected to be broadly in balance over time and fluctuations in operating surplus and deficit are entirely normal. The overall financial position remains sound, with significant liquid assets in the form of cash and short-term investments.

## CLOSURE OF OSCE MISSIONS IN UKRAINE

8. As noted above, both SMM and the PCU ceased programmatic activities when consensus could not be reached on mandate extensions during 2022, the former on 31 March and the latter on 30 June. Administrative closure of both was completed on 31 October. However, efforts to complete residual activities are ongoing, including for disposal of surplus assets and liquidation of outstanding liabilities: it is probable that financial transactions will continue to be booked well into 2023 and possibly into 2024. For this reason, it is not yet possible to finalise the cash surplus/deficit position for SMM.
9. Due to the violence and instability on the ground in Ukraine resulting from the war, a significant number of assets are no longer in the possession of the OSCE due to destruction, loss, or theft, and a further number cannot be accounted for and are presumed lost. Where possible, available assets were transferred to other OSCE Executive Structures, sold or donated in accordance with applicable rules. Assets still owned by the OSCE, but for which no future use can be found, are held on the balance sheet at zero value. In addition, SMM was the only part of the Organization to hold a material amount of inventory, which is now either lost, disposed of, or unlikely to deliver future economic potential, as a result of which the value of inventory held has reduced by EUR 1.1 million as compared with 31 December 2021. Consequently, the Financial Statements for 2022 contain significant write-downs, write-offs, and financial impairments, and the total value of non-current assets has reduced by EUR 6.4 million to EUR 2.6 million across the two missions, consisting mostly of vehicles held for sale.
10. Liability balances have also reduced significantly, by EUR 19.3 million, due in part to separation of a number of mission members who had long-term and/or short-term entitlements (repatriation in the former case, and Home and Annual Leave and Rest and Recuperation in the latter). However, liabilities remain to both former suppliers who have not yet presented invoices and to some mission members in respect of evacuation and loss of personal effects. The greatest single contributor to the reduction is expenditure of EUR 11.3 million against SMM revenue from voluntary contributions brought forward from 2021 into the final quarter of the 2021-22 mandate.
11. The closure of the two missions has resulted in a net reduction in expenditure of EUR 73.1 million, which manifests particularly in staff costs. The estimated value of seconded personnel has reduced significantly between 2021 and 2022 due to the cessation of operational activity by the SMM on 31<sup>st</sup> March 2022, after which no contributions in kind are recognised in relation to secondees to that Mission. This affects both reported staff costs and revenue from contributions in kind in the amount of EUR 33.9 million.
12. Total revenue recognised for SMM is also reduced by EUR 61.2 million as compared to 2021, partly due to the reduction in contributions in kind, but also due to the fact that assessed contribution revenue after 31 March is recognised only up to the 50% of the prior mandate assessments that was actually billed to participating States, and to the cessation of voluntary contributions.

## FINANCIAL STATEMENTS TREND ANALYSIS

13. Due to the factors outlined above, direct comparisons of financial information between years is difficult and the drivers of the differences are not always clear. For this reason, variances between years should be treated with caution. Key financial information is presented in the table below and analysed beneath.

<b>STATEMENT OF FINANCIAL POSITION</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>EUR'000</b>				
Cash, bank and investments	109,065	134,744	133,347	159,910
Contributions receivable	16,897	18,861	29,129	37,205
Other current assets	11,946	11,167	12,708	11,983
<b>CURRENT ASSETS</b>	<b>137,908</b>	<b>164,772</b>	<b>175,183</b>	<b>209,097</b>
Non-current assets	15,974	17,823	20,110	13,783
<b>TOTAL ASSETS</b>	<b>153,882</b>	<b>182,594</b>	<b>195,293</b>	<b>222,880</b>
<b>CURRENT LIABILITIES</b>	<b>112,545</b>	<b>130,007</b>	<b>141,825</b>	<b>145,704</b>
<b>NON-CURRENT LIABILITIES</b>	<b>6,458</b>	<b>3,434</b>	<b>3,544</b>	<b>3,737</b>
<b>TOTAL LIABILITIES</b>	<b>119,003</b>	<b>133,441</b>	<b>145,369</b>	<b>149,441</b>
<b>TOTAL NET ASSETS</b>	<b>34,879</b>	<b>49,154</b>	<b>49,924</b>	<b>73,440</b>
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>				
<b>EUR'000</b>				
Assessed Contributions	213,201	227,218	229,570	206,691
Extra-budgetary contributions	43,344	30,512	34,899	41,340
Contributions in kind	81,685	72,042	75,491	43,081
Other revenue	10,845	5,734	3,276	3,630
<b>TOTAL REVENUE</b>	<b>349,075</b>	<b>335,506</b>	<b>343,236</b>	<b>294,743</b>
Staff costs	220,409	214,820	217,674	163,604
Consultancy and sub-contracting	34,851	31,196	35,235	25,458
Travel	24,722	7,988	11,794	17,654
Services and office costs	41,538	32,130	38,238	34,543
Other expenses	34,552	32,020	29,601	28,302
<b>TOTAL EXPENSES</b>	<b>356,072</b>	<b>318,153</b>	<b>332,542</b>	<b>269,561</b>
Gains/(Losses)	(390)	(1,875)	1,310	2,748
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>(7,387)</b>	<b>15,478</b>	<b>12,003</b>	<b>27,930</b>

### Assets

14. The cash position of the Organization remains sound, with current assets at 1.44 times the current liabilities and total assets at 1.49 times total liabilities. The quick ratio, which is the generally accepted measure of liquidity, and which should ideally stand at above 1, is 1.39 (investments are included in the calculation because none exceeded six months as at 31 December 2022). All three ratios show a positive position, with assets exceeding liabilities. The tables below illustrate these ratios over the course of the past four years, demonstrating that the Organization maintains good liquidity.

<b>Current Assets to current liabilities (EUR'000)</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Current assets	137,908	164,772	175,183	209,097
Current liabilities	112,545	130,007	141,825	145,704
<b>Ratio</b>	<b>1.23</b>	<b>1.27</b>	<b>1.24</b>	<b>1.44</b>

<b>Total Assets to total liabilities (EUR'000)</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Total assets	153,882	182,594	195,294	222,880
Total liabilities	116,225	133,441	145,369	149,441
<b>Ratio</b>	<b>1.32</b>	<b>1.37</b>	<b>1.34</b>	<b>1.49</b>

<b>Quick Ratio (EUR'000)</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Liquid assets	129,839	157,150	166,921	201,840
Current liabilities	112,545	130,007	141,825	145,704
<b>Ratio</b>	<b>1.15</b>	<b>1.21</b>	<b>1.18</b>	<b>1.39</b>

## Liabilities

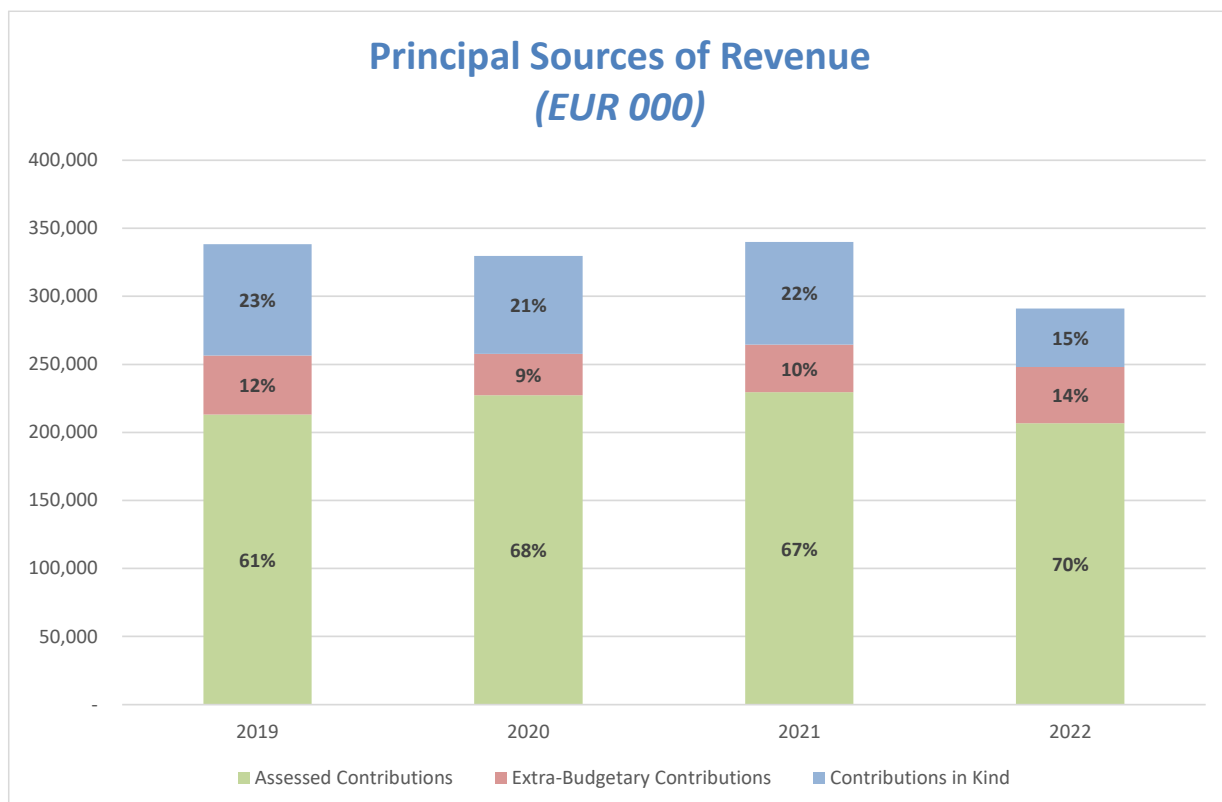
15. Non-current liabilities, which are relatively low at the OSCE compared to many International Organisations, are made up of liabilities for employee benefits that are expected to fall due after more than one year, specifically for the expected cost of repatriation. The principal reason they are low is that the OSCE does not offer After Service Health Insurance (ASHI), which is a significant liability for many International Organisations.
16. The principal movements in current liabilities relate to extra-budgetary contributions, both in revenue deferred, because it has not yet met the criteria for recognition, and in provisions for the return of unused pledges. COVID-19 had an impact in reducing programmatic activity during 2020 and 2021 with the result that pledges remained unused at their expiry and were awaiting return to donors at the end of the year.

## Revenue

17. Overall, total revenue of the OSCE decreased to EUR 294.7 million (2021, EUR 343.2 million), mainly due to decreases in revenue recognised in respect of SMM, where decreases have been recorded in assessed contributions (EUR 22.9 million), voluntary contributions (EUR 3.3 million) and contributions in kind (EUR 33.9 million). Revenue from Assessed Contributions for the Secretariat, Institutions and Field Offices remained stable at EUR 138.2 million in all four years<sup>1</sup>, due to Zero Nominal Growth budgets in 2020 and 2021 and the fact that Financial Regulation 3.04 had the same practical effect in 2022. Over the period from 2019 to 2022, this equates to a real-terms reduction of EUR 18.1 million or 13.1% when measured against Harmonised Index of Consumer Prices inflation across the European Union.

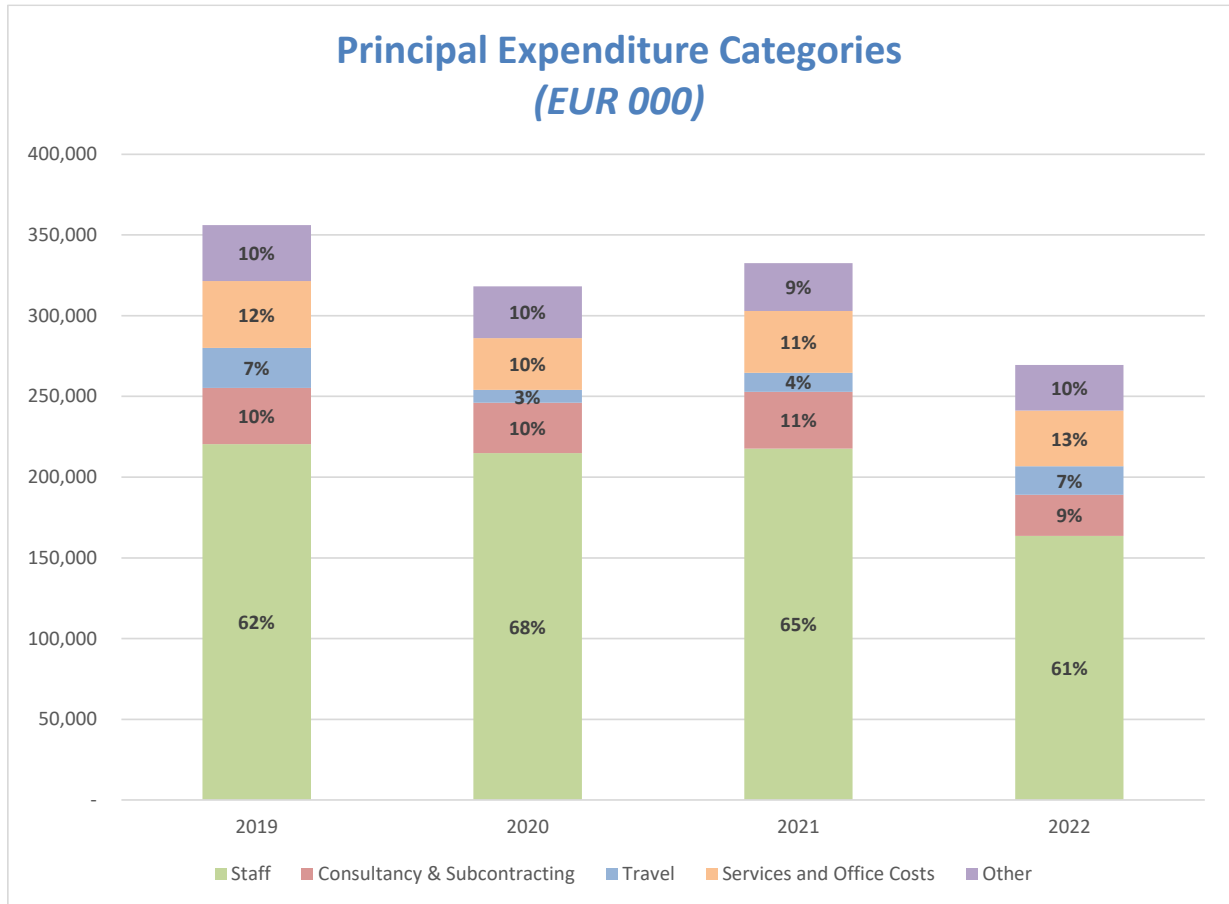
---

<sup>1</sup> The total approved UB for 2019 was EUR 139.0 million, of which EUR 138.2 was financed from Assessed Contributions and the remainder was made up of supplemental budgets funded from cash surpluses.



## Expenses

18. Staff costs remain the biggest category of OSCE expense. The progressive closure of SMM largely explains the reduction in total expense of 25%. Conversely, inflation-driven pay increases promulgated by the International Civil Service Commission (ICSC) have driven cost growth in each year. Staff seconded by participating States remained an important resource, especially in SMM, and these contributions had a total estimated value to the OSCE of EUR 37.0 million in 2022, significantly less than in previous years, again largely due to the closure of SMM. The reduction between 2019 and 2020 was caused by a refinement in the method of estimating the value of secondees, which had the effect of reducing reported costs.
19. While total staff costs remain broadly constant except for the effects of mission closures and the inflation mentioned above, travel costs tend to reflect levels of programmatic activity. The sharp decrease in 2020 and the upward trajectory thereafter are mostly due to the effects of the COVID-19 pandemic and recovery from it. Travel is also one area in which SMM did not trigger a significant cost reduction in 2022, due to the expenses associated with evacuation and repatriation travel of international staff.



### Surplus/Deficit

20. Since International Organizations are not generally operated to make profits, there is an expectation that surpluses and deficits will broadly balance over time as they are driven by timing differences between the recognition of revenue and the expenditure of funds. Consequently, fluctuations are not unusual and do not necessarily present any cause for concern. Due in large part to the reduction in expenditure caused by the COVID-19 pandemic, the years 2020 and 2021 show relatively large operating surpluses in the Unified Budget, in particular 2020 when the pandemic first struck. Special Purpose Funds are dominated by SMM, which accounts for the majority (EUR 19.9 million) of the 2022 surplus and much of this is expected to manifest as cash surplus when final assets and liabilities have been liquidated. ExB projects show a run of surpluses and deficits, in line with the expectation that revenue and expenditure will balance over time.

EUR'000	2019	2020	2021	2022
Unified Budget	758	10,112	3,117	5,336
Special Purpose Funds	(6,436)	5,836	8,319	19,097
Extra-budgetary funds	(1,709)	(470)	567	3,497
<b>Total Surplus/(Deficit) for the period</b>	<b>(7,387)</b>	<b>15,478</b>	<b>12,003</b>	<b>27,930</b>

21. The cash surplus/deficit differs from operating surplus/deficit shown above for three reasons:
- (i) It relates only to those Executive Structures that make up the Unified Budget;
  - (ii) The budget and IPSAS definitions of both revenue and expenditure differ and adjustments are necessary to reconcile the two; and
  - (iii) An adjustment is made for net Assessed Contributions received by adding the amount outstanding as at 1 January and deducting the amount as at 31 December of the year in question.
22. The cash surplus for 2022 shows a substantial decrease compared to 2021, in contrast to the EUR 27.9 million overall operating surplus, which is EUR 15.9 million greater than in 2021. The principal cause of this reduction is a marked increase in the level of unpaid contributions. As a proportion of the total Assessed Contributions, it is low, reflecting the tautness of the budgets under which the OSCE operates. Indeed, once the effects of net Assessed Contributions received, which are made up of payments of arrears by participating States, are stripped out, the underlying cash surplus falls to under 2% in each year.

EUR'000	2019	2020	2021	2022
Budget Surplus/(Deficit) for the period	758	10,112	3,117	3,931
IPSAS adjustments	1,626	(7,506)	(540)	427
Net Assessed Contributions received	394	1,434	1,250	(4,338)
<b>Cash surplus<sup>2</sup></b>	<b>2,778</b>	<b>4,040</b>	<b>3,827</b>	<b>19</b>
Final Unified Budget/Provisional Expenditure Authorizations	139,017	138,204	138,204	139,117
<b>Cash Surplus percentage of UB</b>	<b>2.0%</b>	<b>2.9%</b>	<b>2.8%</b>	<b>0.0%</b>

## SEGMENTAL BREAKDOWN

23. The OSCE had three principal revenue streams during 2022: Assessed Contributions for the Secretariat, Institutions and Field Missions; Assessed and Voluntary Contributions to SMM; and projects financed through Extra-Budgetary (ExB) contributions accepted under the terms of Article IX of the Financial Regulations. The Permanent Council has established other Special Purpose and ExB Funds to meet various objectives. The Permanent Council approved SMM's budget to be funded by a combination of assessments on all participating States and voluntary contributions until 31 March 2022 and closure activities were funded by contributions assessed by application mutatis mutandis of Financial Regulations 3.04 and 4.04. These two elements are disclosed separately in the segmental analysis annexed to the financial statements (as parts of Special Purpose and ExB Funds respectively), but are combined in the following table, which shows the principal elements of the financial statements pertinent to each part of the OSCE's budgetary structure. A more detailed analysis of SMM's financial position and performance can be found in section J of Annex 1 to the Financial Statements.

<sup>2</sup> The cash surplus relates purely to those Executive Structures that form the Unified Budget. The cash surplus recorded in the 2022 Financial Statements includes an additional amount of EUR 198 thousand relating to the Border Observer Mission, which was closed in October 2021.

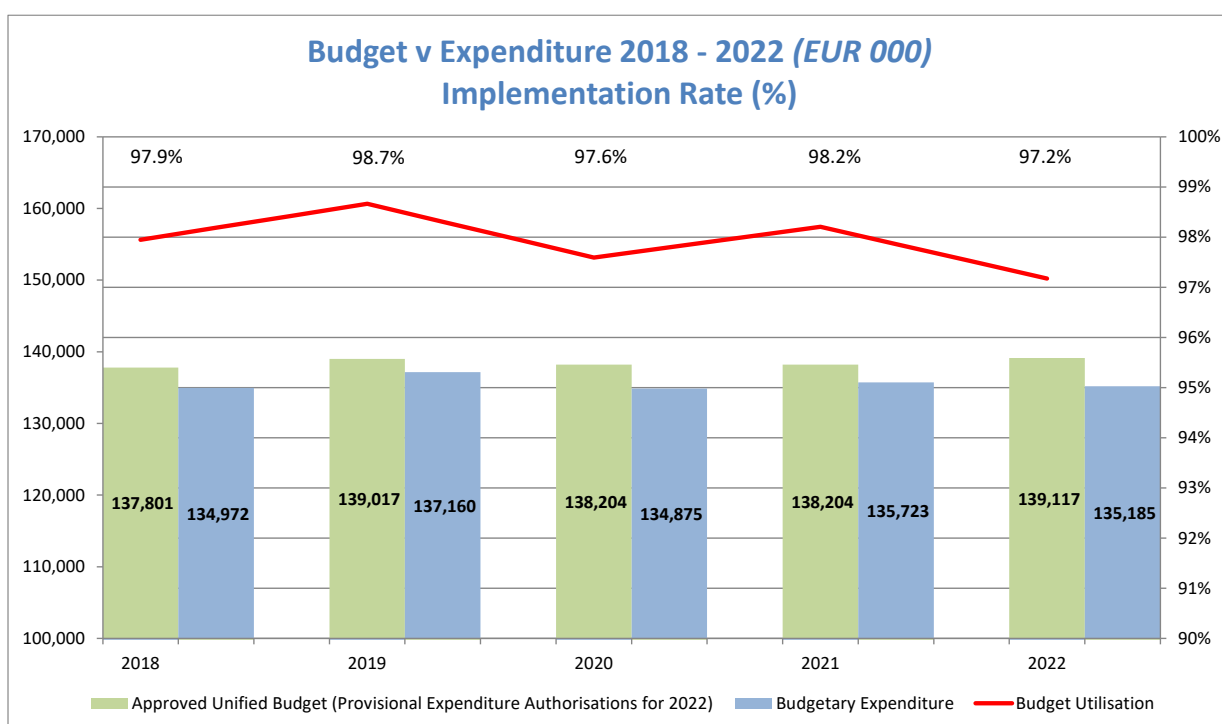
<b>STATEMENT OF FINANCIAL POSITION EUR'000</b>	<b>UB</b>	<b>SMM</b>	<b>Other SP</b>	<b>ExB</b>	<b>Total</b>
Current Assets	44,538	45,644	2,191	116,725	209,097
Non-current Assets	9,590	2,569	192	1,432	13,783
<b>TOTAL ASSETS</b>	<b>54,128</b>	<b>48,214</b>	<b>2,383</b>	<b>118,156</b>	<b>222,880</b>
Current Liabilities	31,830	1,833	33	112,007	145,704
Non-current Liabilities	3,547	2	0	188	3,737
<b>TOTAL LIABILITIES</b>	<b>35,377</b>	<b>1,836</b>	<b>33</b>	<b>112,195</b>	<b>149,441</b>
<b>TOTAL NET ASSETS</b>	<b>18,751</b>	<b>46,378</b>	<b>2,349</b>	<b>5,962</b>	<b>73,440</b>
<b>STATEMENT OF FINANCIAL PERFORMANCE EUR'000</b>					
Revenue	173,465	84,733	(51)	36,596	294,743
Expenses	168,470	65,199	741	35,152	269,561
Foreign Exchange Gains/(Losses)	341	(56)	0	2,464	2,748
<b>SURPLUS/(DEFECIT) FOR THE YEAR</b>	<b>5,336</b>	<b>19,478</b>	<b>(792)</b>	<b>3,908</b>	<b>27,930</b>

## 2022 PROVISIONAL RESOURCE UTILISATION

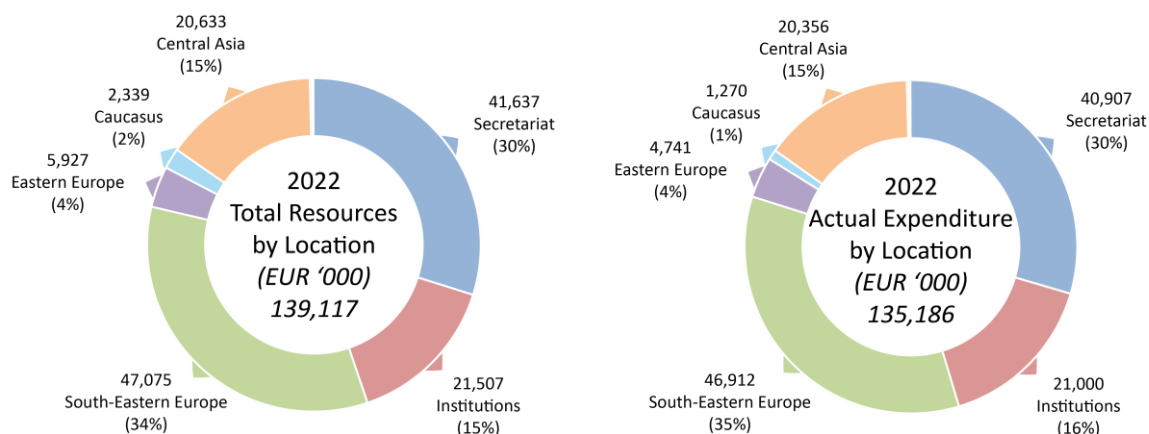
24. Expenditure for 2022 is presented on a modified cash basis, which records expenses when they are incurred or binding commitments made, whereas expense in the Statement of Financial Performance is recognised as goods or services are delivered in accordance with the accruals basis of IPSAS. The Statement of Comparison of Budget and Actual Amounts (Statement V) compares amounts on the budgetary basis and Note 9 provides detailed reconciliations between the two. In addition, the two accounting frameworks use different systems of cost classification to reflect the differing needs of the users. The following section of the report considers the budgetary performance on the budgetary basis, as distinct from the IPSAS basis discussed in the foregoing sections.
25. The Permanent Council was unable to find consensus on any of the Unified Budget Proposals tabled by the Chairperson and consequently there is no approved budget for 2022. Financial Regulation 3.04 provides that, in these circumstances, the Secretary General and Heads of Institution are authorized to incur obligations and make payments until 31 March of the current financial year up to the level of 25 per cent of the previous Budget, and thereafter, on a monthly basis up to 1/12<sup>th</sup> of the previous Budget until the new Budget is adopted. Since no new Budget was approved during the year, the Organization operated under Provisional Expenditure Authorizations throughout 2022 at the level of the approved 2021 Unified Budget (EUR 138 million, PC.DEC/1413 dated 18 August 2021), until PC.DEC/1455 dated 8 December 2022 approved an Additional Provisional Expenditure Authorization of EUR 913 thousand, funded from the 2020 cash surplus.
26. The 2022 RUR represents an assessment of the extent to which the resources available in 2022 under the total provisional expenditure authorization have been used to report on progress towards outcomes. Furthermore, this report provides information on financial utilization, comparing actual expenditure to resources as at the end of 2022, as well as the post table utilization. The financial utilization rates throughout the RUR are calculated by reference to the original provisional expenditure authorization made available at the level of 2021 UB in line with Financial Regulation 3.04. Detailed information by executive structure, main programme and programme is provided below.
27. Due to the lack of an approved budget for 2022, the Organization was operating under the provisional expenditure authorization in accordance with Financial Regulation 3.04 for the entire year. The provisional expenditure authorization made available in line with Financial Regulation 3.04 amounted to EUR 138 million (at the level of the 2021 approved UB as per PC.DEC/1413 dated 18 August 2021). In order for the Organization to meet its financial obligations in 2022, in December 2022 the Permanent Council approved the additional provisional expenditure authorization in the amount of EUR 913 thousand (PC.DEC/1455 dated 8 December 2022), funded from the available cash surplus.



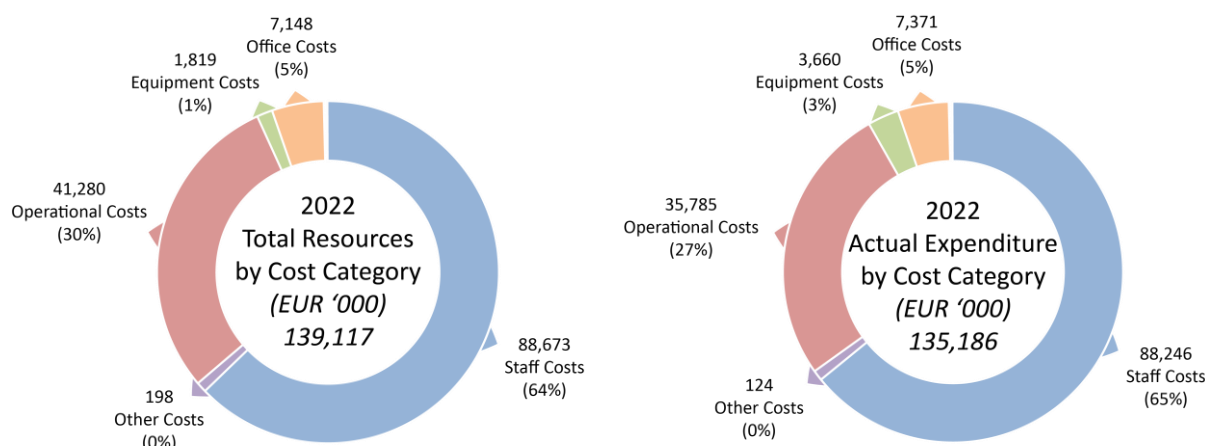
28. The absence of a consensus among participating States regarding the approval of the 2022 Unified Budget hampered the OSCE's ability to commit resources in a planned manner, posed serious challenges to the Organization's ability to fund the activities and its contractual obligations and staff salaries, led to a real loss of purchasing power given the unprecedented level of inflation across whole OSCE area, and prevented the Organization from achieving efficiencies. The lack of budget approval is further damaging the reputation of the OSCE and rendering the Organization as less reliable in terms of delivery of the programmatic activities or a less attractive contracting partner, thus leading to a loss of credibility, trust and legitimacy.
29. In the last 5 years, the average UB utilization remained at the level of 98% despite the challenges highlighted above. The 2022 overall financial utilization rate of 97.2% is slightly lower than in previous years given the difficulties faced by the executive structures to operate under provisional expenditure authorization throughout the entire year as well as the closure of the Project Co-ordinator in Ukraine. The achieved utilization rate is a reflection of the increased efforts by Programmes to sustain and adapt their operations to the monthly provisional allotments despite the lack of an approved budget and respond to the dire financial situation by reprioritizing their activities.



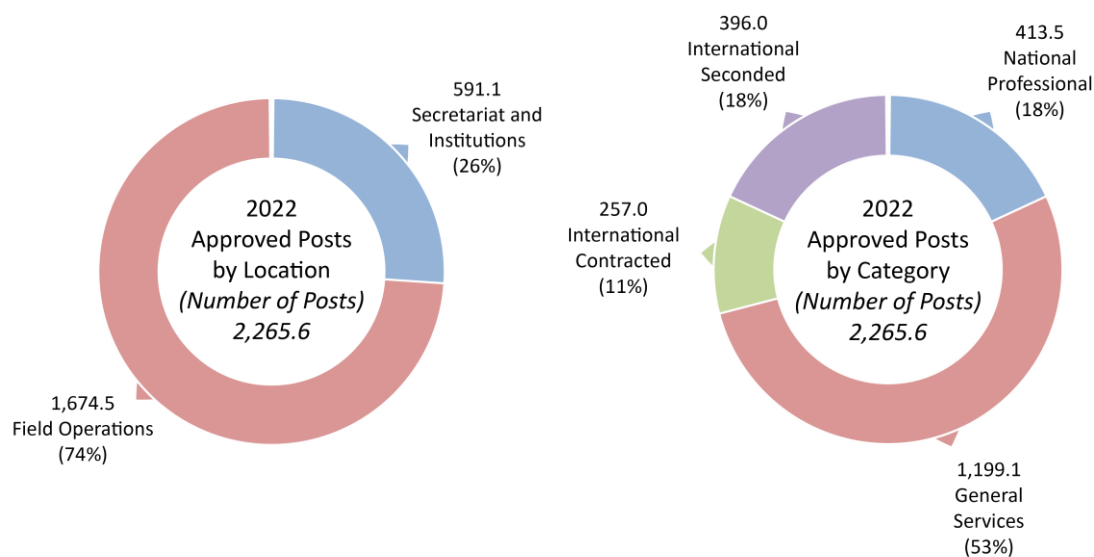
30. The 2022 total provisional expenditure authorization consists of EUR 63.1 million, or 45%, for the Secretariat and Institutions and EUR 75.8 million, or 55%, for Field Operations. The geographical distribution of resources made available under the total provisional expenditure authorization and the 2022 actual expenditure is shown below.



31. The distribution of the resources by main cost category indicates that the Staff Costs represent the largest category with 64% of the 2022 total provisional expenditure authorization, followed by the Operational Costs, the second largest, with a share of 30%. For 2022, the actual expenditure by main cost category reflects a proportion of 65% for Staff Costs and 35% for Non-Staff costs.



32. Due to the lack of an approved budget for 2022, the 2021 post table remained valid in 2022. The distribution of the approved posts in Figure 10 shows that 74% of all posts are located in Field Operations and the remaining 26% relate to the Secretariat and Institutions. From a staff category point of view, the post table shows the following breakdown: General Services – 53%, National Professional – 18%, International Seconded – 18% and International Contracted – 11%.

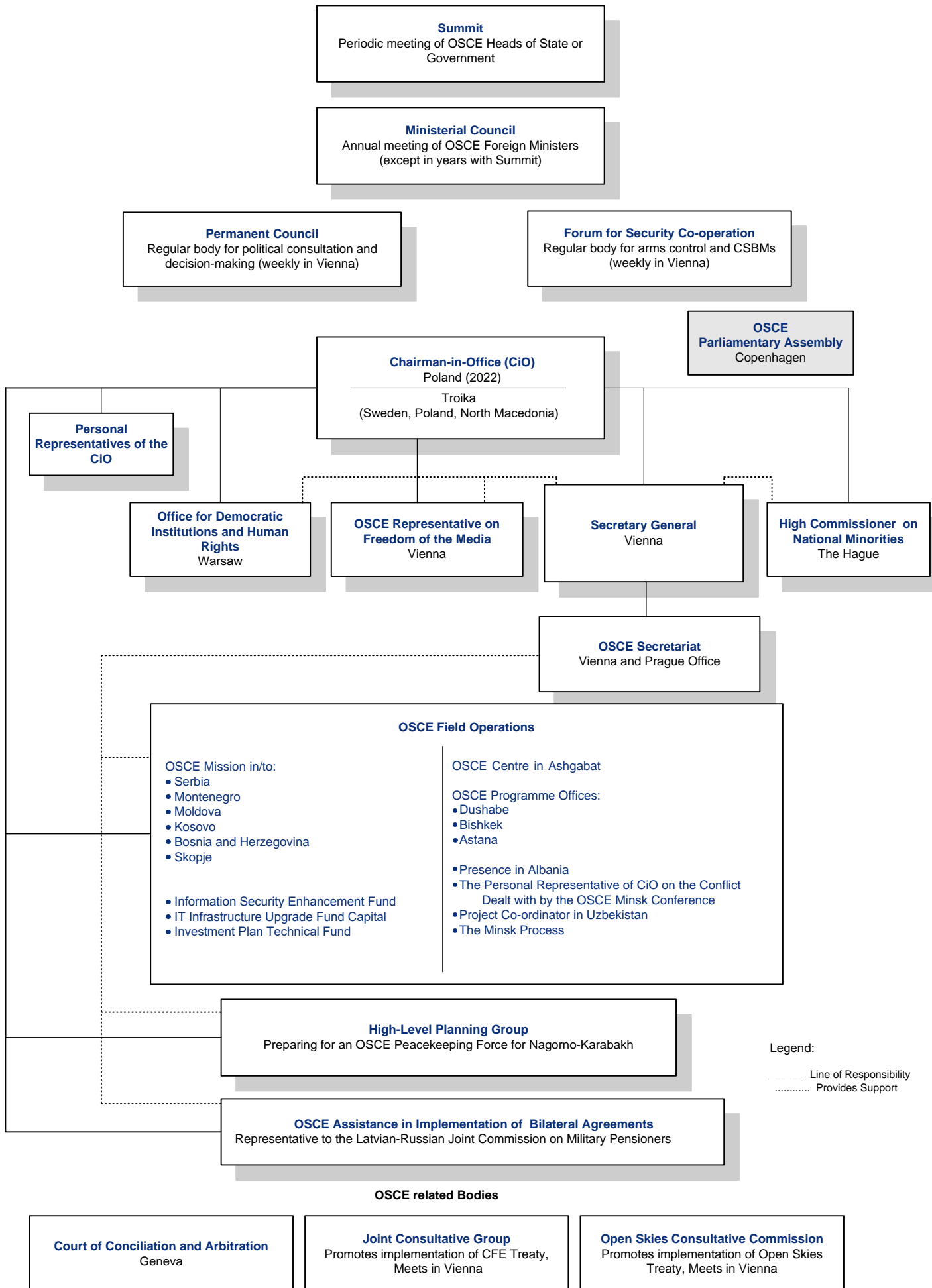


33. While staff costs continue to represent the largest share of expenditures, the lack of appropriate staffing to meet the Organization's critical needs hampers its ability to deliver its mandate. Due to the lack of an approved 2022 Unified Budget, the Organization's human resources, which remained tied to the 2021 UB approved post table, were stretched to the limit, including due to the closure of two field operations. Lack of a UB approval in 2022 meant that none of the proposed post table changes could be implemented in 2022. Taking into account the vacancy rate information per staff category, secondments – while being the most cost-effective category of staffing – continue to be the most challenging to recruit, resulting either in the inability to carry out planned activities or the requirement to hire more expensive temporary staff.

34. The OSCE continues to rely on the secondment system for a significant proportion of its post table (18% in 2022 as shown in Figure 11 or 61% of all international posts), and therefore the continuity of programmatic activities depends on the participating States' sustained support and commitment to actively second and retain qualified personnel. In 2022, a significant decrease in the quality of seconded applications has been observed with only 24% of applications long listed per vacancy notice, representing a decline of 48% compared to 2021. The lack of suitable candidates led to 13% of seconded vacancy notices to be re-advertised, while 40% were extended. The total share of re-advertised and extended seconded vacancies reached 53%, which represents an increase of 38% to the targeted level of 15% in 2021. This decrease in seconded nominations as well as the quality of applicants is another impediment to delivering on our mandates.

# OSCE Structures and Institutions

## As at 31 December 2022



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

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

## RESPONSIBILITIES OF THE SECRETARY GENERAL

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

## STATEMENT OF CONFORMITY


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



Helga Maria Schmid  
Secretary General



John Aguirre  
Acting Director of Management and Finance



Andrew Carine  
Chief of Accounts

30 June 2023

|

# AUDITED FINANCIAL STATEMENTS



**Le Premier président**

Paris, le 30 JUIN 2023

Madame la Secrétaire générale,

Conformément à la notification du 27 janvier 2023, je vous prie de bien vouloir trouver le rapport d'audit des états financiers de l'Organisation pour la sécurité et la coopération en Europe pour l'exercice 2022.

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

*f.d.c.-s*

*Pierre Moscovici*

**Pierre Moscovici**

**Madame Helga Marie Schmid**  
**Secrétaire générale**  
**Organisation pour la sécurité et la coopération en Europe**  
**Wallnerstrasse 6**  
**1010, Vienne**  
**Autriche**





**The First President**

Paris, 30 JUIN 2023

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

### **AUDIT OPINION**

#### **Opinion**

We have audited the Financial Statements of the Organization for Security and Co-operation in Europe (OSCE) for the 12 months period ended 31 December 2022. These Financial Statements include a Statement of Financial Position as at 31 December 2022, a Statement of Financial Performance, a Statement of Cash Flows, a Statement of Changes in Net Liabilities/Equity and a Statement of Comparison of Budget and Actual Amounts, and notes including a summary of the accounting policies and other information.

In our opinion, the financial statements present fairly the financial position of the Organization for Security and Co-operation in Europe as at 31 December 2022, as well as the financial performance, the cash flows and the changes in net liabilities/equity for the 12 months period ended 31 December 2022, in conformity with the International Public Sector Accounting Standards (IPSAS).

#### **Basis for Opinion**

We have conducted our audit in accordance with the International Standards on Auditing (ISA) and in accordance with Article 8 of the Financial Regulations of the Organization for Security and Co-operation in Europe. These standards require us to comply with the ethical rules and to plan and perform our audit in order to obtain a reasonable assurance that the financial statements are free from material misstatements. As required by the Charter of Ethics of the *Cour des comptes*, we guarantee the independence, the fairness, the neutrality, the integrity and the professional discretion of the auditors. Furthermore, we also fulfilled our other ethical obligations in compliance with the Code of Ethics of the International Organization of Supreme Audit Institutions (INTOSAI). The responsibilities of the External Auditor are more extensively described in the section "Auditor's Responsibilities for the Audit of the Financial Statements".

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

## **Management's responsibility for the Financial Statements**

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

The goal of the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, 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 a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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



**Pierre MOSCOVICI**

# Financial Statements

## I. Statement of Financial Position

### Total OSCE

As at 31 December 2022

EUR '000		TOTAL OSCE	
	Note	2022	2021
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	3.1	48,313	104,537
Investments	3.2	111,597	28,809
Contributions Receivable	3.3	37,205	29,129
Accounts Receivable	3.4	4,725	4,446
Prepayments	3.5	6,954	6,643
Inventory	3.6	291	1,609
Other Current Assets	3.7	12	11
		<b>209,097</b>	<b>175,183</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	3.8	9,764	15,966
Intangible Assets	3.9	3,999	4,125
Other Non-Current Assets	3.7	20	20
		<b>13,783</b>	<b>20,110</b>
<b>Total Assets</b>		<b>222,880</b>	<b>195,294</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	4.1	3,290	2,018
Accruals	4.2	7,180	11,310
Deferred Revenue	4.3	5,607	9,131
Conditional ExB Contributions	4.4	91,721	93,995
Funds Held for Third Parties	4.5	6,666	5,370
Employee Benefits Current	4.6	7,558	8,042
Cash Surplus Current	4.7	3,827	4,040
Provisions	4.8	17,250	7,089
Other Current Liabilities	4.9	2,605	832
		<b>145,704</b>	<b>141,825</b>
<b>Non-Current Liabilities</b>			
Employee Benefits Non-Current	4.6	3,737	3,544
Other Non-Current Liabilities	4.9	0	0
		<b>3,737</b>	<b>3,544</b>
<b>Total Liabilities</b>		<b>149,441</b>	<b>145,369</b>
<b>Net Assets</b>		<b>73,440</b>	<b>49,924</b>
<b>NET ASSETS/EQUITY</b>			
Cash Surplus	5.1	218	3,827
Cash Surplus Withheld	5.2	27	41
Revolving Fund	5.3	2,710	2,710
Contingency Fund	5.3	2,180	2,180
Other Reserves	5.4	(3,098)	(2,524)
Accumulated Surplus/(Deficit)	5.5	71,403	43,691
<b>Total Net Assets/Equity</b>		<b>73,440</b>	<b>49,924</b>

(Signed)

Helga Maria Schmid  
Secretary General  
30 June 2023

(Signed)

Andrew Carine  
Chief of Accounts

(Signed)

John Aguirre  
Acting Director Management and Finance

## II. Statement of Financial Performance

### Total OSCE

For the Year Ended 31 December 2022

EUR '000		TOTAL OSCE	
	Note	2022	2021
<b>REVENUE</b>			
Assessed Contributions	6.1	206,691	229,570
Extra-Budgetary Contributions	6.2	41,340	34,899
Finance Revenue	6.3	578	75
Contributions In-Kind	6.4	43,081	75,491
Revenue from Exchange Transactions	6.5	334	139
Other Revenue	6.6	2,718	3,062
<b>Total Revenue</b>		<b>294,743</b>	<b>343,236</b>
<b>EXPENSES</b>			
Staff Costs	7.1	163,604	217,674
Consultancy and Subcontracting	7.2	25,458	35,235
Travel Expenses	7.3	17,654	11,794
Services and Office Costs	7.4	34,543	38,238
Consumables and Supplies	7.5	6,104	7,449
Depreciation and Amortisation	7.6	9,238	6,758
Equipment Expenses	7.7	7,793	7,178
Other Operating Expenses	7.8	5,166	8,216
<b>Total Expenses</b>		<b>269,561</b>	<b>332,542</b>
<b>Foreign Exchange Gains/(Losses)</b>	8	2,748	1,310
<b>Surplus/(Deficit) for the Period</b>	9.1	<b>27,930</b>	<b>12,003</b>

*(Signed)*

Helga Maria Schmid  
Secretary General  
30 June 2023

*(Signed)*

Andrew Carine  
Chief of Accounts

*(Signed)*

John Aguirre  
Acting Director Management and Finance

### III. Statement of Changes in Net Assets

#### Total OSCE

For the Year Ended 31 December 2022

EUR '000	Note	Cash Surplus	Cash Surplus Withheld	Revolving Fund	Contingency Fund	Other Reserves	Accumulated Surplus/(Deficit)	Total Net Assets
<b>Balance as at 31 December 2021</b>		<b>3,827</b>	<b>41</b>	<b>2,710</b>	<b>2,180</b>	<b>(2,524)</b>	<b>43,691</b>	<b>49,924</b>
<b>Changes in Net Assets for 2022</b>								
Increase/(Decrease) in Cash Surplus Withheld	5.2		(14)					(14)
Allocation of Current Year Cash Surplus	4.7	(3,827)						(3,827)
Border Observer Mission Cash Surplus		198					(198)	0
Actuarial Gains/(Losses)	4.6					(573)		(573)
Surplus/(Deficit) for the Period	5.1, 9.1	19					27,911	27,930
<b>Balance as at 31 December 2022</b>		<b>218</b>	<b>27</b>	<b>2,710</b>	<b>2,180</b>	<b>(3,098)</b>	<b>71,403</b>	<b>73,440</b>

(Signed)

Helga Maria Schmid  
Secretary General  
30 June 2023

(Signed)

Andrew Carine  
Chief of Accounts

(Signed)

John Aguirre  
Acting Director Management and Finance

## IV. Cash Flow Statement

### Total OSCE

For the Year Ended 31 December 2022

EUR '000		TOTAL OSCE	
	Note	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Surplus/(Deficit) for the Period	9.1	27,930	12,003
<b>Non-Cash Movements</b>			
Deduction of Unrealized Foreign Exchange Gains/Losses on Cash and Cash Equivalents	8	(2,332)	(581)
Deduction of Depreciation, Amortisation and Impairments	7.6, 3.10	9,238	6,758
Deduction of Loss on Disposal of PP&E	6.5	265	239
Deduction of Non-Cash Changes in Net Assets	5.4	(573)	(323)
(Increase) / Decrease in Contributions Receivable	3.3	(8,076)	(10,268)
(Increase) / Decrease in Accounts Receivable	3.4	(280)	(901)
(Increase) / Decrease in Prepayments	3.5	(311)	(1,099)
(Increase) / Decrease in Inventory	3.6	1,318	428
(Increase) / Decrease in Other Current/Non-Current Assets	3.7	(2)	93
Increase / (Decrease) in Accounts Payable	4.1	1,272	(839)
Increase / (Decrease) in Accruals	4.2	(4,130)	2,410
Increase / (Decrease) in Deferred Revenue	4.3	(3,524)	180
Increase / (Decrease) in Conditional ExB Contributions	4.4	(2,273)	18,452
Increase / (Decrease) in Funds Held for Third Parties	4.5	1,297	(1,571)
Increase / (Decrease) in Employee Benefits	4.6	(291)	(549)
Increase / (Decrease) in Cash Surplus Payable	4.7	(213)	1,262
Increase / (Decrease) in Provisions	4.8	10,161	(7,216)
Increase / (Decrease) in Other Liabilities	4.9	1,773	(200)
<b>Net Cash Flows from Operating Activities</b>		<b>31,248</b>	<b>18,278</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Purchase) / Sale of Investments	3.2	(82,787)	14,876
(Addition) / Disposal of PP&E and Intangibles	3.8, 3.9	(3,176)	(9,346)
<b>Net Cash Flows from Investing Activities</b>		<b>(85,963)</b>	<b>5,530</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Credits for Cash Surplus Withheld	5.2	(14)	(27)
Allocation of Cash Surplus	4.7	(3,827)	(4,040)
Allocation of SMM Savings		0	(6,842)
Transfer between Funds		-	-
<b>Net Cash Flows from Financing Activities</b>		<b>(3,841)</b>	<b>(10,910)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	3.1	<b>(58,557)</b>	<b>12,898</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	3.1	<b>104,537</b>	<b>91,059</b>
<b>Foreign Exchange Gains/(Losses) on Cash and Cash Equivalents</b>	8	<b>2,332</b>	<b>581</b>
<b>Cash and Cash Equivalents at End of Period</b>		<b>48,313</b>	<b>104,537</b>

(Signed)

Helga Maria Schmid  
Secretary General  
30 June 2023

(Signed)

Andrew Carine  
Chief of Accounts

(Signed)

John Aguirre  
Acting Director Management and Finance

**V. Statement of Comparison of Budget and Actual Amounts**  
**Secretariat, Institutions and Field Operations**

For the Year Ended 31 December 2022

EUR '000	Note	2022 Provisional Expenditure Authorization (ER 3.04) <sup>1</sup>	Additional Provisional Expenditure Authorization (PC DEC/1455) <sup>2</sup>	Total Provisional Expenditure Authorizations <sup>3</sup>	Actuals <sup>4</sup>	Variance
The Secretariat		40,874	763	41,637	40,907	730
Office for Democratic Institutions and Human Rights		16,394	0	16,394	15,924	470
High Commissioner on National Minorities		3,504	0	3,504	3,477	27
Representative on Freedom of the Media		1,609	0	1,609	1,599	10
<b>Total Secretariat and Institutions</b>		<b>62,381</b>	<b>763</b>	<b>63,143</b>	<b>61,907</b>	<b>1,236</b>
South-Eastern Europe		47,043	33	47,075	46,911	164
Eastern Europe		5,927	0	5,927	4,741	1,186
Caucasus		2,339	0	2,339	1,270	1,069
Central Asia		20,516	118	20,633	20,356	277
<b>Total Field Operations</b>		<b>75,824</b>	<b>150</b>	<b>75,974</b>	<b>73,278</b>	<b>2,696</b>
<b>Total</b>	<b>9.2</b>	<b>138,204</b>	<b>913</b>	<b>139,117</b>	<b>135,185</b>	<b>3,931</b>
<b>Cash Surplus</b>						
Revenue credits <sup>5</sup>						(883)
Non-budget revenue <sup>6</sup>						1,309
<b>Budgetary excess of revenue over expenditure</b>						<b>4,357</b>
<i>Add:</i> Assessed Contributions receivable as at 1 January 2022						3,384
<i>Less:</i> Assessed Contributions receivable as at 31 December 2022						7,722
<b>Cash Surplus for the year 2022</b>	<b>5.1, 9.1</b>					<b>19</b>

1 - No Unified Budget for 2022 was approved by the Permanent Council and allotments were made under Financial Regulation 3.04 up to the level of the last approved budget (2021 Unified Budget).

2 - Additional Provisional Expenditure Authorizations to certain Programmes were approved by the Permanent Council under PC.DEC/1455 dated 8 December 2022.

3 - The Total Provisional Expenditure Authorization represents the level of 2021 Unified Budget complemented by PC.DEC/1455.

4 - The budget basis and the accounting basis differ. Actuals are reported on this statement on a budget basis. Refer to Note 9 for more information on the difference in bases.

5 - Revenue credits represent additional revenue items which are recorded as credits to expenditure to finance purchase of replacement assets.

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

7 - Contributions were assessed in accordance with Financial Regulation 4.04 and a second bill was issued to fund the allotments made under Financial Regulation 3.04.

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

(Signed)

Helga Maria Schmid  
Secretary General  
30 June 2023

(Signed)

Andrew Carine  
Chief of Accounts

(Signed)

John Aguirre  
Acting Director Management and Finance



# Notes to the Financial Statements

## Notes to the Financial Statements

### NOTE 1: REPORTING STRUCTURE

- 1.1 – Reporting Entity
- 1.2 – Fund Accounting and Segment Reporting

### NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

- 2.1 – Basis of Presentation
- 2.2 – Prior Year Restatements and Changes in Estimates and Presentation
- 2.3 – Financial Instruments
- 2.4 – Uncollected Assessed Contributions
- 2.5 – Inventories
- 2.6 – Property, Plant and Equipment
- 2.7 – Intangible Assets
- 2.8 – Impairment of Assets
- 2.9 – Operating Leases
- 2.10 – Accruals
- 2.11 – Employee Benefits
- 2.12 – Cash Surplus or Deficit
- 2.13 – Deferred Revenue
- 2.14 – Provisions
- 2.15 – Contingent Liabilities and Contingent Assets
- 2.16 – Revenue from Non-Exchange Transactions
- 2.17 – Contributions In-Kind
- 2.18 – Revenue from Exchange Transactions
- 2.19 – Indirect Common Costs
- 2.20 – Expenses
- 2.21 – Critical Accounting Estimates and Judgments

### NOTE 3: ASSETS

- 3.1 – Cash and Cash Equivalents
- 3.2 – Investments
- 3.3 – Contributions Receivable
- 3.4 – Accounts Receivable
- 3.5 – Prepayments
- 3.6 – Inventory
- 3.7 – Other Current and Non-Current Assets
- 3.8 – Property, Plant and Equipment
- 3.9 – Intangible Assets
- 3.10 – Impairment of Assets

### NOTE 4: LIABILITIES

- 4.1 – Accounts Payable
- 4.2 – Accruals

- 4.3 – Deferred Revenue
- 4.4 – Conditional Extra-Budgetary Contributions
- 4.5 – Funds Held for Third Parties
- 4.6 – Employee Benefits
- 4.7 – Cash Surplus Current
- 4.8 – Provisions
- 4.9 – Other Current and Non-Current Liabilities

#### **NOTE 5: RESERVES**

- 5.1 – Cash Surplus
- 5.2 – Cash Surplus Withheld
- 5.3 – Revolving and Contingency Funds
- 5.4 – Other Reserves
- 5.5 – Accumulated Surplus/(Deficit)

#### **NOTE 6: REVENUE**

- 6.1 – Assessed Contributions
- 6.2 – Extra-Budgetary Contributions
- 6.3 – Finance Revenue
- 6.4 – Contributions In-Kind
- 6.5 – Revenue from Exchange Transactions
- 6.6 – Other Revenue

#### **NOTE 7: EXPENSES**

- 7.1 – Staff Costs
- 7.2 – Consultancy and Subcontracting
- 7.3 – Travel Expenses
- 7.4 – Services and Office Costs
- 7.5 – Consumables and Supplies
- 7.6 – Depreciation and Amortization
- 7.7 – Equipment Expense
- 7.8 – Other Operating Expenses

#### **NOTE 8: FOREIGN EXCHANGE GAINS/(LOSSES)**

#### **NOTE 9: RECONCILIATIONS OF BUDGETS TO FINANCIAL STATEMENTS**

- 9.1 – Reconciliation of Surplus/ (Deficit) for the Period
- 9.2 – Reconciliation of Actual Amounts on a Comparable Basis and Cash Flow Statement

#### **NOTE 10: OTHER DISCLOSURES**

- 10.1 – Financial Risk Management
- 10.2 – Contingent Assets and Contingent Liabilities
- 10.3 – Leases and Contractual Obligations
- 10.4 – Related Party Disclosures
- 10.5 – Events After the Reporting Date

## 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 South-Eastern Europe, Eastern Europe, the South Caucasus and Central Asia. Field Operations play a major role in this regard, they are established at the invitation of the respective host countries, and their mandates are agreed by consensus by the participating States. Additional activities, funded from extra-budgetary contributions, are undertaken in accordance with Article IX of the Financial Regulations to supplement the Unified Budget and other programmes.

#### 1.2 – Fund Accounting and Segment Reporting

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

For purposes of the presentation of the 2022 Unified Budget Proposal, Funds were grouped under Secretariat and Institutions; and Field Operations, with the latter, in turn, being grouped into Regions. This hierarchical presentation is also followed in the segmental reports annexed to the 2022 Financial Statements. The segmental information also includes consolidated reports for the OSCE Special Monitoring Mission to Ukraine (SMM) until the end of its mandate on 31<sup>st</sup> March 2022 and the costs of its subsequent closure, together with an analysis of extra-budgetary expenses broken down by Executive Structure.

Full details of the Funds budgeted and segments reported in 2022 can be found in Annex 1 to these Statements.

## NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

### 2.1 – Basis of Presentation

#### 2.1.1 – Applicable Accounting Standards

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

#### 2.1.2 – Reporting Year

These Financial Statements cover the calendar year ended 31 December 2022. The reporting period coincides with the calendar year.

#### 2.1.3 – Going Concern basis

The Financial Statements are prepared on the basis that the OSCE is a going concern<sup>1</sup>, with the exceptions of the Special Monitoring Mission to Ukraine and the Project Co-ordinator in Ukraine, both of which are treated as discontinued operations.

#### 2.1.4 – Currency

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

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

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

There are no prior year restatements, changes in estimates or presentation differences in 2022.

### 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.

---

<sup>1</sup> IPSAS 1 requires that financial statements shall be prepared on a going concern basis unless there is an intention to liquidate the entity or to cease operating, or if there is no realistic alternative but to do so.

## 2.4 - Uncollected Assessed Contributions

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

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

## 2.5 - Inventories

Inventories consist of two classes:

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

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

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

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

## 2.6 - Property, Plant and Equipment

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

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

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

### 2.6.1 – Leasehold Improvements

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

### 2.6.2 – Buildings

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

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

## 2.7 - Intangible Assets

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

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

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

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

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

## 2.8 - Impairment of Assets

The OSCE performed a review of its assets in conjunction with revenue earned to identify whether it owned any cash-generating assets. Cash-generating assets are assets held with the primary objective of generating a commercial return. In 2022 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 together amortisation and depreciation.

## 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 - Accruals

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

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.

## 2.11 - Employee Benefits

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

### 2.11.1 - Employee Benefits Current

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

- Annual leave – in accordance with OSCE's Staff Rules, OSCE officials may carry forward up to thirty days of unused leave. Due to the COVID-19 situation, officials were permitted, exceptionally, to carry over up to forty days from 2021 into 2022. A deferral of the carryover cut off date was approved, with the effect that the entire leave balance was available on 31 December 2022, limited by the number of working days in January 2023 after which the liability reverted to the normal thirty days. In addition, a fixed-term staff or mission member may be granted advance annual leave up to a maximum of fifteen days. Annual leave is considered as a current benefit and hence is not subject to actuarial valuation. The liability for annual leave is calculated by multiplying the net number of unused leave days as of 31 December 2022 up to a maximum of forty days by the basis of the monthly net salary, including post adjustment, if applicable.
- Home leave and rest and recuperation leave – Heads of Mission and other fixed-term international Mission Members, both contracted and seconded, are entitled to home leave once every twelve months. In addition, for those staff serving in duty stations designated as hazardous or hardship, there is an additional entitlement to rest and recuperation leave once every twelve months. For international fixed-term contracted Staff Members, 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 qualified for rest and recuperation at 31 December 2022 were as follows:

- Programme Office in Nur-Sultan/Astana;
- Centre in Ashgabat;
- Programme Office in Bishkek;
- Project Co-ordinator in Uzbekistan;
- Programme Office in Dushanbe;
- Personal Representative of the Chairperson-in-Office (PRCiO) on the Conflict Dealt with by the Minsk Conference (in certain locations only).

### 2.11.2 - Employee Benefits Non-Current

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

- Repatriation Grant – OSCE makes a grant towards the costs of repatriation for international fixed term contracted staff members 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, 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. Although some benefits classed as non-current will fall due for payment within twelve months, the amount is not considered material and is not separately recognised under current liabilities.

### 2.12 - Cash Surplus or Deficit

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

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

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

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

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

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

### 2.13 - 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.

### 2.14 - 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.

### 2.15 - 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.

### 2.16 - Revenue from Non-Exchange Transactions

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

Revenue from assessed contributions from participating States is recorded on an accrual basis, independent from when the cash is received. It reflects the Unified Budget proposed for the year, including any revisions, and adjusted for any shortfall between the Budget and the approved Scales of Contribution; together with any 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.

### 2.17 – Contributions In-Kind

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

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

## 2.18 - 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.

## 2.19 – Indirect Common Costs

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

## 2.20 - Expenses

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

## 2.21 - 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, under internal financial regulatory arrangements. The inter-fund balances shown in Annex 1 complete the picture of each Fund's net asset position.

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

EUR '000	As at 31 December 2022				As at 31 December 2021
	Secretariat, Institutions, Field Offices and Cash Pools	Special Purpose Funds	Extra- Budgetary Funds	Total	
Cash	184	-	-	184	314
Bank	36,394	-	11,735	48,129	100,699
Short-term Deposits	-	-	-	-	3,524
<b>Total</b>	<b>36,578</b>	<b>-</b>	<b>11,735</b>	<b>48,313</b>	<b>104,537</b>

### 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 111,597

thousand (EUR 28,809 thousand in 2021), consisting of EUR 71,597 thousand related to Extra-Budgetary Funds and EUR 40,000 thousand held by the Secretariat.

### 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	2022	2021
Secretariat, Institutions and Field Offices Assessed Contributions Receivable	7,722	3,384
Special Monitoring Mission to Ukraine Assessed Contributions Receivable	14,753	11,783
Extra-budgetary Contributions Receivable	17,470	17,732
<b>Total Contributions Receivable</b>	<b>39,945</b>	<b>32,898</b>
Allowance for Doubtful Debts	(2,740)	(3,769)
<b>Total Net Contributions Receivable</b>	<b>37,205</b>	<b>29,129</b>

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

EUR '000	2022	2021
Unified Budget Assessed Contributions Receivable	7,722	3,384
Allowance for Doubtful Debts	(2,328)	(3,352)
<b>Net Unified Budget Assessed Contributions Receivable</b>	<b>5,394</b>	<b>31</b>
Special Monitoring Mission Assessed Contributions Receivable	14,753	11,783
Allowance for Doubtful Debts	(412)	(417)
<b>Net Special Purpose Funds Assessed Contributions Receivable</b>	<b>14,341</b>	<b>11,365</b>
<b>Total Net Assessed Contributions Receivable</b>	<b>19,735</b>	<b>11,397</b>

#### 3.3.1 - Unified Budget Assessed Contributions Receivable

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

EUR '000	Outstanding for 2020 and Prior Years	2021	2022	Outstanding Balance as at 31 December 2022
Participating State				
France	-	-	547	547
Kyrgistan	761	46	46	853
Russian Federation	-	-	5,393	5,393
Uzbekistan	429	250	250	929
<b>Total</b>	<b>1,190</b>	<b>296</b>	<b>6,236</b>	<b>7,722</b>

The allowance for doubtful debts for 2022 and its change compared to 2021 are as follows:

EUR '000	Outstanding Balance as at 1 January 2022	Payments Received in 2022	Assessments / Credits for 2022	Cash Surplus Credits in 2022	Outstanding Balance as at 31 December 2022	2022 Allowance	Change in Allowance from 2021
Participating State							
France	613	(14,024)	14,277	(320)	547	547	(66)
Kyrgyzstan	1,001	(173)	46	(21)	852	852	(148)
Uzbekistan	1,738	(1,059)	250	-	929	929	(809)
<b>Total</b>	<b>3,352</b>	<b>(15,256)</b>	<b>14,573</b>	<b>(341)</b>	<b>2,328</b>	<b>2,328</b>	<b>(1,024)</b>

The Republic of Uzbekistan made significant payments in 2019, 2020, 2021 and 2022, reducing its arrears, and the allowance for doubtful debt has been reduced commensurately.

The Republic of France declared in a letter dated 14 December 2021 that, due to the absence of approved Scales of Contribution, it does not recognise a portion of its Assessed Contribution for 2021 and will not pay it. A similar communication occurred in 2022. An allowance has therefore been created in a departure from the general policy set out in note 2.4.

### 3.3.2 - Special Purpose Funds Assessed Contributions Receivable

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

EUR '000 Participating State	Outstanding for 2020 and Prior Years	2021	2022	Outstanding Balance as at 31 December 2022
Andorra			9	9
Austria			492	492
Azerbaijan			9	9
Belarus			18	18
France			2,530	2,530
Hungary			174	174
Italy			4,948	4,948
Kazakhstan			27	27
Kyrgyzstan		2	14	15
Moldova			9	9
Montenegro			9	9
Netherlands			814	814
Russian Federation			1,712	1,712
Serbia			9	9
Tajikistan		12	14	26
Turkey			342	342
Turkmenistan	85	17	14	116
United States			3,196	3,196
Uzbekistan	220	42	34	296
<b>Total</b>	<b>305</b>	<b>73</b>	<b>14,375</b>	<b>14,753</b>

The allowance for doubtful debts for 2022 and its change compared to 2021 are as follows:

EUR '000 Participating State	Outstanding Balance as at 1 January 2022	Payments Received in 2022	Assessments/ Credits for 2022	Outstanding Balance as at 31 December 2022	2022 Allowance	Change in Allowance from 2021
Kyrgyzstan	53	(52)	14	15	-	(54)
Turkmenistan	102	-	14	116	116	14
Uzbekistan	262	-	34	296	296	34
<b>Total</b>	<b>417</b>	<b>(52)</b>	<b>(62)</b>	<b>427</b>	<b>412</b>	<b>(5)</b>

The 2021 allowance for the Republic of Kyrgyzstan has been reversed in accordance with the policy set out in note 2.4 as the outstanding arrears are now less than two years.

### 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	2022	2021
Fund to Support OSCE Action for Peace, Democracy and Stability in Bosnia and Herzegovina	1,061	955
Fund for Activities Relating to Economic and Environmental Aspects of Security	338	449
Fund for Activities Related to Special Monitoring Mission to Ukraine	10	117
Other PC Established Funds – Partnership Fund	119	119
Other Activities and Special Projects	15,943	16,092
<b>Total</b>	<b>17,470</b>	<b>17,732</b>

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	1,061	348	689	24	-
Fund for Activities Relating to Economic and Environmental Aspects of Security	338	63	275	-	-
Fund for Activities Related to Special Monitoring Mission to Ukraine	10	-	10	-	-
Other PC Established Funds - Partnership Fund	119	-	-	-	119
Other Activities and Special Projects	15,943	6,034	5,487	3,577	845
<b>Total</b>	<b>17,470</b>	<b>6,445</b>	<b>6,461</b>	<b>3,601</b>	<b>964</b>

### 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.

The receivable from customers includes EUR 2,029 thousand for the excess of premiums paid to the insurance company Cigna over settlements made, which will be used in the future to defray cost increases or provide additional services. As at 31 December 2021, the insurance premium fund was in deficit and can be found in Note 4.9.

EUR '000	2022	2021
Tax Receivable from Governments	1,074	1,980
Receivable from Customers	2,505	700
Other Receivables	1,320	1,947
Accrued Interest Receivable	430	9
Allowance for Doubtful Debts	(604)	(190)
<b>Total</b>	<b>4,725</b>	<b>4,446</b>

The increase in the allowance relates primarily to irrecoverable VAT in Ukraine.

### 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	2022	2021
Prepayments to Suppliers	4,712	4,261
Prepayments to Implementing Partners	1,434	1,385
Prepayments to Staff	792	716
Other Prepayments	16	281
<b>Total</b>	<b>6,954</b>	<b>6,643</b>

### 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 2022 was EUR 4,766 thousand (EUR 4,378 thousand in 2021).

EUR '000	2022	2021
Project assets held for distribution to beneficiaries	291	473
Special Monitoring Mission to Ukraine vehicle spare parts	-	1,136
<b>Total</b>	<b>291</b>	<b>1,609</b>

SMM inventories in the sum of EUR 1,159 thousand were written off 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.

EUR '000	2022	2021
Current Payroll Prepayments	12	11
<b>Total Other Current Assets</b>	<b>12</b>	<b>11</b>
Long Term Deposit for Rent	20	20
<b>Total Other Non-Current Assets</b>	<b>20</b>	<b>20</b>
<b>Total</b>	<b>32</b>	<b>31</b>

### 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.

#### 2022

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 2022</i>	11,658	49,557	6,125	3,579	4,381	504	75,804
Additions	969	1,688	179	184	0	60	3,080
Disposals	(3,314)	(17,865)	(1,826)	(2,203)	0	(138)	(25,345)
<i>Cost as at 31 December 2022</i>	9,313	33,380	4,478	1,560	4,381	426	53,538
<i>Accumulated Depreciation as at 1 January 2022</i>	8,902	39,436	5,192	2,884	2,994	431	59,838
Depreciation	1,155	1,333	250	146	180	20	3,084
Impairments	161	4,522	307	442	0	13	5,445
Disposals	(2,904)	(17,654)	(1,742)	(2,190)	0	(102)	(24,592)
<i>Accumulated Depreciation and Impairment Losses as at 31 December 2022</i>	7,313	27,636	4,007	1,282	3,174	362	43,775
<b>Net Carrying Amount as at 31 December 2022</b>	<b>2,000</b>	<b>5,744</b>	<b>471</b>	<b>278</b>	<b>1,207</b>	<b>64</b>	<b>9,764</b>

#### 2021

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

The Property, Plant and Equipment total cost as at 31 December 2022 of EUR 53,538 thousand includes fully depreciated assets still in use to the amount of EUR 33,082 thousand (EUR 44,725 thousand in 2021).



### 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.

#### 2022

EUR'000	Software Licenses Purchased	Internally Developed Software	Intangible Assets under Development	Total Intangible Assets
<i>Cost as at 1 January 2022</i>	2,215	5,802	1,530	9,546
Additions	79	0	507	585
Disposals	(191)	0	0	(191)
Assets under Construction Capitalized	0	1,093	(1,093)	0
<i>Cost as at 31 December 2022</i>	2,102	6,894	944	9,940
<i>Accumulated Amortization as at 1 January 2022</i>	1,387	4,034	0	5,421
Amortization	222	448	0	670
Impairments	40	0	0	40
Disposals	(190)	0	0	(190)
<i>Accumulated Amortization and Impairment Losses as at 31 December 2022</i>	1,458	4,483	0	5,941
<b>Net Carrying Amount as at 31 December 2022</b>	<b>644</b>	<b>2,412</b>	<b>944</b>	<b>3,999</b>

#### 2021

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

### 3.10 - Impairment of Assets

Impairment losses of EUR 5,484 were recorded in 2022, in relation to assets in Ukraine that are no longer under the control of the OSCE or have reduced or no future service potential. There were no reversals of impairment recorded during the year.

## 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	2022	2021
Payables to Suppliers	1,606	1,582
Payables to Implementing Partners	65	-
Amounts Owed to Staff	1,619	436
<b>Total</b>	<b>3,290</b>	<b>2,018</b>

### 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.

EUR '000	2022	2021
Accruals	7,180	11,310
<b>Total</b>	<b>7,180</b>	<b>11,310</b>

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

### 4.3 – Deferred Revenue

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

The Special Funds deferred revenue consists of cash received in respect of the sale of assets that have not yet been transferred to the purchaser.

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

EUR '000	2022	2021
Advance Assessed Contributions payments by participating States	3,676	3,932
Deferred funds per PC.DEC/1288	849	849
<b>Total Unified Budget Deferred Revenue</b>	<b>4,525</b>	<b>4,781</b>
Advance Special Purpose contributions payments by participating States	-	4,350
Cash received for asset sales	1,082	-
<b>Total Special Purpose Funds Deferred Revenue</b>	<b>1,082</b>	<b>4,350</b>
<b>Total Deferred Revenue</b>	<b>5,607</b>	<b>9,131</b>

### 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	2022	2021
Extra-Budgetary Contributions Subject to Conditions	89,282	93,942
Extra-Budgetary Contributions Advances	2,439	53
<b>Total Extra-Budgetary Contributions</b>	<b>91,721</b>	<b>93,995</b>

#### 4.5 – Funds Held for Third Parties

Funds held for Third Party Funds are mainly funds received from participating States for payment on their behalf of salaries to personnel seconded to the OSCE at no cost to the Organization. In 2022 there were six participating States on whose behalf the salary is paid by OSCE. The services of these personnel are donated by participating States. The personnel concerned are paid by the OSCE on behalf of the States concerned from the third-party funds held in its accounts for this purpose. Depending on the timing differences between receipt of funds from the participating States concerned and disbursements to individuals, large sums may be held for salary payments at the end of the reporting period.

#### 4.6 – Employee Benefits

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

Discount rate of 3.23% (0.00% in 2021) derived in reference to market yields of high quality corporate bonds - iBoxx Euro Corporate AA Euro bonds, with a duration of 1.48 years, which approximates the maturity terms of the related liabilities;

Present value of future benefits based on salary projections;

Average increases in salary of 3.6% in 2023 and 2024, followed by 2.5 per year thereafter;  
Increase in shipment costs of USD 1,500, based on UN Common System data;

Increase in travel costs of 5.5%, 2.5% and 0%; 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 obligations are recognized directly in Equity/Net Assets. Current service cost is the increase in the present value of the defined obligation resulting from employee service in the current period.

Due to the discount rate of 0.00% in 2021 there is no interest cost increase during the period in the present value of the defined benefit obligation.

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

The following table provides more details regarding how the different types of benefits have changed in 2022:

EUR'000	Defined Benefit Obligation as at 1 January 2022	Current Service Cost	Interest Cost	Actual Payments	Actuarial (Gains)/ Losses	Defined Benefit Obligation as at 31 December 2022
Home leave and rest and recuperation	462	229	-	(462)	-	228
Annual leave	7,140	683	-	(1,169)	-	6,654
<b>Total annual leave, home leave and rest and recuperation</b>	<b>7,602</b>	<b>913</b>	<b>-</b>	<b>(1,631)</b>	<b>-</b>	<b>6,882</b>
Repatriation grant	2,387	490	-	(629)	336	2,584
Repatriation shipment	809	193	-	(442)	347	907
Repatriation travel	348	75	-	(67)	(109)	246
<b>Total repatriation benefits</b>	<b>3,544</b>	<b>758</b>	<b>-</b>	<b>(1,138)</b>	<b>574</b>	<b>3,737</b>
<b>Total</b>	<b>11,146</b>	<b>1,671</b>	<b>-</b>	<b>(2,769)</b>	<b>574</b>	<b>10,619</b>

Liabilities for current employee benefits also include payroll-related accruals in the amount of EUR 676 thousand, for total current employees liabilities of EUR 7,558 thousand.

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

Discount Rate	Effect
Effect on Defined Benefit Obligation in % of +0.1%	-0.15%
Effect on Defined Benefit Obligation in % of -0.1%	+0.15%
Future salary increase	
Effect on Defined Benefit Obligation in % of +1%	+1.42%
Effect on Defined Benefit Obligation in % of -1%	-1.40%

The post-employment repatriation benefits are entirely unfunded and the liabilities will be met from budget allotments for the years in which they fall due, or from extra-budgetary revenue, as appropriate. The expected servicing cost of repatriation liabilities, net of payments, in 2023 amount to minus EUR 1,056 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 2022 was EUR 121,181 thousand.

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

The Provident Fund summary statement for the year ending 31 December 2022 is shown in the Appendix.

#### 4.7 – Current Cash Surplus

Unless otherwise determined by the Permanent Council, the cash surplus is credited against assessed contributions of the participating States in the year following the year in which the financial statements are accepted by the Permanent Council. The Permanent Council accepted the Financial Statements for 2020 on 23 September 2021 (PC.DEC/1414) and the Cash Surplus of EUR 4,040 thousand became payable by the end of 2022. The Permanent Council decided on 8 December 2022 to apply EUR 913 thousand to finance additional expenditures by certain programmes (PC.DEC/1455), and the balance of EUR 3,127 was returned to participating States.

The Permanent Council accepted the Financial Statements for 2021 on 28 July 2022 (PC.DEC/1442) and the Cash Surplus of EUR 3,827 thousand became payable by the end of 2023. The Permanent Council made no decisions to apply any of the 2021 Cash Surplus during 2022 and, in accordance with Financial Regulation 7.07(b), the full balance will be credited to participating States before the end of 2023 unless otherwise decided by the Permanent Council before that time.

EUR '000	Secretariat & Institutions	Field Operations	Total
<i>2020 Cash Surplus as at 1 January 2021</i>	2,315	1,725	4,040
PC.DEC/1455 – Additional Provisional Expenditure Authorization for 2022	763	150	913
Credit of residual 2020 Cash Surplus to participating States	1,552	1,575	3,127
<i>Remaining 2020 Cash Surplus</i>	-	-	-
2021 Cash Surplus transferred from Net Assets/Equity	2,001	1,826	3,827
<b>Total Current Cash Surplus as at 31 December 2022</b>	<b>2,001</b>	<b>1,826</b>	<b>3,827</b>

#### 4.8 – Provisions

The provision for unearned revenue of extra-budgetary pledges currently expiring on or before 31 December 2022 amounts to EUR 17,250 thousand (EUR 7,089 thousand in 2021).

#### 4.9 – Other Current and Non-Current Liabilities

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

The insurance premium payable in 2021 represents a cumulative excess in medical claims settled over premiums paid to the insurance company Cigna. This excess was forecast to be cleared during 2022 and thus was shown as a current liability. The OSCE share of the surplus as at 31 December 2022 can be found in Note 3.4.

EUR '000	2022	2021
Governments Advance Refunds	833	711
Insurance premium payable	-	16
Other Current Liabilities	1,771	105
<b>Total Other Current Liabilities</b>	<b>2,605</b>	<b>832</b>
Non-Current Extra-Budgetary Revenue	-	-
<b>Total Other Non-Current Liabilities</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>2,605</b>	<b>832</b>

## NOTE 5: RESERVES

### 5.1 - Cash Surplus

The cash surplus for 2022 is not due for settlement until the year following acceptance of these Financial Statements, and it is therefore classified as Equity until the date of that acceptance. The Secretariat, Institutions and Field Offices total cash surplus for 2022 is calculated as shown in Statement V and reconciled to the IPSAS Surplus/(Deficit) in Note 9.1. In addition, the final closure of all transactions related to the former Border Observer Mission has resulted in a cash surplus. Unless otherwise determined by the Permanent Council, it will be credited against assessed contributions of the participating States during 2024, in accordance with Financial Regulation 7.07(b).

EUR '000	2022	2021
Secretariat, Institutions and Field Offices	19	3,827
Border Observer Mission	198	-
<b>Total Cash Surpluses for 2022</b>	<b>218</b>	<b>3,827</b>

### 5.2 - Cash Surplus Withheld

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

Cash surplus withheld does not meet the definition of a liability and is therefore included in the reserves. The table below is a summary of the cash surplus withheld by participating State and by year. There were no cash surplus distributions related to the fiscal years 2014 through 2017 and cash surpluses for 2021 and 2022 are not yet due for distribution, and therefore none are retained for those years. The longest outstanding cash surplus withheld is from the fiscal year 2004.

In 2022 Kyrgyzstan released EUR 173 thousand against the outstanding receivables, while Uzbekistan released EUR 1,059 thousand against 2014 through 2018 and partly against the 2019 contribution receivable.

EUR '000	2018 and Prior Years	2019	2020	Total
Kyrgyzstan	17	1	1	19
Uzbekistan	-	2	6	8
<b>Total Cash Surplus Withheld</b>	<b>17</b>	<b>3</b>	<b>7</b>	<b>27</b>

### 5.3 – Revolving and Contingency Funds

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

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

### 5.4 – Other Reserves

Other Reserves consists of actuarial gains and losses related to employee benefits of EUR 3,098 thousand in 2022 (EUR 2,524 thousand in 2021).

## 5.5 – Accumulated Surplus/(Deficit)

The increase in the Accumulated Surplus/Deficit during 2022 to EUR 71,403 thousand (EUR 43,691 thousand in 2021) as shown in Statement III includes the Cash Surplus for 2022 in the amount of EUR 218 thousand (see Note 5.1 – Cash Surplus) and surplus for the period in the amount of EUR 27,911 thousand (see Note 9.1 – Reconciliation of Surplus/(Deficit) for the Period).

## NOTE 6: REVENUE

### 6.1 – Assessed Contributions

Accrued revenue from provisional assessed contributions amounted to EUR 206,691 thousand (EUR 229,570 thousand in 2021). Participating States could not reach consensus on the Unified Budget for 2022 and provisional assessments in the sum of EUR 138,240 thousand (also EUR 138,204 thousand in 2010) were made in pursuance of Financial Regulation 4.04 and to fund obligations incurred and payments made under Financial Regulation 3.04. The final three months of the 2021-22 Mandate of the Special Monitoring Mission to Ukraine were assessed in the sum of EUR 22,829 thousand under the auspices of PC.DEC/1401 dated 31 March 2021. Bills were issued in respect of SMM on 5 April 2022 in the sum of EUR 45,658 thousand, being 50% of the amount of the 2021/22 mandate financed by assessed contributions, under Financial Regulation 4.04 applied *mutatis mutandis*.

EUR '000	2022
Provisional assessments for the 2022 Unified Budget	138,204
<b>Total Unified Budget Revenue from Assessed Contributions</b>	<b>138,204</b>
PC.DEC/1401 – Extension of the mandate of the OSCE Special Monitoring Mission to Ukraine – Second Bill	22,829
Adjusted provisional assessment for the closure of the OSCE Special Monitoring Mission to Ukraine	45,658
<b>Total Special Purpose Funds Revenue from Assessed Contributions</b>	<b>68,487</b>
<b>Total Revenue from Assessed Contributions</b>	<b>206,691</b>

### 6.2 – Extra-Budgetary Contributions

Revenue from extra-budgetary contributions includes revenue received in 2022, as well as revenue from conditional agreements previously recorded as deferred revenue, for which conditions were satisfied in 2022.

EUR '000	2022	2021
Revenue from Extra-Budgetary Contributions	53,195	51,429
Revenue from Conditional Agreements Recognized/(Deferred) during the period	(12,350)	(16,658)
Reallocation of Project Funds	495	128
<b>Total</b>	<b>41,340</b>	<b>34,899</b>

The reallocation of project funds resulted in a net inflow of EUR 495 thousand from Third Party Funds to Extra-Budgetary Funds.

### 6.3 – Finance Revenue

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

EUR '000	2022	2021
Interest received from banks	157	75
Accrual adjustments	421	0
<b>Total</b>	<b>578</b>	<b>75</b>

## 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	2022	2021
Seconded Staff	37,018	69,438
Ancillary Services	803	832
Goods In-Kind	5,261	5,221
<b>Total Contributions In-Kind</b>	<b>43,081</b>	<b>75,491</b>

The total value of contributions in-kind of the services of seconded staff is recorded as Contributions In-Kind in the Statement of Financial Performance. The estimated value of seconded personnel is based on a calculation of what it would cost to employ international contracted staff and mission members in their place, and does not reflect the actual costs to the participating States seconding them. The reduction between 2021 and 2022 is due to the closure of the SMM.

EUR '000	2022	2021
Special Purpose Funds Seconded Staff	12,021	46,876
Other Funds Seconded Staff, including extra-budgetary projects	24,997	22,562
<b>Total Contributions In-Kind of Seconded Staff Services</b>	<b>37,018</b>	<b>69,438</b>

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

EUR '000	2022	2021
Ancillary Services	803	832
<b>Total Contributions In-Kind of Ancillary Services</b>	<b>803</b>	<b>832</b>

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	2022	2021
IT Hardware	-	3
Armoured Vehicles	-	108
<i>Donated Property, Plant and Equipment</i>	-	111
Premises	5,253	5,058
Equipment	7	52
<i>Premises and Equipment provided rent-free</i>	<i>5,261</i>	<i>5,110</i>
<b>Total Revenue from Goods In-Kind</b>	<b>5,261</b>	<b>5,221</b>

## 6.5 – Revenue from Exchange Transactions

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



## 6.6 – Other Revenue

Revenue Reallocated from Internal Sources in 2022 represents funds reallocated from Cash Surplus to finance the Additional Provisional Expenditure Authorization for 2022 approved by the Permanent Council under PC.DEC/1455 dated 8 December 2022.

Indirect Common Costs (ICC) revenue of EUR 60 thousand (EUR 72 thousand in 2021) derived from charges for the processing on behalf of participating States of salaries for personnel seconded by them to OSCE. The remaining EUR 2,042 thousand (EUR 1,376 thousand in 2021) of ICC revenue recognised in segment report H.2 represents charges levied on extra-budgetary projects as described in Note 2.19 and is recorded as Extra-Budgetary Revenue.

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

EUR '000	2022	2021
Revenue Reallocated from Internal Sources	913	1,514
Indirect Common Costs Revenue	60	72
Other Revenue	1,745	1,476
<b>Total</b>	<b>2,718</b>	<b>3,062</b>

## 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 in December each year and remain valid for the following year.

Other staff costs include hazard pay, personal income tax, medical services, overtime, vacancy advertisement costs and ex gratia payments to staff and mission members.

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 2.11 - Employee Benefits).

EUR '000	2022	2021
Salaries	77,108	73,155
BLA for international seconded staff	26,112	47,520
BLA for international contracted staff	3,098	3,440
Provident fund	9,681	9,755
Other staff costs	3,802	5,584
Insurance	581	2,970
Other employee benefits	6,205	5,812
In-kind seconded staff costs	37,017	69,438
<b>Total</b>	<b>163,604</b>	<b>217,674</b>

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. The reduction between 2021 and 2022 is due to the closure of the SSM.

### 7.1.1 - 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 2022 ex gratia payments to staff and mission members totalling EUR 1,218 thousand were made. Details of other ex gratia payments may be found in note 7.8.1. The list of Executive Structures concerned is as follows:

<b>EUR '000</b>	<b>2022</b>
Office for Democratic Institutions and Human Rights	58
High Commissioner on National Minorities	12
Project Co-ordinator in Ukraine	222
Special Monitoring Mission to Ukraine	926
<b>Total</b>	<b>1,218</b>

### 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.

<b>EUR '000</b>	<b>2022</b>	<b>2021</b>
Special Services Agreements	14,378	16,758
Implementing Partner costs	5,090	5,760
Paramedical services	1,797	7,687
Other contractual services	4,193	5,030
<b>Total</b>	<b>25,458</b>	<b>35,235</b>

### 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.

<b>EUR '000</b>	<b>2022</b>	<b>2021</b>
Travel of non-OSCE officials	7,252	4,153
Duty travel for OSCE officials	10,034	7,463
Travel for training of OSCE officials	368	178
<b>Total</b>	<b>17,654</b>	<b>11,794</b>

## 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	2022	2021
Rental and maintenance of buildings	15,315	17,527
Conferences, seminars, workshops	6,007	5,406
IT services	5,867	5,147
Communication services	1,630	2,856
Interpreters, translators and typing services	1,991	2,555
Bank charges	1,038	1,097
Printing and copying services	370	587
Vehicles maintenance costs	537	1,236
Freight and transportation	412	277
Insurance other than staff	574	718
Ancillary services in-kind	803	832
<b>Total</b>	<b>34,543</b>	<b>38,238</b>

Incurred costs of EUR 234 thousand of services and office costs relates to the agreements with third parties which are fully reimbursable.

## 7.5 – Consumables and Supplies

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

EUR '000	2022	2021
Fuel and lubricants	624	788
Other supplies	2,391	2,229
Communication and IT supplies	1,151	2,835
Publications, newspapers and printed materials	301	362
Spare parts	139	463
Building/Household Supplies	339	489
Inventory Consumption	1,159	283
<b>Total</b>	<b>6,104</b>	<b>7,449</b>

## 7.6 – Depreciation, Amortization and Impairments

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

EUR '000	2022	2021
Amortization	670	639
Depreciation	3,084	6,119
Impairments	5,484	-
<b>Total</b>	<b>9,238</b>	<b>6,758</b>

No impairment losses or reversals of impairment were recorded in 2021. Impairments reported in 2022 relate to assets in Ukraine that are no longer under the control of the OSCE or have reduced or no future service potential.

## 7.7 – Equipment Expense

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

EUR '000	2022	2021
Equipment Purchased	3,020	3,031
Inventory Donated to Third Parties	4,766	4,095
Equipment Received In-kind	7	52
<b>Total Equipment Expenses</b>	<b>7,793</b>	<b>7,178</b>

## 7.8 – Other Operating Expenses

Unmanned aerial vehicles were operated exclusively in Ukraine and the contract was terminated during the year.

The increase in other operating costs is due to compensation payments for the loss of personal property.

EUR '000	2022	2021
Unmanned Aerial Vehicle Services	1,238	7,266
Other Operating Costs	3,380	501
Representation Costs	384	213
Project Costs	164	212
Change in Allowance for Doubtful Debts	-	24
<b>Total</b>	<b>5,166</b>	<b>8,216</b>

### 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 2022 ex gratia payments other than to staff and mission members totalling EUR 11 thousand were approved by the Secretary General. Details of ex gratia payments to staff and mission members may be found in note 7.1.1. The list of Executive Structures concerned is as follows:

EUR '000	2022
Secretariat – Panel of Adjudicators	6
Special Monitoring Mission to Ukraine	3
Programme Office in Dushanbe	2
<b>Total</b>	<b>11</b>

### 7.8.2 – Cash and Other Losses and Write-Offs

The Joint Consultative Group (JCG) on the Conventional Forces in Europe Treaty has been underpaying by 9% its invoiced contributions to the costs of the Hofburg. OSCE continues to press its claim for these funds without success to date. Consequently, a bad debt allowance has been created with a corresponding write-down in 2022 of EUR 34 thousand. This allowance does not represent an abandonment of the claim or release the JCG from its obligation to pay under the terms of its Financial Agreement with the OSCE. Further write-offs and write-downs relate to irrecoverable VAT receivables.

## NOTE 8: FOREIGN EXCHANGE GAINS/(LOSSES)

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

EUR '000	2022	2021
Unrealized Gains/(Losses) – cash and cash equivalents	2,332	581
Unrealized Gains/(Losses) – other	(27)	864
<i>Subtotal Unrealized Gains/(Losses)</i>	<i>2,305</i>	<i>1,445</i>
Realized Gains/(Losses)	443	(135)
<b>Total</b>	<b>2,748</b>	<b>1,310</b>

## NOTE 9: RECONCILIATIONS OF BUDGETS TO FINANCIAL STATEMENTS

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

The Permanent Council could not find consensus on the Unified Budget Proposals tabled by the Chairperson and therefore there was no approved budget for 2022. Financial Regulation 3.04 provides that, in these circumstances, the Secretary General and Heads of Institution are authorized to incur obligations and make payments until 31 March of the current financial year up to the level of 25 per cent of the previous Budget, and thereafter, on a monthly basis up to 1/12<sup>th</sup> of the previous Budget until the new Budget is adopted. Since no new Budget was approved during the year, the Organization operated under Provisional Expenditure Authorizations throughout 2022 at the level of the approved 2021 Unified Budget (EUR 138 million, PC.DEC/1413 dated 18 August 2021), and PC.DEC/1455 dated 8 December 2022 approved an Additional Provisional Expenditure Authorization of EUR 913 thousand, funded from the 2020 cash surplus. Statement V is therefore presented on the basis of the final Provisional Expenditure Authorization approved under PC.DEC/1455. The difference of EUR 2,481 thousand between the the actual amounts and the 2021 Unified Budget total plus the Total Provisional Expenditure Authorization are tabulated by Secretariat and Institution and by region in Statement V and are further broken down by Main Programme and Programme in the Resource Utilization Report at Annex 2 to these Statements.

Reporting on the Performance against the Provisional Expenditure Authorization is in summary in the Financial Report that accompanies these Statements, and elaborated in more detail in the Resource Utilization Report (RUR) available to participating States.

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

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

EUR '000	2022	2021
<b>Cash Surplus for the year</b>	<b>19</b>	<b>3,827</b>
Assessed Contributions receivable as at 1 January	(3,384)	(4,634)
Assessed Contributions receivable as at 31 December	7,722	3,384
<b>Budgetary Excess of Income over Expenditure</b>	<b>4,358</b>	<b>2,577</b>
<b>IPSAS Adjustments:</b>		
<b>Revenue</b>		
Accrued Interest	666	243
Contributions In-Kind	30,716	28,416
Revenue from Exchange Transactions	(95)	(38)
Other Revenue	2,155	(107)
Revenue from Change in Allowance for Doubtful Debts	(48)	607
<b>Subtotal Revenue</b>	<b>33,395</b>	<b>29,120</b>
<b>Expense</b>		
Expense from Change in Allowances for Doubtful Debts	-	-
Negative Bank Interest	(245)	(243)
Unliquidated Obligations	(2,463)	(2,154)
Accruals Adjustments	535	59
Budget Deferrals	(212)	(1,504)
Prepayments Adjustments	233	621
Employee Benefits	(168)	695
Contributions In-Kind Expense	(30,716)	(28,305)
Insurance Adjustments	2,041	(66)
Inventory Adjustments	(1,137)	(357)
Property, plant and equipment Adjustments	170	1,125
Intangibles Adjustments	(456)	1,548
<b>Subtotal Expense</b>	<b>(32,416)</b>	<b>(28,581)</b>
Gains/(Losses)	-	-
<b>Total IPSAS Adjustments</b>	<b>978</b>	<b>540</b>
<b>IPSAS Budget Surplus/(Deficit) for the Period</b>	<b>5,336</b>	<b>3,117</b>
Special Purpose Funds Surplus/(Deficit) for the Period	19,097	8,319
Extra-Budgetary Surplus/(Deficit) for the Period	3,497	567
<b>IPSAS Total OSCE Surplus/(Deficit) for the Period</b>	<b>27,930</b>	<b>12,003</b>

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

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

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

The reconciliation requires that any differences be separately identified:

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

EUR'000	Operating Activities	Investing Activities	Financing Activities	Total
<b>Actual Amount on Comparable Basis</b>	<b>3,931</b>	-	-	<b>3,931</b>
Basis Differences	(54,647)	-	-	(54,647)
Presentation Differences	37,905	(31,215)	(5,366)	1,324
Timing Differences	-	-	-	-
Entity Differences	44,058	(54,748)	1,525	(9,165)
<b>Actual Amount in the Cash Flow Statement</b>	<b>31,248</b>	<b>(85,963)</b>	<b>(3,841)</b>	<b>(58,557)</b>

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

EUR'000	Operating Activities
Purchase of investments	(30,000)
Cash and other transfers to/(from) Special Purpose and Extra-Budgetary Funds	(14,937)
Increase in contributions receivable	(4,339)
Cash Surplus movements	(4,054)
Decrease in accruals and Unliquidated Obligations	(3,350)
Decrease in budget deferrals	(1,738)
Special additional provision for additional expenditures	(913)
Increase in accounts payable	1,440
Increase in funds held for third parties	1,297
Other differences	1,947
<b>Total basis differences</b>	<b>(54,647)</b>

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

## NOTE 10: OTHER DISCLOSURES

### 10.1 - Financial Risk Management

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

- (a) *Liquidity risk* – is the risk that an entity will encounter difficulty in receiving funds to meet its financial commitments. The OSCE invests funds not required for immediate operational purposes in short-term

deposits up to a maximum of nine months. Maturities are scheduled on the basis of operational requirements as identified by the Treasury Unit and OSCE Executive Structures' cash flow forecasts.

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

- (b) Currency risk - is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The OSCE has a policy of not using derivative financial instruments to hedge against currency risk. Risk is mitigated by limiting the amount of cash held in currencies other than euro; by concluding most of the OSCE contracts in euro; and by not converting one currency to another to avoid realization of gains and losses. In 2022, 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 2022. 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 2022 and only made short-term deposits for fixed durations and fixed interest rates. Fluctuations in interest rates only affect the interest revenue from short-term deposits to be concluded in the future; however, the OSCE is not dependent on interest revenue for the continuation of its activities.
- (d) Market risk – is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. None of the OSCE's financial instruments in 2022 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, 99.39% 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, 97.84% of the total cash was held in bank accounts administered by the Treasury Unit. The remaining 2.16% was held in bank accounts throughout OSCE locations for daily operational purposes.

EUR '000	Rating	Total as at 31 December 2022	%	Total as at 31 December 2021
High Grade	AA- to AA+	74	0.0 %	14,468
Upper Medium Grade	A- to A+	124,585	77.9%	40,442
Lower Medium Grade	BBB- to BBB+	34,086	21.3%	76,219
Non-Investment Grade	BB- to BB+	173	0.1%	1,446
Highly Speculative	B- to B+	-	0.0%	-
Unrated	N/A	807	0.5%	458
<b>Total Bank Balances</b>		<b>159,725</b>	<b>99.9%</b>	<b>133,033</b>
Cash	N/A	184	0.1%	314
<b>Total Cash and Bank Balances</b>		<b>159,910</b>	<b>100.0%</b>	<b>133,347</b>



- (f) Cash flow risk – is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. For the OSCE such fluctuations relate to future money-market deposits in the event of changes in interest rates. As mentioned in (b) above, the OSCE is not dependent on the cash flows resulting from money-market deposits for the continuation of its activities.
- (g) There were no significant changes in the OSCE’s exposure to risk or to its risk management policies during the reporting period.

## 10.2 – Contingent Assets and Contingent Liabilities

The OSCE has no contingent assets.

Two contingent liabilities exist in respect of the closure of the Special Monitoring Mission to Ukraine. Outstanding authorised travel for which no expenses claims have been submitted; and the Organization has not yet received some other outstanding claims from suppliers and Mission Members. It is not possible to estimate the amount of either liability with certainty, as both depend on submissions by former Mission Members and it is not known if they will materialise.

## 10.3 – Leases and Contractual Obligations

Lease agreements in the Secretariat, Institutions and Field Offices refer to leases of premises and office equipment. These agreements are classified as operating leases and the related payments are charged as an expense over the period of the lease. The total lease expense for the year 2022 amounted to EUR 7,268 thousand (EUR 8,151 thousand in 2021).

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 2,946 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	3,372	1,006	0	4,378

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

## 10.4 – Related Party Disclosures

### 10.4.1 - Governing Bodies

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

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

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

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

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

#### 10.4.2 - Key Management Personnel

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

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

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

EUR'000	Number of Individuals	Number of Posts	Remuneration and Post Adjustment	Entitlements	Provident Fund and Health Plan	Total Remuneration 2022	Outstanding Advances Against Entitlements
SG and Heads of Institutions	4	4	806	35	134	975	-
Secretariat's Directors	9	8	1,150	110	196	1,455	-
Heads of Mission and Personal Representatives	22	15	964	779	27	1,770	-
<b>Key Management Personnel</b>	<b>35</b>	<b>27</b>	<b>2,920</b>	<b>925</b>	<b>356</b>	<b>4,200</b>	<b>-</b>

#### 10.5 – Events After the Reporting Date

The Financial Statements were submitted to the External Auditors on and were authorized for issuance by the Secretary General on 30 June 2023.

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

##### 10.5.1 - Adjusting Events

There are no adjusting events.

##### 10.5.2 - Non-Adjusting Events

There are no adjusting events.

II  
ANNEXES TO THE  
FINANCIAL STATEMENTS

ANNEX 1  
SEGMENTAL REPORTING BY FUND

## Fund Accounting and Segment Reporting

For purposes of the presentation of the 2022 expenses, Funds were grouped as presented and approved in the 2021 Unified Budget: under Secretariat and Institutions; and Field Operations, with the latter, in turn, being grouped into Regions. This presentation is also followed in the segmental reports. In addition, the segmental information is presented based on the main sources of financing of the Organization (Assessed Contributions other than for the OSCE Special Monitoring Mission to Ukraine (SMM), Special Purpose Funds, Extra-Budgetary Funds and other Extra-Budgetary projects undertaken in accordance with Article IX of the Financial Regulations and not specifically approved by the Permanent Council). The segmental information also includes consolidated reports for the SMM and an analysis of extra-budgetary expenses broken down by Executive Structure.

The Funds listed below were operational in 2022. The letters indicated in brackets correspond to the Reporting Segment in this Annex. Segments A to F reflect the structure of the approved 2021 Unified Budget while G and H report Special Purpose and extra-budgetary Funds and projects respectively, and J presents the consolidated reports for the Special Monitoring Mission to Ukraine. These annexes are not separately audited and do not fall within the scope of the audit opinion.

### Secretariat and Institutions (A)

These Funds are financed through the Standard Scale of Contributions for 2019 (PC.DEC/1325) on a provisional basis, pending agreement of Scales for 2022:

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

### Field Operations (B)

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

These Funds are financed through the Field Operations Scale of Contributions for 2019 (PC.DEC/1325) on a provisional basis, pending agreement of Scales for 2022:

<b>South-Eastern Europe (C)</b>	<b>Eastern Europe (D)</b>
Augmentations <sup>1</sup> Mission in Kosovo Mission to Bosnia and Herzegovina Mission to Serbia Presence in Albania Mission to Skopje Mission to Montenegro	Mission to Moldova Project Co-ordinator in Ukraine Representative to the Latvian-Russian Joint Commission on Military Pensioners
<b>Caucasus (E)</b>	<b>Central Asia (F)</b>
High Level Planning Group The Minsk Process Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference	Programme Office in Astana <sup>2</sup> Centre in Ashgabat Programme Office in Bishkek Project Co-ordinator in Uzbekistan Programme Office in Dushanbe

<sup>1</sup> 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.

<sup>2</sup> The Permanent Mission of the Republic of Kazakhstan notified the OSCE on 21 September 2022 that the country's Capital City, Nur-Sultan, was renamed Astana by Presidential Decree on 17 September 2022.

## Closed Funds (B)

Missions and Field Operations funded by the Unified Budget and whose mandate has expired are grouped under Closed Funds and included in Field Operations:

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

## Special Purpose Funds (G)

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

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

The CIP Technical Fund was established by PC.DEC/1422 dated 25 November 2021 for the purpose of financing agreed capital requirements under the Capital Investment Programme (CIP) and was allocated an amount of EUR 960 thousand taken from identified 2021 underspending. Unless otherwise decided by the Permanent Council, the Fund will be closed upon completion of the agreed capital investment projects.

The Special Monitoring Mission to Ukraine, originally established pursuant to PC.DEC/1117 dated 21 March 2014, was financed through provisional assessed contributions on the basis of the Field Operations Scale of Contributions set out in PC.DEC/1325 dated 11 April 2019, and through voluntary contributions, the latter reported as part of segment H. Its mandate does not correspond with the calendar year; therefore the figures reported in the 2022 Financial Statements represent the last three months of the mandate ending 31 March 2022 under PC.DEC/1401 of 31 March 2021, the subsequent costs during 2022 of winding up the Mission and the estimated remaining assets and liabilities as at 31 December 2022.

The Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border, established by PC.DEC/1130 dated 24 July 2014, deployed observers to the two Russian checkpoints of Donetsk and Gukovo until the expiry of the mandate on 30 September 2021 and subsequent winding down operation approved by PC.DEC/1415 dated 23 September 2021.

## **Extra-Budgetary Funds (H)**

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

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

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

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

- The Fund to foster the integration of recently admitted participating States (PC.DEC/23 dated 2 March 1995);
- The Fund related to the Stability Pact for South Eastern Europe (PC.DEC/306 dated 1 July 1999);
- The Fund for Activities Related to the Removal and Destruction of Russian Ammunition and Armaments from Moldova (PC.DEC/329 dated 9 December 1999);
- The Fund for Activities related to the reduction of Military Forces and equipment from Georgia (293rd Reinforced Meeting of the Permanent Council on Georgia dated 17 July 2000);
- The Bishkek International Conference on Enhancing Security and Stability in Central Asia: Strengthening Comprehensive Efforts to Counter Terrorism (PC.DEC/440 dated 11 October 2001);
- The Partnership Fund (PC.DEC/812 dated 30 November 2007).

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

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

## **The OSCE Special Monitoring Mission to Ukraine (J)**

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

## **Extra-Budgetary Expenditure by Executive Structure (K)**

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

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

As at 31 December 2022

EUR '000		Total Secretariat and Institutions		Total Field Operations		Total Unified Budget		Total Special Purpose Funds		Total Extra-Budgetary Funds		TOTAL OSCE	
	Note	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>ASSETS</b>													
<b>Current Assets</b>													
Cash and Cash Equivalents	3.1	34,685	83,903	1,893	1,666	36,578	85,570	0	994	11,735	17,974	48,313	104,537
Investments	3.2	40,000	10,000	0	0	40,000	10,000	0	0	71,597	18,809	111,597	28,809
Contributions Receivable	3.3	3,510	22	1,884	9	5,394	31	14,341	11,365	17,470	17,732	37,205	29,129
Accounts Receivable	3.4	3,084	2,893	1,607	1,077	4,691	3,970	34	476	0	0	4,725	4,446
Prepayments	3.5	4,233	3,683	2,586	2,000	6,819	5,683	54	925	80	34	6,954	6,643
Inventory	3.6	0	0	141	91	141	91	0	1,136	151	382	291	1,609
Inter-Fund Balances		(54,539)	(74,638)	5,442	10,567	(49,097)	(64,070)	33,201	13,565	15,896	50,506	0	0
Other Current Assets	3.7	12	11	0	0	12	11	0	0	0	0	12	11
		<b>30,985</b>	<b>25,875</b>	<b>13,553</b>	<b>15,410</b>	<b>44,538</b>	<b>41,285</b>	<b>47,630</b>	<b>28,461</b>	<b>116,929</b>	<b>105,438</b>	<b>209,097</b>	<b>175,183</b>
<b>Non-Current Assets</b>													
Property, Plant and Equipment	3.8	2,723	3,021	3,938	3,757	6,661	6,777	2,284	7,458	819	1,730	9,764	15,966
Intangible Assets	3.9	2,858	3,235	52	47	2,909	3,282	42	149	1,048	693	3,999	4,125
Other Non-Current Assets	3.7	20	20	0	0	20	20	0	0	0	0	20	20
		<b>5,600</b>	<b>6,275</b>	<b>3,990</b>	<b>3,804</b>	<b>9,590</b>	<b>10,079</b>	<b>2,327</b>	<b>7,608</b>	<b>1,866</b>	<b>2,423</b>	<b>13,783</b>	<b>20,110</b>
<b>Total Assets</b>		<b>36,585</b>	<b>32,150</b>	<b>17,543</b>	<b>19,214</b>	<b>54,128</b>	<b>51,364</b>	<b>49,957</b>	<b>36,069</b>	<b>118,796</b>	<b>107,861</b>	<b>222,880</b>	<b>195,294</b>
<b>LIABILITIES</b>													
<b>Current Liabilities</b>													
Accounts Payable	4.1	2,213	940	760	594	2,974	1,534	292	483	24	0	3,290	2,018
Accruals	4.2	1,301	1,724	2,972	3,854	4,272	5,579	113	2,745	2,795	2,987	7,180	11,310
Deferred Revenue	4.3	4,525	4,781	0	0	4,525	4,781	1,082	4,350	0	0	5,607	9,131
Conditional ExB Contributions	4.4	0	0	0	0	0	0	0	0	91,721	93,995	91,721	93,995
Funds Held for Third Parties	4.5	6,638	5,345	28	24	6,666	5,370	0	0	0	0	6,666	5,370
Employee Benefits Current	4.6	3,364	2,842	3,940	3,710	7,304	6,552	27	1,030	227	460	7,558	8,042
Cash Surplus Current	4.7	2,001	2,315	1,826	1,725	3,827	4,040	0	0	0	0	3,827	4,040
Provisions	4.8	0	0	0	0	0	0	0	0	17,250	7,089	17,250	7,089
Other Current Liabilities	4.9	2,069	733	193	78	2,262	811	343	20	(0)	0	2,605	832
		<b>22,111</b>	<b>18,681</b>	<b>9,719</b>	<b>9,986</b>	<b>31,830</b>	<b>28,667</b>	<b>1,857</b>	<b>8,629</b>	<b>112,017</b>	<b>104,530</b>	<b>145,704</b>	<b>141,825</b>
<b>Non-Current Liabilities</b>													
Employee Benefits Non-Current	4.6	3,470	2,922	77	178	3,547	3,100	2	265	188	178	3,737	3,544
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0	0	0	0	0
		<b>3,470</b>	<b>2,922</b>	<b>77</b>	<b>178</b>	<b>3,547</b>	<b>3,100</b>	<b>2</b>	<b>265</b>	<b>188</b>	<b>178</b>	<b>3,737</b>	<b>3,544</b>
<b>Total Liabilities</b>		<b>25,581</b>	<b>21,603</b>	<b>9,797</b>	<b>10,164</b>	<b>35,377</b>	<b>31,767</b>	<b>1,859</b>	<b>8,894</b>	<b>112,205</b>	<b>104,708</b>	<b>149,441</b>	<b>145,369</b>
<b>Net Assets</b>		<b>11,005</b>	<b>10,547</b>	<b>7,746</b>	<b>9,050</b>	<b>18,751</b>	<b>19,597</b>	<b>48,098</b>	<b>27,175</b>	<b>6,591</b>	<b>3,153</b>	<b>73,440</b>	<b>49,924</b>
<b>NET ASSETS</b>													
Cash Surplus	5.1	(1,119)	2,001	1,138	1,826	19	3,827	198	0	0	0	218	3,827
Cash Surplus Withheld	5.2	20	28	6	13	27	41	0	0	0	0	27	41
Revolving Fund	5.3	2,710	2,710	0	0	2,710	2,710	0	0	0	0	2,710	2,710
Contingency Fund	5.3	2,180	2,180	0	0	2,180	2,180	0	0	0	0	2,180	2,180
Other Reserves	5.4	(3,704)	(2,861)	573	546	(3,131)	(2,315)	426	125	(393)	(334)	(3,098)	(2,524)
Accumulated Surplus/(Deficit)	5.5	10,917	6,489	6,029	6,665	16,946	13,154	47,474	27,049	6,984	3,487	71,403	43,691
<b>Total Net Assets</b>		<b>11,005</b>	<b>10,547</b>	<b>7,746</b>	<b>9,050</b>	<b>18,751</b>	<b>19,597</b>	<b>48,098</b>	<b>27,175</b>	<b>6,591</b>	<b>3,153</b>	<b>73,440</b>	<b>49,924</b>



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

For the Year Ended 31 December 2022

EUR '000	Note	Total Secretariat and Institutions		Total Field Operations		Total Unified Budget		Total Special Purpose Funds		Total Extra-Budgetary Funds		Total OSCE	
		2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>REVENUE</b>													
Assessed Contributions	6.1	60,392	60,392	77,812	77,812	138,204	138,204	68,487	91,366	0	0	206,691	229,570
Extra-Budgetary Contributions	6.2	(9)	(0)	0	0	(9)	(0)	0	0	41,349	34,899	41,340	34,899
Finance Revenue	6.3	578	75	0	1	578	75	0	0	0	0	578	75
Contributions In-Kind	6.4	14,018	12,498	16,698	15,918	30,716	28,416	12,021	46,921	344	154	43,081	75,491
Revenue from Exchange Transactions	6.5	9	11	257	234	266	245	130	50	(62)	(156)	334	139
Other Revenue	6.6	3,786	453	(76)	963	3,709	1,416	(1,052)	1,854	60	(208)	2,718	3,062
<b>Total Revenue</b>		<b>78,774</b>	<b>73,428</b>	<b>94,691</b>	<b>94,928</b>	<b>173,465</b>	<b>168,356</b>	<b>79,587</b>	<b>140,191</b>	<b>41,691</b>	<b>34,689</b>	<b>294,743</b>	<b>343,236</b>
<b>EXPENSES</b>													
Staff Costs	7.1	49,333	46,640	61,646	60,520	110,979	107,160	41,464	100,465	11,161	10,049	163,604	217,674
Consultancy and Subcontracting	7.2	5,714	6,692	6,849	8,068	12,562	14,760	2,043	7,417	10,853	13,058	25,458	35,235
Travel Expenses	7.3	2,929	1,631	5,199	3,270	8,129	4,902	4,240	5,071	5,285	1,821	17,654	11,794
Services and Office Costs	7.4	14,461	14,903	11,877	11,228	26,338	26,131	4,132	8,587	4,074	3,521	34,543	38,238
Consumables and Supplies	7.5	514	1,084	2,401	2,631	2,915	3,715	1,826	2,957	1,363	777	6,104	7,449
Depreciation and Amortisation	7.6	1,455	1,363	1,230	1,512	2,686	2,875	5,227	3,055	1,325	829	9,238	6,758
Equipment Expenses	7.7	398	759	3,723	4,537	4,121	5,296	192	656	3,480	1,225	7,793	7,178
Other Operating Expenses	7.8	312	385	427	232	739	617	1,310	3,505	3,117	4,093	5,166	8,216
<b>Total Expenses</b>		<b>75,117</b>	<b>73,457</b>	<b>93,352</b>	<b>91,998</b>	<b>168,470</b>	<b>165,455</b>	<b>60,434</b>	<b>131,714</b>	<b>40,658</b>	<b>35,373</b>	<b>269,561</b>	<b>332,542</b>
<b>Foreign Exchange Gains/(Losses)</b>	8	468	291	(127)	(75)	341	216	(56)	(157)	2,464	1,252	2,748	1,310
<b>Surplus/(Deficit) for the Period</b>	9.1	<b>4,124</b>	<b>262</b>	<b>1,212</b>	<b>2,855</b>	<b>5,336</b>	<b>3,117</b>	<b>19,097</b>	<b>8,319</b>	<b>3,497</b>	<b>567</b>	<b>27,930</b>	<b>12,003</b>

**3. Segment Reporting**  
**Cash Flow Schedule**  
**Summary by Source of Funds**  
For the Year Ended 31 December 2022

EUR '000		Total Secretariat and Institutions		Total Field Operations		Total Unified Budget		Total Special Purpose Funds		Total Extra-Budgetary Funds		Total OSCE	
	Note	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>													
Surplus/(Deficit) for the Period	9.1	4,124	(646)	1,212	3,762	5,336	3,117	19,097	8,319	3,497	567	27,930	12,003
<b>Non-Cash Movements</b>													
Deduction of Unrealized Foreign Exchange Gains/Losses on Cash and Cash Equivalents	8	(425)	(265)	26	(6)	(399)	(272)	(10)	(17)	(1,923)	(292)	(2,332)	(581)
Deduction of Depreciation, Amortisation and Impairments	7.6, 3.10	1,455	1,363	1,230	1,512	2,686	2,875	5,227	3,055	1,325	829	9,238	6,758
Deduction of Loss on Disposal of PP&E	6.5	(535)	4	(447)	144	(982)	148	1,092	(386)	155	476	265	239
Deduction of Non-Cash Changes in Net Assets	5.4	(843)	(359)	28	77	(816)	(282)	301	47	(59)	(88)	(573)	(323)
(Increase) / Decrease in Contributions Receivable	3.3	(3,488)	303	(1,875)	339	(5,362)	643	(2,976)	(6,745)	262	(4,166)	(8,076)	(10,268)
(Increase) / Decrease in Accounts Receivable	3.4	(190)	(495)	(531)	(339)	(721)	(834)	442	(66)	0	0	(280)	(901)
(Increase) / Decrease in Prepayments	3.5	(550)	(1,199)	(586)	(4)	(1,136)	(1,203)	871	106	(46)	(2)	(311)	(1,099)
(Increase) / Decrease in Inventory	3.6	0	0	(50)	256	(50)	256	1,136	(60)	232	231	1,318	428
(Increase) / Decrease in Other Current/Non-Current Assets	3.7	(2)	61	0	23	(2)	84	0	9	0	0	(2)	93
Increase / (Decrease) in Accounts Payable	4.1	1,274	(1,057)	166	(48)	1,440	(1,105)	(191)	266	24	0	1,272	(839)
Increase / (Decrease) in Accruals	4.2	(424)	(947)	(883)	(333)	(1,306)	(1,280)	(2,632)	1,973	(192)	1,717	(4,130)	2,410
Increase / (Decrease) in Deferred Revenue	4.3	(256)	(712)	0	0	(256)	(712)	(3,268)	892	0	0	(3,524)	180
Increase / (Decrease) in Conditional ExB Contributions	4.4	0	0	0	0	0	0	0	0	(2,273)	18,452	(2,273)	18,452
Increase / (Decrease) in Funds Held for Third Parties	4.5	1,293	(1,561)	4	(10)	1,297	(1,571)	0	0	0	0	1,297	(1,571)
Increase / (Decrease) in Employee Benefits	4.6	1,070	(59)	129	(566)	1,198	(625)	(1,266)	(94)	(223)	170	(291)	(549)
Increase / (Decrease) in Cash Surplus Payable	4.7	(314)	1,611	101	(349)	(213)	1,262	0	0	0	0	(213)	1,262
Increase / (Decrease) in Provisions	4.8	0	0	0	0	0	0	0	0	10,161	(7,216)	10,161	(7,216)
Increase / (Decrease) in Other Liabilities	1.9	1,335	(116)	115	(98)	1,451	(214)	322	14	(0)	0	1,773	(200)
Increase / (Decrease) in Inter-Fund Balances		(20,099)	36,304	5,125	(919)	(14,973)	35,385	(19,636)	1,746	34,610	(37,131)	0	0
<b>Net Cash Flows from Operating Activities</b>		<b>(16,575)</b>	<b>32,228</b>	<b>3,765</b>	<b>3,442</b>	<b>(12,810)</b>	<b>35,670</b>	<b>(1,492)</b>	<b>9,061</b>	<b>45,549</b>	<b>(26,453)</b>	<b>31,248</b>	<b>18,278</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>													
(Purchase) / Sale of Investments	3.2	(30,000)	0	0	0	(30,000)	0	0	0	(52,787)	14,876	(82,787)	14,876
(Addition) / Disposal of PP&E and Intangibles	3.8, 3.9	(245)	(3,364)	(969)	(2,196)	(1,215)	(5,560)	(1,038)	(2,080)	(924)	(1,706)	(3,176)	(9,346)
<b>Net Cash Flows from Investing Activities</b>		<b>(30,245)</b>	<b>(3,364)</b>	<b>(969)</b>	<b>(2,196)</b>	<b>(31,215)</b>	<b>(5,560)</b>	<b>(1,038)</b>	<b>(2,080)</b>	<b>(53,711)</b>	<b>13,169</b>	<b>(85,963)</b>	<b>5,530</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>													
Credits for Cash Surplus Withheld	5.2	(7)	(26)	(7)	(1)	(14)	(27)	0	0	0	0	(14)	(27)
Allocation of Cash Surplus	4.7	(2,001)	(2,315)	(1,826)	(1,725)	(3,827)	(4,040)	0	0	0	0	(3,827)	(4,040)
Allocation of SMM Savings		0	0	0	0	0	0	0	(6,842)	0	0	0	(6,842)
Transfer between Funds		(815)	0	(710)	0	(1,525)	0	1,525	0	0	0	0	0
<b>Net Cash Flows from Financing Activities</b>		<b>(2,823)</b>	<b>(2,341)</b>	<b>(2,543)</b>	<b>(1,726)</b>	<b>(5,366)</b>	<b>(4,067)</b>	<b>1,525</b>	<b>(6,842)</b>	<b>0</b>	<b>0</b>	<b>(3,841)</b>	<b>(10,910)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	3.1	<b>(49,644)</b>	<b>26,523</b>	<b>253</b>	<b>(481)</b>	<b>(49,391)</b>	<b>26,042</b>	<b>(1,004)</b>	<b>139</b>	<b>(8,162)</b>	<b>(13,283)</b>	<b>(58,557)</b>	<b>12,898</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	3.1	<b>83,903</b>	<b>57,115</b>	<b>1,666</b>	<b>2,141</b>	<b>85,570</b>	<b>59,256</b>	<b>994</b>	<b>838</b>	<b>17,974</b>	<b>30,965</b>	<b>104,537</b>	<b>91,059</b>
<b>Foreign Exchange Gains/(Losses) on Cash and Cash Equivalents</b>	8	<b>425</b>	<b>265</b>	<b>(26)</b>	<b>6</b>	<b>399</b>	<b>272</b>	<b>10</b>	<b>17</b>	<b>1,923</b>	<b>292</b>	<b>2,332</b>	<b>581</b>
<b>Cash and Cash Equivalents at End of Period</b>		<b>34,685</b>	<b>83,903</b>	<b>1,893</b>	<b>1,666</b>	<b>36,578</b>	<b>85,570</b>	<b>(0)</b>	<b>994</b>	<b>11,735</b>	<b>17,974</b>	<b>48,313</b>	<b>104,537</b>

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

As at 31 December 2022

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	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>ASSETS</b>											
<b>Current Assets</b>											
Cash and Cash Equivalents	3.1	33,506	83,654	1,000	61	179	188	0	0	34,685	83,903
Investments	3.2	40,000	10,000	0	0	0	0	0	0	40,000	10,000
Contributions Receivable	3.3	2,273	14	939	6	204	1	93	1	3,510	22
Accounts Receivable	3.4	2,272	2,520	611	258	156	116	46	0	3,084	2,893
Prepayments	3.5	2,938	2,831	1,112	753	167	95	16	5	4,233	3,683
Inventory	3.6	0	0	0	0	0	0	0	0	0	0
Inter-Fund Balances		(54,863)	(79,227)	308	3,528	(71)	610	86	451	(54,539)	(74,638)
Other Current Assets	3.7	0	0	12	10	0	1	0	0	12	11
		<b>26,126</b>	<b>19,792</b>	<b>3,982</b>	<b>4,615</b>	<b>635</b>	<b>1,011</b>	<b>242</b>	<b>457</b>	<b>30,985</b>	<b>25,875</b>
<b>Non-Current Assets</b>											
Property, Plant and Equipment	3.8	2,335	2,903	357	78	25	30	6	9	2,723	3,021
Intangible Assets	3.9	2,855	3,230	0	5	3	0	0	0	2,858	3,235
Other Non-Current Assets	3.7	20	20	0	0	0	0	0	0	20	20
		<b>5,210</b>	<b>6,153</b>	<b>357</b>	<b>83</b>	<b>28</b>	<b>30</b>	<b>6</b>	<b>9</b>	<b>5,600</b>	<b>6,275</b>
<b>Total Assets</b>		<b>31,336</b>	<b>25,944</b>	<b>4,339</b>	<b>4,698</b>	<b>662</b>	<b>1,041</b>	<b>248</b>	<b>466</b>	<b>36,585</b>	<b>32,150</b>
<b>LIABILITIES</b>											
<b>Current Liabilities</b>											
Accounts Payable	4.1	1,853	680	357	254	2	6	1	1	2,213	940
Accruals	4.2	823	919	375	645	96	126	6	35	1,301	1,724
Deferred Revenue	4.3	3,676	3,932	849	849	0	0	0	0	4,525	4,781
Conditional ExB Contributions	4.4	0	0	0	0	0	0	0	0	0	0
Funds Held for Third Parties	4.5	6,295	5,290	343	56	0	0	0	0	6,638	5,345
Employee Benefits Current	4.6	2,310	1,995	711	502	206	226	136	118	3,364	2,842
Cash Surplus Current	4.7	1,131	929	552	920	192	292	125	173	2,001	2,315
Provisions	4.8	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	4.9	1,992	626	(0)	1	77	106	0	0	2,069	733
		<b>18,080</b>	<b>14,371</b>	<b>3,188</b>	<b>3,227</b>	<b>574</b>	<b>755</b>	<b>269</b>	<b>328</b>	<b>22,111</b>	<b>18,681</b>
<b>Non-Current Liabilities</b>											
Employee Benefits Non-Current	4.6	1,859	1,623	1,206	922	302	268	102	108	3,470	2,922
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0	0	0
		<b>1,859</b>	<b>1,623</b>	<b>1,206</b>	<b>922</b>	<b>302</b>	<b>268</b>	<b>102</b>	<b>108</b>	<b>3,470</b>	<b>2,922</b>
<b>Total Liabilities</b>		<b>19,939</b>	<b>15,994</b>	<b>4,394</b>	<b>4,149</b>	<b>876</b>	<b>1,024</b>	<b>371</b>	<b>436</b>	<b>25,581</b>	<b>21,603</b>
<b>Net Assets</b>		<b>11,397</b>	<b>9,950</b>	<b>(55)</b>	<b>550</b>	<b>(214)</b>	<b>18</b>	<b>(124)</b>	<b>30</b>	<b>11,005</b>	<b>10,547</b>
<b>NET ASSETS</b>											
Cash Surplus	5.1	(643)	1,131	(284)	552	(128)	192	(64)	125	(1,119)	2,001
Cash Surplus Withheld	5.2	15	26	3	1	1	0	1	0	20	28
Revolving Fund	5.3	2,710	2,710	0	0	0	0	0	0	2,710	2,710
Contingency Fund	5.3	2,180	2,180	0	0	0	0	0	0	2,180	2,180
Other Reserves	5.4	(1,943)	(1,431)	(1,444)	(1,152)	(215)	(187)	(102)	(91)	(3,704)	(2,861)
Accumulated Surplus/(Deficit)	5.5	9,077	5,334	1,670	1,148	128	12	42	(5)	10,917	6,489
<b>Total Net Assets</b>		<b>11,397</b>	<b>9,950</b>	<b>(55)</b>	<b>550</b>	<b>(214)</b>	<b>18</b>	<b>(124)</b>	<b>30</b>	<b>11,005</b>	<b>10,547</b>

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

For the Year Ended 31 December 2022

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	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>REVENUE</b>											
Assessed Contributions	6.1	39,120	39,120	16,160	16,160	3,504	3,504	1,609	1,609	60,392	60,392
Extra-Budgetary Contributions	6.2	(9)	0	0	(0)	0	0	0	0	(9)	(0)
Finance Revenue	6.3	577	74	1	1	0	0	0	0	578	75
Contributions In-Kind	6.4	10,401	9,398	2,504	2,301	588	465	524	333	14,018	12,498
Revenue from Exchange Transactions	6.5	6	(2)	0	12	3	0	0	0	9	11
Other Revenue	6.6	4,031	(638)	(116)	838	(89)	176	(40)	77	3,786	453
<b>Total Revenue</b>		<b>54,126</b>	<b>47,952</b>	<b>18,548</b>	<b>19,312</b>	<b>4,007</b>	<b>4,145</b>	<b>2,093</b>	<b>2,019</b>	<b>78,774</b>	<b>73,428</b>
<b>EXPENSES</b>											
Staff Costs	7.1	34,967	33,112	9,257	8,610	3,289	3,265	1,820	1,653	49,333	46,640
Consultancy and Subcontracting	7.2	1,436	1,290	4,096	5,188	143	160	38	53	5,714	6,692
Travel Expenses	7.3	1,364	733	1,174	676	267	166	125	56	2,929	1,631
Services and Office Costs	7.4	11,077	11,760	3,087	2,875	230	209	67	58	14,461	14,903
Consumables and Supplies	7.5	248	692	231	294	25	84	10	14	514	1,084
Depreciation and Amortisation	7.6	1,369	1,282	70	62	14	16	4	4	1,455	1,363
Equipment Expenses	7.7	222	614	144	73	19	66	13	5	398	759
Other Operating Expenses	7.8	280	349	16	31	11	4	4	2	312	385
<b>Total Expenses</b>		<b>50,962</b>	<b>49,833</b>	<b>18,076</b>	<b>17,810</b>	<b>3,998</b>	<b>3,970</b>	<b>2,081</b>	<b>1,844</b>	<b>75,117</b>	<b>73,457</b>
<b>Foreign Exchange Gains/(Losses)</b>	8	<b>502</b>	<b>298</b>	<b>(34)</b>	<b>(7)</b>	<b>(0)</b>	<b>(0)</b>	<b>0</b>	<b>0</b>	<b>468</b>	<b>291</b>
<b>Surplus/(Deficit) for the Period</b>	9.1	<b>3,665</b>	<b>(1,583)</b>	<b>438</b>	<b>1,495</b>	<b>8</b>	<b>176</b>	<b>12</b>	<b>174</b>	<b>4,124</b>	<b>262</b>

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

As at 31 December 2022

EUR '000		Augmentations		South-Eastern Europe		Eastern Europe		Caucasus		Central Asia		Total Regions		Closed Funds		Total Field Operations	
	Note	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>ASSETS</b>																	
<b>Current Assets</b>																	
Cash and Cash Equivalents	3.1	0	0	852	524	60	337	30	45	951	760	1,893	1,666	0	0	1,893	1,666
Investments	3.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contributions Receivable	3.3	48	0	1,139	6	144	1	57	0	497	2	1,884	9	0	0	1,884	9
Accounts Receivable	3.4	0	0	915	340	50	154	11	0	631	582	1,607	1,077	0	0	1,607	1,077
Prepayments	3.5	24	0	1,105	851	115	73	10	8	1,332	1,068	2,586	2,000	0	0	2,586	2,000
Inventory	3.6	0	0	90	47	0	0	0	0	50	43	141	91	0	0	141	91
Inter-Fund Balances		(24)	99	2,097	5,133	1,268	237	1,872	1,423	159	3,464	5,373	10,356	70	211	5,442	10,567
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		<b>48</b>	<b>99</b>	<b>6,198</b>	<b>6,902</b>	<b>1,637</b>	<b>802</b>	<b>1,980</b>	<b>1,476</b>	<b>3,620</b>	<b>5,920</b>	<b>13,483</b>	<b>15,199</b>	<b>70</b>	<b>211</b>	<b>13,553</b>	<b>15,410</b>
<b>Non-Current Assets</b>																	
Property, Plant and Equipment	3.8	0	0	2,384	2,486	374	213	169	214	1,012	844	3,938	3,757	0	0	3,938	3,757
Intangible Assets	3.9	0	0	35	39	2	5	0	0	14	3	52	47	0	0	52	47
Other Non-Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		<b>0</b>	<b>0</b>	<b>2,419</b>	<b>2,525</b>	<b>376</b>	<b>217</b>	<b>169</b>	<b>214</b>	<b>1,027</b>	<b>847</b>	<b>3,990</b>	<b>3,804</b>	<b>0</b>	<b>0</b>	<b>3,990</b>	<b>3,804</b>
<b>Total Assets</b>		<b>48</b>	<b>99</b>	<b>8,617</b>	<b>9,427</b>	<b>2,012</b>	<b>1,019</b>	<b>2,148</b>	<b>1,691</b>	<b>4,647</b>	<b>6,767</b>	<b>17,473</b>	<b>19,003</b>	<b>70</b>	<b>211</b>	<b>17,543</b>	<b>19,214</b>
<b>LIABILITIES</b>																	
<b>Current Liabilities</b>																	
Accounts Payable	4.1	0	0	312	368	237	36	4	16	208	175	760	594	(0)	(0)	760	594
Accruals	4.2	37	43	1,474	1,937	84	70	22	37	1,355	1,767	2,972	3,854	0	0	2,972	3,854
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	28	24	0	0	0	0	0	0	28	24	0	0	28	24
Employee Benefits Current	4.6	106	177	2,956	2,655	41	233	41	39	796	607	3,940	3,710	0	0	3,940	3,710
Cash Surplus Current	4.7	75	5	613	372	58	263	834	380	201	598	1,782	1,618	44	107	1,826	1,725
Provisions	4.8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	4.9	0	0	183	70	1	4	(0)	0	10	5	193	78	0	0	193	78
		<b>218</b>	<b>225</b>	<b>5,564</b>	<b>5,425</b>	<b>422</b>	<b>606</b>	<b>901</b>	<b>471</b>	<b>2,571</b>	<b>3,152</b>	<b>9,675</b>	<b>9,879</b>	<b>44</b>	<b>107</b>	<b>9,719</b>	<b>9,986</b>
<b>Non-Current Liabilities</b>																	
Employee Benefits Non-Current	4.6	0	69	53	70	3	6	2	2	20	31	77	178	0	0	77	178
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		<b>0</b>	<b>69</b>	<b>53</b>	<b>70</b>	<b>3</b>	<b>6</b>	<b>2</b>	<b>2</b>	<b>20</b>	<b>31</b>	<b>77</b>	<b>178</b>	<b>0</b>	<b>0</b>	<b>77</b>	<b>178</b>
<b>Total Liabilities</b>		<b>218</b>	<b>294</b>	<b>5,617</b>	<b>5,495</b>	<b>425</b>	<b>611</b>	<b>903</b>	<b>474</b>	<b>2,590</b>	<b>3,183</b>	<b>9,752</b>	<b>10,057</b>	<b>44</b>	<b>107</b>	<b>9,797</b>	<b>10,164</b>
<b>Net Assets</b>		<b>(169)</b>	<b>(195)</b>	<b>3,000</b>	<b>3,931</b>	<b>1,588</b>	<b>408</b>	<b>1,246</b>	<b>1,217</b>	<b>2,057</b>	<b>3,584</b>	<b>7,720</b>	<b>8,946</b>	<b>26</b>	<b>104</b>	<b>7,746</b>	<b>9,050</b>
<b>NET ASSETS</b>																	
Cash Surplus	5.1	(29)	75	(678)	613	1,040	58	1,022	834	(251)	201	1,104	1,782	34	44	1,138	1,826
Cash Surplus Withheld	5.2	0	0	3	7	0	0	1	1	1	1	5	9	1	4	6	13
Revolving Fund	5.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contingency Fund	5.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserves	5.4	350	355	361	337	2	1	(5)	(5)	(126)	(135)	581	553	(8)	(8)	573	546
Accumulated Surplus/(Deficit)	5.5	(490)	(626)	3,314	2,974	546	349	228	387	2,433	3,517	6,031	6,601	(2)	64	6,029	6,665
<b>Total Net Assets</b>		<b>(169)</b>	<b>(195)</b>	<b>3,000</b>	<b>3,931</b>	<b>1,588</b>	<b>408</b>	<b>1,246</b>	<b>1,217</b>	<b>2,057</b>	<b>3,584</b>	<b>7,720</b>	<b>8,946</b>	<b>26</b>	<b>104</b>	<b>7,746</b>	<b>9,050</b>

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

For the Year Ended 31 December 2022

EUR '000	Note	Augmentations		South-Eastern Europe		Eastern Europe		Caucasus		Central Asia		Total Regions		Closed Funds		Total Field Operations	
		2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>REVENUE</b>																	
Assessed Contributions	6.1	1,988	1,988	47,043	47,043	5,927	5,927	2,339	2,339	20,516	20,516	77,812	77,812	0	0	77,812	77,812
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	0	1	0	0	0	0	0	1	0	0	0	1
Contributions In-Kind	6.4	0	0	11,866	11,083	1,055	971	815	912	2,962	2,951	16,698	15,918	0	0	16,698	15,918
Revenue from Exchange Transactions	6.5	0	0	331	252	1	(14)	0	0	(75)	(4)	257	234	0	0	257	234
Other Revenue	6.6	(26)	41	(230)	529	181	53	(19)	26	49	204	(44)	853	(32)	110	(76)	963
<b>Total Revenue</b>		<b>1,962</b>	<b>2,029</b>	<b>59,011</b>	<b>58,906</b>	<b>7,164</b>	<b>6,938</b>	<b>3,134</b>	<b>3,277</b>	<b>23,452</b>	<b>23,667</b>	<b>94,723</b>	<b>94,818</b>	<b>(32)</b>	<b>110</b>	<b>94,691</b>	<b>94,928</b>
<b>EXPENSES</b>																	
Staff Costs	7.1	1,679	1,672	44,273	43,385	3,577	3,640	1,567	1,539	10,549	10,285	61,646	60,520	(0)	0	61,646	60,520
Consultancy and Subcontracting	7.2	167	136	2,619	3,023	372	935	2	0	3,689	3,974	6,849	8,068	0	0	6,849	8,068
Travel Expenses	7.3	5	7	1,793	936	465	433	167	268	2,769	1,626	5,199	3,270	0	0	5,199	3,270
Services and Office Costs	7.4	4	16	6,669	6,145	907	1,290	281	268	4,015	3,509	11,877	11,228	0	0	11,877	11,228
Consumables and Supplies	7.5	0	0	1,205	1,343	252	261	31	42	913	985	2,401	2,631	0	0	2,401	2,631
Depreciation and Amortisation	7.6	0	0	788	1,011	99	126	46	63	298	312	1,230	1,512	0	0	1,230	1,512
Equipment Expenses	7.7	0	0	1,696	1,684	138	254	16	14	1,873	2,585	3,723	4,537	0	0	3,723	4,537
Other Operating Expenses	7.8	0	0	157	99	88	21	7	18	176	94	427	232	0	0	427	232
<b>Total Expenses</b>		<b>1,855</b>	<b>1,832</b>	<b>59,200</b>	<b>57,626</b>	<b>5,898</b>	<b>6,960</b>	<b>2,117</b>	<b>2,211</b>	<b>24,283</b>	<b>23,369</b>	<b>93,352</b>	<b>91,998</b>	<b>(0)</b>	<b>0</b>	<b>93,352</b>	<b>91,998</b>
Foreign Exchange Gains/(Losses)	8	0	0	(4)	20	(30)	(52)	0	(2)	(94)	(41)	(127)	(75)	0	0	(127)	(75)
<b>Surplus/(Deficit) for the Period</b>	9.1	<b>107</b>	<b>198</b>	<b>(193)</b>	<b>1,300</b>	<b>1,236</b>	<b>(73)</b>	<b>1,018</b>	<b>1,063</b>	<b>(925)</b>	<b>257</b>	<b>1,243</b>	<b>2,745</b>	<b>(32)</b>	<b>110</b>	<b>1,212</b>	<b>2,855</b>

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

As at 31 December 2022

EUR '000		Mission in Kosovo		Mission to Bosnia and Herzegovina		Mission to Serbia		Presence in Albania		Mission to Skopje		Mission to Montenegro		Total South-Eastern Europe	
	Note	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>ASSETS</b>															
<b>Current Assets</b>															
Cash and Cash Equivalents	3.1	77	75	229	159	68	110	114	114	360	149	4	(83)	852	524
Investments	3.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contributions Receivable	3.3	423	2	283	1	152	1	72	0	158	1	52	0	1,139	6
Accounts Receivable	3.4	261	0	307	105	74	0	61	59	190	176	22	0	915	340
Prepayments	3.5	404	276	187	138	283	273	53	34	136	100	42	30	1,105	851
Inventory	3.6	14	0	21	6	0	2	0	0	55	19	0	20	90	47
Inter-Fund Balances		541	1,726	646	722	86	557	170	387	(46)	1,020	700	720	2,097	5,133
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		<b>1,719</b>	<b>2,079</b>	<b>1,673</b>	<b>1,132</b>	<b>662</b>	<b>944</b>	<b>470</b>	<b>595</b>	<b>853</b>	<b>1,465</b>	<b>820</b>	<b>687</b>	<b>6,198</b>	<b>6,902</b>
<b>Non-Current Assets</b>															
Property, Plant and Equipment	3.8	1,036	1,097	561	579	218	216	116	74	425	477	27	42	2,384	2,486
Intangible Assets	3.9	20	29	4	7	0	1	1	2	2	0	8	0	35	39
Other Non-Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		<b>1,056</b>	<b>1,126</b>	<b>565</b>	<b>587</b>	<b>218</b>	<b>217</b>	<b>117</b>	<b>76</b>	<b>427</b>	<b>477</b>	<b>35</b>	<b>42</b>	<b>2,419</b>	<b>2,525</b>
<b>Total Assets</b>		<b>2,775</b>	<b>3,206</b>	<b>2,239</b>	<b>1,719</b>	<b>880</b>	<b>1,161</b>	<b>588</b>	<b>671</b>	<b>1,280</b>	<b>1,942</b>	<b>855</b>	<b>729</b>	<b>8,617</b>	<b>9,427</b>
<b>LIABILITIES</b>															
<b>Current Liabilities</b>															
Accounts Payable	4.1	162	154	36	35	11	51	82	95	6	63	15	(31)	312	368
Accruals	4.2	313	617	265	232	352	513	75	132	211	336	258	106	1,474	1,937
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	7	5	2	2	0	0	19	17	0	0	28	24
Employee Benefits Current	4.6	1,192	1,063	802	779	371	333	148	137	377	281	64	62	2,956	2,655
Cash Surplus Current	4.7	75	(13)	159	(12)	15	9	65	92	132	191	167	106	613	372
Provisions	4.8	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	4.9	54	49	12	13	(1)	2	(0)	(0)	3	5	114	2	183	70
		<b>1,796</b>	<b>1,870</b>	<b>1,281</b>	<b>1,053</b>	<b>749</b>	<b>909</b>	<b>370</b>	<b>457</b>	<b>749</b>	<b>892</b>	<b>619</b>	<b>245</b>	<b>5,564</b>	<b>5,425</b>
<b>Non-Current Liabilities</b>															
Employee Benefits Non-Current	4.6	20	28	10	15	5	6	3	7	11	12	3	2	53	70
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		<b>20</b>	<b>28</b>	<b>10</b>	<b>15</b>	<b>5</b>	<b>6</b>	<b>3</b>	<b>7</b>	<b>11</b>	<b>12</b>	<b>3</b>	<b>2</b>	<b>53</b>	<b>70</b>
<b>Total Liabilities</b>		<b>1,816</b>	<b>1,898</b>	<b>1,291</b>	<b>1,068</b>	<b>754</b>	<b>915</b>	<b>373</b>	<b>464</b>	<b>760</b>	<b>904</b>	<b>622</b>	<b>247</b>	<b>5,617</b>	<b>5,495</b>
<b>Net Assets</b>		<b>959</b>	<b>1,308</b>	<b>947</b>	<b>651</b>	<b>126</b>	<b>246</b>	<b>214</b>	<b>207</b>	<b>519</b>	<b>1,037</b>	<b>234</b>	<b>482</b>	<b>3,000</b>	<b>3,931</b>
<b>NET ASSETS</b>															
Cash Surplus	5.1	(338)	75	(151)	159	(131)	15	2	65	(94)	132	33	167	(678)	613
Cash Surplus Withheld	5.2	1	3	0	1	0	2	0	1	1	1	0	0	3	7
Revolving Fund	5.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contingency Fund	5.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserves	5.4	266	255	34	28	30	30	17	14	13	9	1	1	361	337
Accumulated Surplus/(Deficit)	5.5	1,030	975	1,064	463	226	200	195	128	600	894	200	314	3,314	2,974
<b>Total Net Assets</b>		<b>959</b>	<b>1,308</b>	<b>947</b>	<b>651</b>	<b>126</b>	<b>246</b>	<b>214</b>	<b>207</b>	<b>519</b>	<b>1,037</b>	<b>234</b>	<b>482</b>	<b>3,000</b>	<b>3,931</b>

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

For the Year Ended 31 December 2022

EUR '000		Mission in Kosovo		Mission to Bosnia and Herzegovina		Mission to Serbia		Presence in Albania		Mission to Skopje		Mission to Montenegro		Total South-Eastern Europe	
	Note	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>REVENUE</b>															
Assessed Contributions	6.1	17,463	17,463	11,682	11,682	6,259	6,259	2,981	2,981	6,506	6,506	2,152	2,152	47,043	47,043
Extra-Budgetary Contributions	6.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Finance Revenue	6.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contributions In-Kind	6.4	5,351	4,655	1,692	1,837	1,363	1,300	979	1,072	2,015	1,871	466	348	11,866	11,083
Revenue from Exchange Transactions	6.5	125	75	145	49	9	34	51	5	0	90	0	0	331	252
Other Revenue	6.6	(58)	139	(57)	151	(64)	84	36	47	(63)	89	(24)	20	(230)	529
<b>Total Revenue</b>		<b>22,881</b>	<b>22,331</b>	<b>13,462</b>	<b>13,718</b>	<b>7,567</b>	<b>7,676</b>	<b>4,048</b>	<b>4,105</b>	<b>8,458</b>	<b>8,557</b>	<b>2,595</b>	<b>2,520</b>	<b>59,011</b>	<b>58,906</b>
<b>EXPENSES</b>															
Staff Costs	7.1	18,117	17,375	10,098	10,556	5,476	5,289	2,992	3,061	6,222	5,877	1,369	1,227	44,273	43,385
Consultancy and Subcontracting	7.2	772	795	409	590	458	633	147	170	445	438	387	396	2,619	3,023
Travel Expenses	7.3	536	248	323	156	377	256	171	86	267	144	119	46	1,793	936
Services and Office Costs	7.4	2,195	2,059	1,471	1,303	1,090	1,040	471	461	1,076	1,003	367	278	6,669	6,145
Consumables and Supplies	7.5	563	493	259	293	64	140	58	121	220	228	41	66	1,205	1,343
Depreciation and Amortisation	7.6	364	499	189	211	68	81	35	46	121	154	10	20	788	1,011
Equipment Expenses	7.7	542	572	237	268	112	234	82	135	434	222	290	253	1,696	1,684
Other Operating Expenses	7.8	25	15	28	24	11	29	9	12	57	11	27	7	157	99
<b>Total Expenses</b>		<b>23,114</b>	<b>22,056</b>	<b>13,013</b>	<b>13,402</b>	<b>7,655</b>	<b>7,703</b>	<b>3,965</b>	<b>4,091</b>	<b>8,842</b>	<b>8,079</b>	<b>2,611</b>	<b>2,294</b>	<b>59,200</b>	<b>57,626</b>
<b>Foreign Exchange Gains/(Losses)</b>	8	0	(0)	0	0	(15)	(8)	6	18	5	10	0	(0)	(4)	20
<b>Surplus/(Deficit) for the Period</b>	9.1	<b>(233)</b>	<b>275</b>	<b>450</b>	<b>316</b>	<b>(104)</b>	<b>(35)</b>	<b>89</b>	<b>31</b>	<b>(379)</b>	<b>488</b>	<b>(16)</b>	<b>225</b>	<b>(193)</b>	<b>1,300</b>



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

As at 31 December 2022

EUR '000		Mission to Moldova		Project Co-ordinator in Ukraine		Representative on the Latvian-Russian Joint Commission on Military Pensioners		Total Eastern Europe	
	Note	2022	2021	2022	2021	2022	2021	2022	2021
<b>ASSETS</b>									
<b>Current Assets</b>									
Cash and Cash Equivalents	3.1	60	45	0	292	0	0	60	337
Investments	3.2	0	0	0	0	0	0	0	0
Contributions Receivable	3.3	56	0	88	0	0	0	144	1
Accounts Receivable	3.4	50	7	0	147	0	0	50	154
Prepayments	3.5	115	28	(0)	45	0	0	115	73
Inventory	3.6	0	0	0	0	0	0	0	0
Inter-Fund Balances		(78)	334	1,340	(104)	6	7	1,268	237
Other Current Assets	3.7	0	0	0	0	0	0	0	0
		<b>202</b>	<b>415</b>	<b>1,428</b>	<b>381</b>	<b>6</b>	<b>7</b>	<b>1,637</b>	<b>802</b>
<b>Non-Current Assets</b>									
Property, Plant and Equipment	3.8	373	146	1	67	0	0	374	213
Intangible Assets	3.9	2	3	0	2	0	0	2	5
Other Non-Current Assets	3.7	0	0	0	0	0	0	0	0
		<b>375</b>	<b>149</b>	<b>1</b>	<b>68</b>	<b>0</b>	<b>0</b>	<b>376</b>	<b>217</b>
<b>Total Assets</b>		<b>577</b>	<b>564</b>	<b>1,429</b>	<b>449</b>	<b>6</b>	<b>7</b>	<b>2,012</b>	<b>1,019</b>
<b>LIABILITIES</b>									
<b>Current Liabilities</b>									
Accounts Payable	4.1	(32)	(10)	269	46	0	0	237	36
Accruals	4.2	76	30	7	39	0	0	84	70
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	41	51	0	181	0	0	41	233
Cash Surplus Current	4.7	39	73	16	187	3	4	58	263
Provisions	4.8	0	0	0	0	0	0	0	0
Other Current Liabilities	4.9	1	1	1	3	0	0	1	4
		<b>125</b>	<b>146</b>	<b>293</b>	<b>456</b>	<b>4</b>	<b>4</b>	<b>422</b>	<b>606</b>
<b>Non-Current Liabilities</b>									
Employee Benefits Non-Current	4.6	3	5	0	1	0	0	3	6
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0
		<b>3</b>	<b>5</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>6</b>
<b>Total Liabilities</b>		<b>128</b>	<b>151</b>	<b>293</b>	<b>457</b>	<b>4</b>	<b>4</b>	<b>425</b>	<b>611</b>
<b>Net Assets</b>		<b>449</b>	<b>413</b>	<b>1,136</b>	<b>(8)</b>	<b>3</b>	<b>4</b>	<b>1,588</b>	<b>408</b>
<b>NET ASSETS</b>									
Cash Surplus	5.1	(36)	39	1,073	16	3	3	1,040	58
Cash Surplus Withheld	5.2	0	0	0	0	0	0	0	0
Revolving Fund	5.3	0	0	0	0	0	0	0	0
Contingency Fund	5.3	0	0	0	0	0	0	0	0
Other Reserves	5.4	(7)	(7)	9	7	0	0	2	1
Accumulated Surplus/(Deficit)	5.5	492	380	54	(31)	0	0	546	349
<b>Total Net Assets</b>		<b>449</b>	<b>413</b>	<b>1,136</b>	<b>(8)</b>	<b>3</b>	<b>4</b>	<b>1,588</b>	<b>408</b>

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

For the Year Ended 31 December 2022

EUR '000		Mission to Moldova		Project Co-ordinator in Ukraine		Representative on the Latvian-Russian Joint Commission on Military Pensioners		Total Eastern Europe	
	Note	2022	2021	2022	2021	2022	2021	2022	2021
<b>REVENUE</b>									
Assessed Contributions	6.1	2,303	2,303	3,619	3,619	6	6	5,927	5,927
Extra-Budgetary Contributions	6.2	0	0	0	0	0	0	0	0
Finance Revenue	6.3	0	0	0	1	0	0	0	1
Contributions In-Kind	6.4	802	724	165	189	87	59	1,055	971
Revenue from Exchange Transactions	6.5	2	0	(1)	(14)	0	0	1	(14)
Other Revenue	6.6	254	24	(73)	30	(0)	0	181	53
<b>Total Revenue</b>		<b>3,361</b>	<b>3,050</b>	<b>3,710</b>	<b>3,823</b>	<b>92</b>	<b>65</b>	<b>7,164</b>	<b>6,938</b>
<b>EXPENSES</b>									
Staff Costs	7.1	1,961	1,854	1,529	1,727	87	59	3,577	3,640
Consultancy and Subcontracting	7.2	211	315	161	620	0	0	372	935
Travel Expenses	7.3	194	46	269	385	3	2	465	433
Services and Office Costs	7.4	499	418	408	872	0	0	907	1,290
Consumables and Supplies	7.5	178	165	74	96	0	0	252	261
Depreciation and Amortisation	7.6	77	85	22	40	0	0	99	126
Equipment Expenses	7.7	122	126	17	128	0	0	138	254
Other Operating Expenses	7.8	36	13	52	8	0	0	88	21
<b>Total Expenses</b>		<b>3,278</b>	<b>3,021</b>	<b>2,531</b>	<b>3,877</b>	<b>90</b>	<b>61</b>	<b>5,898</b>	<b>6,960</b>
<b>Foreign Exchange Gains/(Losses)</b>	8	<b>(8)</b>	<b>2</b>	<b>(22)</b>	<b>(54)</b>	<b>0</b>	<b>0</b>	<b>(30)</b>	<b>(52)</b>
<b>Surplus/(Deficit) for the Period</b>	9.1	<b>75</b>	<b>30</b>	<b>1,158</b>	<b>(107)</b>	<b>3</b>	<b>3</b>	<b>1,236</b>	<b>(73)</b>

**E.1. Segment Reporting**  
**Schedule of Financial Position**  
**Caucasus**

As at 31 December 2022

EUR '000		High-Level Planning Group		The Minsk Process		Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference		Total Caucasus	
	Note	2022	2021	2022	2021	2022	2021	2022	2021
<b>ASSETS</b>									
<b>Current Assets</b>									
Cash and Cash Equivalents	3.1	0	0	0	0	30	45	30	45
Investments	3.2	0	0	0	0	0	0	0	0
Contributions Receivable	3.3	6	0	22	0	29	0	57	0
Accounts Receivable	3.4	4	0	0	0	8	0	11	0
Prepayments	3.5	1	1	0	0	9	7	10	8
Inventory	3.6	0	0	0	0	0	0	0	0
Inter-Fund Balances		164	170	1,208	746	500	508	1,872	1,423
Other Current Assets	3.7	0	0	0	0	0	0	0	0
		<b>174</b>	<b>171</b>	<b>1,230</b>	<b>746</b>	<b>575</b>	<b>560</b>	<b>1,980</b>	<b>1,476</b>
<b>Non-Current Assets</b>									
Property, Plant and Equipment	3.8	1	2	0	0	168	213	169	214
Intangible Assets	3.9	0	0	0	0	0	0	0	0
Other Non-Current Assets	3.7	0	0	0	0	0	0	0	0
		<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>168</b>	<b>213</b>	<b>169</b>	<b>214</b>
<b>Total Assets</b>		<b>175</b>	<b>173</b>	<b>1,230</b>	<b>746</b>	<b>743</b>	<b>772</b>	<b>2,148</b>	<b>1,691</b>
<b>LIABILITIES</b>									
<b>Current Liabilities</b>									
Accounts Payable	4.1	0	1	0	0	4	15	4	16
Accruals	4.2	1	1	7	22	14	14	22	37
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	16	11	0	0	25	28	41	39
Cash Surplus Current	4.7	63	67	586	188	186	125	834	380
Provisions	4.8	0	0	0	0	0	0	0	0
Other Current Liabilities	4.9	0	0	0	0	(0)	0	(0)	0
		<b>80</b>	<b>80</b>	<b>593</b>	<b>210</b>	<b>229</b>	<b>182</b>	<b>901</b>	<b>471</b>
<b>Non-Current Liabilities</b>									
Employee Benefits Non-Current	4.6	0	0	0	0	2	2	2	2
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0
		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Total Liabilities</b>		<b>80</b>	<b>80</b>	<b>593</b>	<b>210</b>	<b>231</b>	<b>184</b>	<b>903</b>	<b>474</b>
<b>Net Assets</b>		<b>96</b>	<b>93</b>	<b>638</b>	<b>535</b>	<b>512</b>	<b>588</b>	<b>1,246</b>	<b>1,217</b>
<b>NET ASSETS</b>									
Cash Surplus	5.1	62	63	782	586	179	186	1,022	834
Cash Surplus Withheld	5.2	0	0	0	1	0	0	1	1
Revolving Fund	5.3	0	0	0	0	0	0	0	0
Contingency Fund	5.3	0	0	0	0	0	0	0	0
Other Reserves	5.4	0	0	0	0	(5)	(5)	(5)	(5)
Accumulated Surplus/(Deficit)	5.5	33	30	(145)	(51)	339	407	228	387
<b>Total Net Assets</b>		<b>96</b>	<b>93</b>	<b>638</b>	<b>535</b>	<b>512</b>	<b>588</b>	<b>1,246</b>	<b>1,217</b>

**E.2. Segment Reporting**  
**Schedule of Financial Performance**  
**Caucasus**

For the Year Ended 31 December 2022

EUR '000		High-Level Planning Group		The Minsk Process		Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference		Total Caucasus	
	Note	2022	2021	2022	2021	2022	2021	2022	2021
<b>REVENUE</b>									
Assessed Contributions	6.1	248	248	911	911	1,180	1,180	2,339	2,339
Extra-Budgetary Contributions	6.2	0	0	0	0	0	0	0	0
Finance Revenue	6.3	0	0	0	0	0	0	0	0
Contributions In-Kind	6.4	489	487	0	0	326	425	815	912
Revenue from Exchange Transactions	6.5	0	0	0	0	0	0	0	0
Other Revenue	6.6	(2)	2	(6)	10	(11)	14	(19)	26
<b>Total Revenue</b>		<b>734</b>	<b>737</b>	<b>905</b>	<b>921</b>	<b>1,495</b>	<b>1,619</b>	<b>3,134</b>	<b>3,277</b>
<b>EXPENSES</b>									
Staff Costs	7.1	584	574	0	0	984	964	1,567	1,539
Consultancy and Subcontracting	7.2	0	0	0	0	2	0	2	0
Travel Expenses	7.3	10	17	110	208	47	42	167	268
Services and Office Costs	7.4	74	75	1	2	206	191	281	268
Consumables and Supplies	7.5	1	2	0	0	30	39	31	42
Depreciation and Amortisation	7.6	1	1	0	0	45	63	46	63
Equipment Expenses	7.7	0	1	0	0	16	13	16	14
Other Operating Expenses	7.8	0	0	0	12	6	5	7	18
<b>Total Expenses</b>		<b>669</b>	<b>670</b>	<b>112</b>	<b>223</b>	<b>1,336</b>	<b>1,318</b>	<b>2,117</b>	<b>2,211</b>
<b>Foreign Exchange Gains/(Losses)</b>	8	0	0	0	0	0	(2)	0	(2)
<b>Surplus/(Deficit) for the Period</b>	9.1	<b>65</b>	<b>68</b>	<b>793</b>	<b>697</b>	<b>160</b>	<b>298</b>	<b>1,018</b>	<b>1,063</b>

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

As at 31 December 2022

EUR '000		Programme Office in Astana		Centre in Ashgabat		Programme Office in Bishkek		Project Co-ordinator in Uzbekistan		Programme Office in Dushanbe		Total Central Asia	
	Note	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>ASSETS</b>													
<b>Current Assets</b>													
Cash and Cash Equivalents	3.1	133	138	130	232	56	34	97	240	535	116	951	760
Investments	3.2	0	0	0	0	0	0	0	0	0	0	0	0
Contributions Receivable	3.3	54	0	40	0	165	1	61	0	177	1	497	2
Accounts Receivable	3.4	12	0	13	0	153	113	66	105	387	363	631	582
Prepayments	3.5	93	20	47	20	801	666	48	206	343	155	1,332	1,068
Inventory	3.6	0	0	0	0	49	30	2	0	0	13	50	43
Inter-Fund Balances		82	580	(43)	271	(221)	655	316	254	25	1,704	159	3,464
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0
		<b>374</b>	<b>739</b>	<b>188</b>	<b>524</b>	<b>1,003</b>	<b>1,499</b>	<b>590</b>	<b>806</b>	<b>1,466</b>	<b>2,353</b>	<b>3,620</b>	<b>5,920</b>
<b>Non-Current Assets</b>													
Property, Plant and Equipment	3.8	147	167	125	24	253	129	156	247	331	276	1,012	844
Intangible Assets	3.9	1	0	6	0	4	0	2	0	1	3	14	3
Other Non-Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0
		<b>148</b>	<b>167</b>	<b>131</b>	<b>24</b>	<b>257</b>	<b>129</b>	<b>158</b>	<b>247</b>	<b>332</b>	<b>279</b>	<b>1,027</b>	<b>847</b>
<b>Total Assets</b>		<b>522</b>	<b>906</b>	<b>319</b>	<b>548</b>	<b>1,260</b>	<b>1,628</b>	<b>748</b>	<b>1,053</b>	<b>1,799</b>	<b>2,632</b>	<b>4,647</b>	<b>6,767</b>
<b>LIABILITIES</b>													
<b>Current Liabilities</b>													
Accounts Payable	4.1	22	24	16	8	(22)	15	61	3	131	125	208	175
Accruals	4.2	79	135	39	96	501	717	160	336	577	484	1,355	1,767
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	100	89	106	53	185	164	72	63	333	238	796	607
Cash Surplus Current	4.7	67	204	15	32	(9)	(25)	39	165	88	222	201	598
Provisions	4.8	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	4.9	0	0	1	1	2	0	1	2	6	2	10	5
		<b>269</b>	<b>452</b>	<b>177</b>	<b>190</b>	<b>657</b>	<b>871</b>	<b>334</b>	<b>567</b>	<b>1,134</b>	<b>1,072</b>	<b>2,571</b>	<b>3,152</b>
<b>Non-Current Liabilities</b>													
Employee Benefits Non-Current	4.6	2	4	3	5	5	7	2	3	9	13	20	31
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0	0	0	0	0
		<b>2</b>	<b>4</b>	<b>3</b>	<b>5</b>	<b>5</b>	<b>7</b>	<b>2</b>	<b>3</b>	<b>9</b>	<b>13</b>	<b>20</b>	<b>31</b>
<b>Total Liabilities</b>		<b>271</b>	<b>456</b>	<b>180</b>	<b>195</b>	<b>662</b>	<b>877</b>	<b>335</b>	<b>570</b>	<b>1,143</b>	<b>1,085</b>	<b>2,590</b>	<b>3,183</b>
<b>Net Assets</b>		<b>251</b>	<b>450</b>	<b>139</b>	<b>353</b>	<b>598</b>	<b>751</b>	<b>413</b>	<b>483</b>	<b>656</b>	<b>1,547</b>	<b>2,057</b>	<b>3,584</b>
<b>NET ASSETS</b>													
Cash Surplus	5.1	(38)	67	(28)	15	(149)	(9)	55	39	(91)	88	(251)	201
Cash Surplus Withheld	5.2	0	0	0	0	0	0	0	0	0	0	1	1
Revolving Fund	5.3	0	0	0	0	0	0	0	0	0	0	0	0
Contingency Fund	5.3	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserves	5.4	(15)	(17)	(6)	(7)	(54)	(56)	(8)	(10)	(43)	(44)	(126)	(135)
Accumulated Surplus/(Deficit)	5.5	304	400	173	345	801	816	366	454	790	1,503	2,433	3,517
<b>Total Net Assets</b>		<b>251</b>	<b>450</b>	<b>139</b>	<b>353</b>	<b>598</b>	<b>751</b>	<b>413</b>	<b>483</b>	<b>656</b>	<b>1,547</b>	<b>2,057</b>	<b>3,584</b>

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

For the Year Ended 31 December 2022

EUR '000		Programme Office in Astana		Centre in Ashgabat		Programme Office in Bishkek		Project Co-ordinator in Uzbekistan		Programme Office in Dushanbe		Total Central Asia	
	Note	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>REVENUE</b>													
Assessed Contributions	6.1	2,233	2,233	1,661	1,661	6,811	6,811	2,499	2,499	7,312	7,312	20,516	20,516
Extra-Budgetary Contributions	6.2	0	0	0	0	0	0	0	0	0	0	0	0
Finance Revenue	6.3	0	0	0	0	0	0	0	0	0	0	0	0
Contributions In-Kind	6.4	382	420	369	322	946	861	241	283	1,024	1,066	2,962	2,951
Revenue from Exchange Transactions	6.5	(12)	18	0	0	(7)	(5)	(53)	(17)	(3)	0	(75)	(4)
Other Revenue	6.6	(26)	23	(7)	16	172	63	(22)	22	(67)	79	49	204
<b>Total Revenue</b>		<b>2,576</b>	<b>2,694</b>	<b>2,023</b>	<b>2,000</b>	<b>7,922</b>	<b>7,731</b>	<b>2,665</b>	<b>2,786</b>	<b>8,265</b>	<b>8,456</b>	<b>23,452</b>	<b>23,667</b>
<b>EXPENSES</b>													
Staff Costs	7.1	1,105	1,198	1,257	1,114	3,239	3,062	1,069	1,043	3,880	3,868	10,549	10,285
Consultancy and Subcontracting	7.2	348	452	200	270	1,611	1,607	477	617	1,053	1,028	3,689	3,974
Travel Expenses	7.3	429	233	113	22	877	673	252	171	1,098	527	2,769	1,626
Services and Office Costs	7.4	456	377	315	128	1,420	1,460	541	472	1,284	1,073	4,015	3,509
Consumables and Supplies	7.5	100	48	52	46	220	274	63	84	478	533	913	985
Depreciation and Amortisation	7.6	49	49	25	22	56	54	59	52	108	135	298	312
Equipment Expenses	7.7	134	81	62	57	624	1,046	225	375	828	1,027	1,873	2,585
Other Operating Expenses	7.8	69	14	12	8	17	8	35	25	44	40	176	94
<b>Total Expenses</b>		<b>2,690</b>	<b>2,450</b>	<b>2,036</b>	<b>1,665</b>	<b>8,063</b>	<b>8,184</b>	<b>2,721</b>	<b>2,838</b>	<b>8,773</b>	<b>8,231</b>	<b>24,283</b>	<b>23,369</b>
<b>Foreign Exchange Gains/(Losses)</b>	8	<b>(10)</b>	<b>(9)</b>	<b>3</b>	<b>3</b>	<b>(12)</b>	<b>(38)</b>	<b>23</b>	<b>7</b>	<b>(97)</b>	<b>(3)</b>	<b>(94)</b>	<b>(41)</b>
<b>Surplus/(Deficit) for the Period</b>	9.1	<b>(124)</b>	<b>234</b>	<b>(10)</b>	<b>337</b>	<b>(153)</b>	<b>(492)</b>	<b>(33)</b>	<b>(45)</b>	<b>(605)</b>	<b>222</b>	<b>(925)</b>	<b>257</b>

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

As at 31 December 2022

EUR '000		Information Security Enhancement		IT Infrastructure Upgrade Fund		CIP Technical Fund		Special Monitoring Mission to Ukraine		Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border		Total Special Purpose Funds	
	Note	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>ASSETS</b>													
<b>Current Assets</b>													
Cash and Cash Equivalents	3.1	0	0	0	0	0	0	0	994	0	0	0	994
Investments	3.2	0	0	0	0	0	0	0	0	0	0	0	0
Contributions Receivable	3.3	0	0	0	0	0	0	14,341	11,365	0	0	14,341	11,365
Accounts Receivable	3.4	0	0	2	0	0	0	33	476	0	0	34	476
Prepayments	3.5	25	45	1	13	13	0	15	865	0	2	54	925
Inventory	3.6	0	0	0	0	0	0	0	1,136	0	0	0	1,136
Inter-Fund Balances		1	1	871	1,205	1,083	0	31,052	12,162	194	196	33,201	13,565
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0
		<b>26</b>	<b>46</b>	<b>874</b>	<b>1,219</b>	<b>1,096</b>	<b>0</b>	<b>45,440</b>	<b>26,998</b>	<b>194</b>	<b>198</b>	<b>47,630</b>	<b>28,461</b>
<b>Non-Current Assets</b>													
Property, Plant and Equipment	3.8	20	36	14	42	115	0	2,135	7,323	0	58	2,284	7,458
Intangible Assets	3.9	19	27	23	33	0	0	0	89	0	0	42	149
Other Non-Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0
		<b>40</b>	<b>63</b>	<b>37</b>	<b>75</b>	<b>115</b>	<b>0</b>	<b>2,135</b>	<b>7,412</b>	<b>0</b>	<b>58</b>	<b>2,327</b>	<b>7,608</b>
<b>Total Assets</b>		<b>66</b>	<b>109</b>	<b>912</b>	<b>1,293</b>	<b>1,212</b>	<b>0</b>	<b>47,574</b>	<b>34,410</b>	<b>194</b>	<b>256</b>	<b>49,957</b>	<b>36,069</b>
<b>LIABILITIES</b>													
<b>Current Liabilities</b>													
Accounts Payable	4.1	0	0	0	4	0	0	292	479	0	0	292	483
Accruals	4.2	0	0	17	31	7	0	89	2,712	0	2	113	2,745
Deferred Revenue	4.3	0	0	0	0	0	0	1,082	4,350	0	0	1,082	4,350
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	0	0	9	6	0	0	18	1,024	0	0	27	1,030
Cash Surplus Current	4.7	0	0	0	0	0	0	0	0	0	0	0	0
Provisions	4.8	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	4.9	0	0	0	0	0	0	343	20	0	0	343	20
		<b>0</b>	<b>0</b>	<b>26</b>	<b>42</b>	<b>7</b>	<b>0</b>	<b>1,823</b>	<b>8,586</b>	<b>0</b>	<b>2</b>	<b>1,857</b>	<b>8,629</b>
<b>Non-Current Liabilities</b>													
Employee Benefits Non-Current	4.6	0	0	0	0	0	0	2	265	0	0	2	265
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0	0	0	0	0
		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>265</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>265</b>
<b>Total Liabilities</b>		<b>0</b>	<b>0</b>	<b>26</b>	<b>42</b>	<b>7</b>	<b>0</b>	<b>1,826</b>	<b>8,851</b>	<b>0</b>	<b>2</b>	<b>1,859</b>	<b>8,894</b>
<b>Net Assets</b>		<b>66</b>	<b>109</b>	<b>885</b>	<b>1,252</b>	<b>1,205</b>	<b>0</b>	<b>45,749</b>	<b>25,559</b>	<b>194</b>	<b>254</b>	<b>48,098</b>	<b>27,175</b>
<b>NET ASSETS</b>													
Cash Surplus	5.1	0	0	0	0	0	0	0	0	198	0	198	0
Cash Surplus Withheld	5.2	0	0	0	0	0	0	0	0	0	0	0	0
Revolving Fund	5.3	0	0	0	0	0	0	0	0	0	0	0	0
Contingency Fund	5.3	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserves	5.4	0	0	0	0	0	0	427	126	(1)	(1)	426	125
Accumulated Surplus/(Deficit)	5.5	66	109	885	1,252	1,205	0	45,322	25,433	(4)	255	47,474	27,049
<b>Total Net Assets</b>		<b>66</b>	<b>109</b>	<b>885</b>	<b>1,252</b>	<b>1,205</b>	<b>0</b>	<b>45,749</b>	<b>25,559</b>	<b>194</b>	<b>254</b>	<b>48,098</b>	<b>27,175</b>

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

For the Year Ended 31 December 2022

EUR '000	Note	Information Security Enhancement		IT Infrastructure Upgrade Fund		CIP Technical Fund		Special Monitoring Mission to Ukraine		Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border		Total Special Purpose Funds	
		2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>REVENUE</b>													
Assessed Contributions	6.1	0	0	0	0	0	0	68,487	91,366	0	0	68,487	91,366
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	0	0	0	0	0	0	12,021	45,962	0	959	12,021	46,921
Revenue from Exchange Transactions	6.5	0	0	0	(1)	0	0	130	52	0	(1)	130	50
Other Revenue	6.6	(0)	0	1	483	(3)	0	(1,001)	457	(49)	915	(1,052)	1,854
<b>Total Revenue</b>		<b>(0)</b>	<b>0</b>	<b>1</b>	<b>481</b>	<b>(3)</b>	<b>0</b>	<b>79,638</b>	<b>137,836</b>	<b>(49)</b>	<b>1,873</b>	<b>79,587</b>	<b>140,191</b>
<b>EXPENSES</b>													
Staff Costs	7.1	0	52	244	41	0	0	41,220	98,399	0	1,973	41,464	100,465
Consultancy and Subcontracting	7.2	0	143	59	7	104	0	1,880	7,267	0	0	2,043	7,417
Travel Expenses	7.3	0	0	14	45	0	0	4,226	5,017	0	10	4,240	5,071
Services and Office Costs	7.4	20	38	15	30	12	0	4,084	8,480	1	39	4,132	8,587
Consumables and Supplies	7.5	0	0	1	631	6	0	1,817	2,311	2	16	1,826	2,957
Depreciation and Amortisation	7.6	23	23	35	42	17	0	5,143	2,958	9	32	5,227	3,055
Equipment Expenses	7.7	0	0	0	5	180	0	12	651	0	0	192	656
Other Operating Expenses	7.8	0	0	0	0	0	0	1,310	3,501	0	4	1,310	3,505
<b>Total Expenses</b>		<b>43</b>	<b>255</b>	<b>368</b>	<b>800</b>	<b>318</b>	<b>0</b>	<b>59,693</b>	<b>128,584</b>	<b>12</b>	<b>2,074</b>	<b>60,434</b>	<b>131,714</b>
<b>Foreign Exchange Gains/(Losses)</b>	8	0	0	0	0	0	0	(56)	(158)	0	0	(56)	(157)
<b>Surplus/(Deficit) for the Period</b>	9.1	<b>(44)</b>	<b>(255)</b>	<b>(367)</b>	<b>(319)</b>	<b>(321)</b>	<b>0</b>	<b>19,889</b>	<b>9,095</b>	<b>(61)</b>	<b>(201)</b>	<b>19,097</b>	<b>8,319</b>



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

As at 31 December 2022

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	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>ASSETS</b>															
<b>Current Assets</b>															
Cash and Cash Equivalents	3.1	0	0	0	0	0	0	0	3,524	11,735	14,450	0	0	11,735	17,974
Investments	3.2	0	0	0	0	0	0	11,597	18,809	60,000	0	0	0	71,597	18,809
Contributions Receivable	3.3	1,061	955	338	449	10	117	119	119	15,943	16,093	0	0	17,470	17,732
Accounts Receivable	3.4	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prepayments	3.5	0	0	0	0	0	0	0	0	80	34	0	0	80	34
Inventory	3.6	0	3	0	0	0	0	0	0	151	380	0	0	151	382
Inter-Fund Balances		3,460	3,811	4,894	3,633	195	11,620	(855)	(13,491)	4,147	42,391	4,055	2,542	15,896	50,506
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		<b>4,521</b>	<b>4,769</b>	<b>5,231</b>	<b>4,082</b>	<b>205</b>	<b>11,737</b>	<b>10,860</b>	<b>8,961</b>	<b>92,057</b>	<b>73,347</b>	<b>4,055</b>	<b>2,542</b>	<b>116,929</b>	<b>105,438</b>
<b>Non-Current Assets</b>															
Property, Plant and Equipment	3.8	1	6	0	9	435	1,492	0	0	383	223	0	0	819	1,730
Intangible Assets	3.9	0	0	0	0	0	5	0	0	1,048	688	0	0	1,048	693
Other Non-Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		<b>1</b>	<b>6</b>	<b>0</b>	<b>9</b>	<b>435</b>	<b>1,497</b>	<b>0</b>	<b>0</b>	<b>1,431</b>	<b>911</b>	<b>0</b>	<b>0</b>	<b>1,866</b>	<b>2,423</b>
<b>Total Assets</b>		<b>4,522</b>	<b>4,776</b>	<b>5,231</b>	<b>4,090</b>	<b>639</b>	<b>13,234</b>	<b>10,860</b>	<b>8,961</b>	<b>93,487</b>	<b>74,258</b>	<b>4,055</b>	<b>2,542</b>	<b>118,796</b>	<b>107,861</b>
<b>LIABILITIES</b>															
<b>Current Liabilities</b>															
Accounts Payable	4.1	0	0	0	0	0	0	0	0	24	0	0	0	24	0
Accruals	4.2	11	107	951	569	0	504	1	37	1,827	1,752	5	16	2,795	2,987
Deferred Revenue	4.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Conditional ExB Contributions	4.4	4,876	5,063	4,492	3,211	(0)	11,254	304	7,688	82,049	66,779	0	0	91,721	93,995
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	0	27	0	2	0	0	0	5	191	396	36	29	227	460
Cash Surplus Current	4.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Provisions	4.8	183	241	845	981	10	381	7,429	187	8,783	5,298	0	0	17,250	7,089
Other Current Liabilities	4.9	0	0	0	0	0	0	0	0	(0)	0	0	0	(0)	0
		<b>5,070</b>	<b>5,438</b>	<b>6,288</b>	<b>4,764</b>	<b>10</b>	<b>12,139</b>	<b>7,733</b>	<b>7,918</b>	<b>92,874</b>	<b>74,226</b>	<b>41</b>	<b>45</b>	<b>112,017</b>	<b>104,530</b>
<b>Non-Current Liabilities</b>															
Employee Benefits Non-Current	4.6	1	2	0	0	0	0	0	0	179	170	8	6	188	178
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>179</b>	<b>170</b>	<b>8</b>	<b>6</b>	<b>188</b>	<b>178</b>
<b>Total Liabilities</b>		<b>5,071</b>	<b>5,440</b>	<b>6,288</b>	<b>4,764</b>	<b>10</b>	<b>12,139</b>	<b>7,733</b>	<b>7,918</b>	<b>93,053</b>	<b>74,396</b>	<b>49</b>	<b>51</b>	<b>112,205</b>	<b>104,708</b>
<b>Net Assets</b>		<b>(549)</b>	<b>(665)</b>	<b>(1,057)</b>	<b>(673)</b>	<b>629</b>	<b>1,095</b>	<b>3,128</b>	<b>1,043</b>	<b>434</b>	<b>(138)</b>	<b>4,006</b>	<b>2,491</b>	<b>6,591</b>	<b>3,153</b>
<b>NET ASSETS</b>															
Cash Surplus	5.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Surplus Withheld	5.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revolving Fund	5.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contingency Fund	5.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserves	5.4	2	0	2	7	(5)	(5)	0	0	(387)	(332)	(5)	(5)	(393)	(334)
Accumulated Surplus/(Deficit)	5.5	(551)	(665)	(1,059)	(681)	634	1,100	3,128	1,043	821	194	4,011	2,496	6,984	3,487
<b>Total Net Assets</b>		<b>(549)</b>	<b>(665)</b>	<b>(1,057)</b>	<b>(673)</b>	<b>629</b>	<b>1,095</b>	<b>3,128</b>	<b>1,043</b>	<b>434</b>	<b>(138)</b>	<b>4,006</b>	<b>2,491</b>	<b>6,591</b>	<b>3,153</b>

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

For the Year Ended 31 December 2022

EUR '000	Note	Fund to Support OSCE Action for Peace, Democracy and Stability in Bosnia and Herzegovina		Fund for Activities Related to Economic and Environmental Aspect of Security		Funds for Activities Related to Special Monitoring Mission to Ukraine		Other PC Established Funds		Other Activities and Special Projects		Indirect Common Costs Fund		Eliminations		Total Extra-Budgetary Funds	
		2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>REVENUE</b>																	
Assessed Contributions	6.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Extra-Budgetary Contributions	6.2	1,775	745	2,813	1,300	5,095	8,375	188	41	31,478	24,438	2,042	1,376	(2,042)	(1,376)	41,349	34,899
Finance Revenue	6.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contributions In-Kind	6.4	0	0	0	0	0	0	0	0	344	154	0	0	0	0	344	154
Revenue from Exchange Transactions	6.5	0	(186)	0	0	0	22	0	0	(62)	8	0	0	0	0	(62)	(156)
Other Revenue	6.6	0	0	0	0	(0)	(280)	0	0	0	0	60	71	0	0	60	(208)
<b>Total Revenue</b>		<b>1,775</b>	<b>559</b>	<b>2,813</b>	<b>1,300</b>	<b>5,095</b>	<b>8,117</b>	<b>188</b>	<b>41</b>	<b>31,760</b>	<b>24,600</b>	<b>2,102</b>	<b>1,448</b>	<b>(2,042)</b>	<b>(1,376)</b>	<b>41,691</b>	<b>34,689</b>
<b>EXPENSES</b>																	
Staff Costs	7.1	657	448	188	174	1,003	1,632	11	27	8,822	7,368	479	400	0	0	11,161	10,049
Consultancy and Subcontracting	7.2	420	205	2,126	1,441	328	2,168	22	37	7,897	9,186	60	22	0	0	10,853	13,058
Travel Expenses	7.3	76	16	472	41	0	94	69	6	4,666	1,664	2	0	0	0	5,285	1,821
Services and Office Costs	7.4	88	72	220	49	76	(33)	26	4	3,619	3,355	45	75	0	0	4,074	3,521
Consumables and Supplies	7.5	38	60	5	5	4	180	0	0	1,316	531	0	0	0	0	1,363	777
Depreciation and Amortisation	7.6	0	39	9	8	1,223	731	0	0	93	50	0	0	0	0	1,325	829
Equipment Expenses	7.7	333	263	2	1	(54)	(308)	0	0	3,199	1,269	0	0	0	0	3,480	1,225
Other Operating Expenses	7.8	103	46	174	67	2,926	3,862	16	8	1,939	1,486	0	0	(2,042)	(1,376)	3,117	4,093
<b>Total Expenses</b>		<b>1,715</b>	<b>1,148</b>	<b>3,196</b>	<b>1,786</b>	<b>5,506</b>	<b>8,328</b>	<b>144</b>	<b>83</b>	<b>31,552</b>	<b>24,909</b>	<b>587</b>	<b>496</b>	<b>(2,042)</b>	<b>(1,376)</b>	<b>40,658</b>	<b>35,373</b>
<b>Foreign Exchange Gains/(Losses)</b>	8	(0)	15	5	(4)	0	40	2,040	997	418	204	0	0	0	0	2,464	1,252
<b>Surplus/(Deficit) for the Period</b>	9.1	<b>60</b>	<b>(574)</b>	<b>(379)</b>	<b>(490)</b>	<b>(411)</b>	<b>(171)</b>	<b>2,085</b>	<b>955</b>	<b>627</b>	<b>(105)</b>	<b>1,515</b>	<b>951</b>	<b>(0)</b>	<b>0</b>	<b>3,497</b>	<b>567</b>

**J Segment Reporting**  
**Special Monitoring Mission to Ukraine**

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

**J.1. Segment Reporting**  
**Schedule of Financial Position**  
For the Year Ended 31 December 2022

EUR '000	Note	2022	2021
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	3.1	-	994
Investments	3.2	-	-
Contributions Receivable	3.3	14,351	11,482
Accounts Receivable	3.4	33	476
Prepayments	3.5	15	865
Inventory	3.6	-	1,136
Inter-Fund Balances		31,246	23,782
Other Current Assets	3.7	-	-
		<b>45,644</b>	<b>38,735</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	3.8	2,569	8,815
Intangible Assets	3.9	-	94
Other Non-Current Assets	3.7	-	-
		<b>2,569</b>	<b>8,909</b>
<b>Total Assets</b>		<b>48,214</b>	<b>47,644</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	4.1	292	479
Accruals	4.2	89	3,216
Deferred Revenue	4.3	1,082	4,350
Conditional ExB Contributions	4.4	-	11,254
Funds Held for Third Parties	4.5	-	-
Employee Benefits Current	4.6	18	1,024
Cash Surplus Current	4.8	-	-
Provisions	4.9	10	381
Other Current Liabilities	4.10	343	20
		<b>1,833</b>	<b>20,725</b>
<b>Non-Current Liabilities</b>			
Employee Benefits Non-Current	4.6	2	265
Other Non-Current Liabilities	4.10	-	-
		<b>2</b>	<b>265</b>
<b>Total Liabilities</b>		<b>1,835</b>	<b>20,990</b>
<b>TOTAL ASSETS LESS TOTAL LIABILITIES</b>		<b>46,378</b>	<b>26,654</b>
<b>NET ASSETS</b>			
Cash Surplus	5.1	-	-
Cash Surplus Withheld	5.2	-	-
Revolving Fund	5.3	-	-
Contingency Fund	5.3	-	-
Other Reserves	5.4	422	122
Accumulated Surplus/(Deficit)	5.5	45,956	26,532
<b>Total Net Assets</b>		<b>46,378</b>	<b>26,654</b>

**J.2. Segment Reporting**  
**Schedule of Financial Performance**  
**Special Monitoring Mission to Ukraine**  
For the Year Ended 31 December 2022

EUR '000	Note	2022	2021
<b>REVENUE</b>			
Assessed Contributions	6.1	68,487	91,366
Extra-Budgetary Contributions	6.2	5,095	8,375
Finance Revenue	6.3	-	-
Contributions In-Kind	6.4	12,021	45,962
Revenue from Exchange Transactions	6.5	131	74
Other Revenue	6.7	(1,001)	177
<b>Total Revenue</b>		<b>84,733</b>	<b>145,953</b>
<b>EXPENSES</b>			
Staff Costs	7.1	42,223	100,031
Consultancy and Subcontracting	7.2	2,208	9,435
Travel Expenses	7.3	4,226	5,111
Services and Office Costs	7.4	4,160	8,447
Consumables and Supplies	7.5	1,822	2,491
Depreciation and Amortisation	7.6	6,366	3,689
Equipment Expenses	7.7	(42)	343
Other Operating Expenses	7.8	4,236	7,363
<b>Total Expenses</b>		<b>65,199</b>	<b>136,912</b>
<b>Gains/Losses</b>	8	<b>(56)</b>	<b>(118)</b>
<b>Surplus/(Deficit) for the Period</b>	9.1	<b>19,478</b>	<b>8,924</b>

## K Segment Reporting

### Extra-budgetary expenditure by Executive Structure

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

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

EUR '000	Project Costs	ICC	Total
Secretariat	12,361	238	12,599
Office for Democratic Institutions and Human Rights	6,851	300	7,151
High Commissioner on National Minorities	541	-	541
Representative on Freedom of the Media	412	-	412
<b>Total – Secretariat and Institutions</b>	<b>20,165</b>	<b>538</b>	<b>20,703</b>
Mission in Kosovo	302	-	302
Mission to Bosnia and Herzegovina	1,509	7	1,516
Mission to Serbia	1,247	-	1,247
Presence in Albania	1,351	8	1,359
Mission to Skopje	814	6	820
Mission to Montenegro	468	-	468
<b>Total – South-Eastern Europe</b>	<b>5,690</b>	<b>21</b>	<b>5,711</b>
Mission to Moldova	293	-	293
Project Co-ordinator in Ukraine	3,788	-	3,788
Representative on the Latvian-Russian Joint Commission on Military Pensioners	-	-	-
<b>Total – Eastern Europe</b>	<b>4,081</b>	<b>-</b>	<b>4,081</b>
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	-	-	-
<b>Total - Caucasus</b>	<b>-</b>	<b>-</b>	<b>-</b>
Programme Office in Astana	63	-	63
Centre in Ashgabat	344	-	344
Programme Office in Bishkek	826	15	841
Project Co-ordinator in Uzbekistan	78	-	78
Programme Office in Dushanbe	3,301	-	3,301
<b>Total – Central Asia</b>	<b>4,613</b>	<b>15</b>	<b>4,628</b>
Special Monitoring Mission to Ukraine	4,337	-	4,337
<b>Total</b>	<b>38,886</b>	<b>575</b>	<b>39,461</b>
<i>IPSAS Adjustments:</i>			
Staff Costs	166	12	178
Depreciation and Amortisation	1,325	-	1,325
Other	1,735	-	1,735
<b>Total – IPSAS Adjustments</b>	<b>3,227</b>	<b>12</b>	<b>3,239</b>
<b>GRAND TOTAL</b>	<b>42,113</b>	<b>587</b>	<b>42,700</b>
Elimination of ICC charges			(2,042)
<b>NET TOTAL EXTRA-BUDGETARY EXPENSES</b>			<b>40,658</b>

ANNEX 2

YEAR-END EXPENDITURE REPORT  
AND STAFFING OVERVIEW

## OSCE 2022 Year-end Expenditure Report

Fund	Main Programme	Programme	Provisional	Revised	Additional	Total	Utilization		
			Expenditure	Provisional Expenditure	Provisional Expenditure	Revised Expenditure	Rate	Available	
			Authorization	including Transfers	Authorization	Expenditure	Expenditure		
			Fin. Reg. 3.04	Fin. Reg. 3.02(b)	PC.DEC/1455	Authorization		%	
			A	B	C	D = B + C	E	F = E / D	
								G = D - E	
		Figures in EUR							
<b>I. FUNDS RELATED TO SECRETARIAT AND INSTITUTIONS</b>									
<b>The Secretariat</b>									
<b>Secretary General and Central Services</b>									
		Executive Management	1,190,500	1,253,400	63,600	1,317,000	1,316,944	100	56
		Security Management	636,500	636,500	49,300	685,800	685,676	100	124
		External Co-operation	653,700	690,500	1,200	691,700	691,233	100	467
		Office of Legal Affairs	786,800	776,300	0	776,300	767,843	99	8,457
		Communication and Media Relations Section	1,664,000	1,654,500	0	1,654,500	1,649,503	100	4,997
		Conference and Language Services	5,437,500	5,332,100	472,300	5,804,400	5,766,523	99	37,877
		The OSCE Documentation Centre in Prague	640,100	699,100	0	699,100	694,640	99	4,460
		Gender Issues	437,100	403,800	0	403,800	398,952	99	4,848
		<b>TOTAL</b>	<b>11,446,200</b>	<b>11,446,200</b>	<b>586,400</b>	<b>12,032,600</b>	<b>11,971,315</b>	<b>99</b>	<b>61,285</b>
<b>Chairperson-in-Office</b>									
		Short-Term Mission/Visits of CiO and PR of the CiO	500,000	500,000	0	500,000	236,906	47	263,094
		Advisory Committee on Management and Finance (ACMF)	11,000	11,000	0	11,000	7,208	66	3,792
		Panel of Adjudicators	32,800	29,600	0	29,600	12,461	42	17,139
		Audit Committee	34,000	34,000	0	34,000	28,470	84	5,530
		External Auditors	85,200	88,400	0	88,400	88,400	100	0
		<b>TOTAL</b>	<b>663,000</b>	<b>663,000</b>	<b>0</b>	<b>663,000</b>	<b>373,445</b>	<b>56</b>	<b>289,555</b>
<b>Internal Oversight</b>									
		Internal Oversight	1,828,900	1,828,900	32,700	1,861,600	1,861,597	100	3
		<b>TOTAL</b>	<b>1,828,900</b>	<b>1,828,900</b>	<b>32,700</b>	<b>1,861,600</b>	<b>1,861,597</b>	<b>100</b>	<b>3</b>

## OSCE 2022 Year-end Expenditure Report

Fund Main Programme Programme	Provisional	Revised	Additional	Total	Utilization		
	Expenditure Authorization Fin. Reg. 3.04	Expenditure Authorization including Transfers Fin. Reg. 3.02(b)	Provisional Expenditure Authorization PC.DEC/1455	Revised Expenditure Authorization	Expenditure	Rate %	Available Balance
Figures in EUR	A	B	C	D = B + C	E	F = E / D	G = D - E
<b>Office of the Special Representative/Co-ordinator for Combating Trafficking in Human Beings</b>							
Office of the Special Representative/Co-ordinator for Combating Trafficking in Human Beings	1,073,700	1,073,700	72,100	1,145,800	1,145,796	100	4
<b>TOTAL</b>	<b>1,073,700</b>	<b>1,073,700</b>	<b>72,100</b>	<b>1,145,800</b>	<b>1,145,796</b>	<b>100</b>	<b>4</b>
<b>Addressing Transnational Threats</b>							
Co-ordination of TNT Activities	547,300	527,300	0	527,300	502,680	95	24,620
Strategic Police Matters Unit	706,900	638,500	0	638,500	506,079	79	132,421
Action Against Terrorism	830,600	850,600	0	850,600	842,082	99	8,518
Borders Security and Management	684,800	753,200	0	753,200	689,380	92	63,820
<b>TOTAL</b>	<b>2,769,600</b>	<b>2,769,600</b>	<b>0</b>	<b>2,769,600</b>	<b>2,540,222</b>	<b>92</b>	<b>229,378</b>
<b>Activities Related to the Economic and Environmental Aspects of Security</b>							
Co-ordinator of OSCE Economic and Environmental Activities	1,979,200	1,959,200	0	1,959,200	1,873,562	96	85,638
Economic and Environmental Forum	256,500	276,500	0	276,500	247,599	90	28,901
<b>TOTAL</b>	<b>2,235,700</b>	<b>2,235,700</b>	<b>0</b>	<b>2,235,700</b>	<b>2,121,161</b>	<b>95</b>	<b>114,539</b>
<b>Conflict Prevention</b>							
CPC Direction and Management	460,400	469,600	35,100	504,700	504,630	100	70
Policy Support Service	1,474,000	1,425,500	3,100	1,428,600	1,428,558	100	42
Operations Service	1,184,700	1,197,700	12,800	1,210,500	1,209,718	100	782
Programming and Evaluation Support Unit	530,000	531,900	18,900	550,800	550,730	100	70
FSC Chairmanship	12,700	11,500	0	11,500	9,349	81	2,151
FSC Support	696,200	694,800	1,000	695,800	695,260	100	540
Communications and Technology Unit	633,900	660,900	600	661,500	661,352	100	148
<b>TOTAL</b>	<b>4,991,900</b>	<b>4,991,900</b>	<b>71,500</b>	<b>5,063,400</b>	<b>5,059,597</b>	<b>100</b>	<b>3,803</b>



## OSCE 2022 Year-end Expenditure Report

Fund Main Programme Programme	Figures in EUR	Provisional	Revised	Additional	Total	Utilization		
		Expenditure	Expenditure	Provisional	Revised	Expenditure	Rate	
		Authorization	Authorization	Expenditure	Expenditure		Available	
		Fin. Reg. 3.04	including Transfers Fin. Reg. 3.02(b)	PC.DEC/1455	Authorization		Balance	
		A	B	C	D = B + C	E	F = E / D	
							G = D - E	
<b>Human Resources Management</b>								
Department of Human Resources		4,171,600	4,171,600	0	4,171,600	4,156,418	100	15,182
<b>TOTAL</b>		<b>4,171,600</b>	<b>4,171,600</b>	<b>0</b>	<b>4,171,600</b>	<b>4,156,418</b>	<b>100</b>	<b>15,182</b>
<b>Department of Management and Finance</b>								
Management and Co-ordination		888,200	876,700	0	876,700	875,710	100	990
Budget and Finance Services		2,162,200	2,156,900	0	2,156,900	2,156,876	100	24
Information and Communication Technology Services		4,370,900	4,460,200	0	4,460,200	4,459,793	100	407
Mission Support Services		2,517,600	2,445,100	0	2,445,100	2,439,053	100	6,047
<b>TOTAL</b>		<b>9,938,900</b>	<b>9,938,900</b>	<b>0</b>	<b>9,938,900</b>	<b>9,931,432</b>	<b>100</b>	<b>7,468</b>
<b>TOTAL FOR THE SECRETARIAT</b>		<b>39,119,500</b>	<b>39,119,500</b>	<b>762,700</b>	<b>39,882,200</b>	<b>39,160,982</b>	<b>98</b>	<b>721,218</b>
<b>Office for Democratic Institutions and Human Rights</b>								
Direction and Policy		1,294,600	1,328,700	0	1,328,700	1,326,524	100	2,176
Fund Administration Unit		2,970,700	3,106,400	0	3,106,400	3,106,235	100	165
Human Dimension Meetings		603,000	603,000	0	603,000	161,134	27	441,866
Democratization		1,580,300	1,553,800	0	1,553,800	1,551,659	100	2,141
Human Rights		1,232,200	1,190,200	0	1,190,200	1,187,196	100	3,004
Elections		6,505,200	6,505,200	0	6,505,200	6,503,385	100	1,815
Tolerance and Non-Discrimination		1,418,200	1,361,700	0	1,361,700	1,346,914	99	14,786
Roma and Sinti Issues		555,700	510,900	0	510,900	508,339	99	2,561
<b>TOTAL</b>		<b>16,159,900</b>	<b>16,159,900</b>	<b>0</b>	<b>16,159,900</b>	<b>15,691,386</b>	<b>97</b>	<b>468,514</b>
<b>High Commissioner on National Minorities</b>								
Fund Administration Unit		544,700	490,700	0	490,700	474,733	97	15,967
Office of the High Commissioner		2,959,300	3,013,300	0	3,013,300	3,002,267	100	11,033
<b>TOTAL</b>		<b>3,504,000</b>	<b>3,504,000</b>	<b>0</b>	<b>3,504,000</b>	<b>3,477,000</b>	<b>99</b>	<b>27,000</b>

## OSCE 2022 Year-end Expenditure Report

Fund Main Programme Programme	Figures in EUR	Provisional	Revised	Additional	Total	Utilization		
		Expenditure Authorization Fin. Reg. 3.04	Expenditure Authorization including Transfers Fin. Reg. 3.02(b)	Expenditure Authorization PC.DEC/1455	Revised Expenditure Authorization	Expenditure	Rate %	Available Balance
		A	B	C	D = B + C	E	F = E / D	G = D - E
<b>Representative on Freedom of the Media</b>								
Freedom of the Media		1,608,800	1,608,800	0	1,608,800	1,599,195	99	9,605
<b>TOTAL</b>		<b>1,608,800</b>	<b>1,608,800</b>	<b>0</b>	<b>1,608,800</b>	<b>1,599,195</b>	<b>99</b>	<b>9,605</b>
<b>TOTAL FOR FUNDS RELATED TO THE SECRETARIAT AND INSTITUTIONS</b>		<b>60,392,200</b>	<b>60,392,200</b>	<b>762,700</b>	<b>61,154,900</b>	<b>59,928,564</b>	<b>98</b>	<b>1,226,336</b>
<b>AUGMENTATIONS</b>								
<b>Secretariat Augmentations</b>								
Policy Support Service		247,800	250,800	0	250,800	250,796	100	4
Information and Communication Technology Services		768,200	772,200	0	772,200	769,077	100	3,123
Mission Support Service		738,300	731,300	0	731,300	726,238	99	5,062
<b>TOTAL</b>		<b>1,754,300</b>	<b>1,754,300</b>	<b>0</b>	<b>1,754,300</b>	<b>1,746,111</b>	<b>100</b>	<b>8,189</b>
<b>ODIHR Augmentations</b>								
ODIHR Democratization		234,100	234,100	0	234,100	232,718	99	1,382
<b>TOTAL</b>		<b>234,100</b>	<b>234,100</b>	<b>0</b>	<b>234,100</b>	<b>232,718</b>	<b>99</b>	<b>1,382</b>
<b>TOTAL FOR AUGMENTATIONS</b>		<b>1,988,400</b>	<b>1,988,400</b>	<b>0</b>	<b>1,988,400</b>	<b>1,978,829</b>	<b>100</b>	<b>9,571</b>
<b>SOUTH-EASTERN EUROPE</b>								
<b>Mission in Kosovo</b>								
Office of Head of Mission		2,750,300	2,768,900	3,900	2,772,800	2,772,671	100	129
Fund Administration Unit		5,495,100	5,524,900	28,800	5,553,700	5,553,493	100	207
Security and Public Safety		1,582,700	1,575,700	0	1,575,700	1,575,598	100	102
Democratization		1,744,600	1,792,300	0	1,792,300	1,792,231	100	69
Human Rights and Communities		5,889,900	5,800,800	0	5,800,800	5,800,792	100	8
<b>TOTAL</b>		<b>17,462,600</b>	<b>17,462,600</b>	<b>32,700</b>	<b>17,495,300</b>	<b>17,494,786</b>	<b>100</b>	<b>514</b>

## OSCE 2022 Year-end Expenditure Report

Fund Main Programme Programme	Provisional	Revised	Additional	Total	Utilization		
	Expenditure	Expenditure	Provisional	Revised	Expenditure	Rate	Available
	Authorization	including	Expenditure	Expenditure	Expenditure	%	Balance
	Fin. Reg. 3.04	Transfers	PC.DEC/1455	Authorization			
		Fin. Reg. 3.02(b)					
Figures in EUR	A	B	C	D = B + C	E	F = E / D	G = D - E
<b>Mission to Bosnia and Herzegovina</b>							
Office of Head of Mission	1,593,400	1,633,400	0	1,633,400	1,632,012	100	1,389
Fund Administration Unit	3,974,900	4,024,900	0	4,024,900	4,019,513	100	5,387
Shared Service Centre, ICT Help Desk	253,800	253,800	0	253,800	241,109	95	12,691
Security Co-operation	581,300	581,300	0	581,300	579,530	100	1,770
Human Dimension	5,278,600	5,188,600	0	5,188,600	5,183,999	100	4,601
<b>TOTAL</b>	<b>11,682,000</b>	<b>11,682,000</b>	<b>0</b>	<b>11,682,000</b>	<b>11,656,162</b>	<b>100</b>	<b>25,838</b>
<b>Mission to Serbia</b>							
Office of Head of Mission	995,400	1,003,200	0	1,003,200	1,003,014	100	186
Fund Administration Unit	1,700,600	1,741,300	0	1,741,300	1,734,055	100	7,245
Security Co-operation	950,800	962,200	0	962,200	959,946	100	2,254
Democratization	1,115,400	1,092,400	0	1,092,400	1,092,262	100	138
Media	443,200	472,200	0	472,200	472,040	100	160
Rule of Law and Human Rights	1,053,200	987,300	0	987,300	985,802	100	1,498
<b>TOTAL</b>	<b>6,258,600</b>	<b>6,258,600</b>	<b>0</b>	<b>6,258,600</b>	<b>6,247,119</b>	<b>100</b>	<b>11,481</b>
<b>Presence in Albania</b>							
Office of Head of Mission	487,300	458,300	0	458,300	456,475	100	1,825
Fund Administration Unit	1,035,900	1,116,600	0	1,116,600	1,116,590	100	10
Security Co-operation	346,100	340,200	0	340,200	337,598	99	2,602
Governance in Economic and Environmental Issues	308,200	319,200	0	319,200	318,426	100	774
Democratization	432,100	407,300	0	407,300	404,654	99	2,646
Rule of Law and Human Rights	371,600	339,600	0	339,600	334,456	98	5,144
<b>TOTAL</b>	<b>2,981,200</b>	<b>2,981,200</b>	<b>0</b>	<b>2,981,200</b>	<b>2,968,198</b>	<b>100</b>	<b>13,002</b>
<b>Mission to Skopje</b>							
Office of Head of Mission	987,000	1,053,000	0	1,053,000	1,048,242	100	4,758
Fund Administration Unit	1,939,500	1,975,500	0	1,975,500	1,968,147	100	7,353

## OSCE 2022 Year-end Expenditure Report

Fund Main Programme Programme	Figures in EUR	Provisional	Revised	Additional	Total	Utilization		
		Expenditure	Provisional Expenditure	Provisional Expenditure	Revised Expenditure	Expenditure	Rate	Available
		Authorization	including Transfers	Authorization	Expenditure		%	Balance
		Fin. Reg. 3.04	Fin. Reg. 3.02(b)	PC.DEC/1455	Authorization	E	F = E / D	G = D - E
		A	B	C	D = B + C	E	F = E / D	G = D - E
Public Safety and Community Outreach		1,778,700	1,735,700	0	1,735,700	1,725,439	99	10,261
Human Dimension		1,800,900	1,741,900	0	1,741,900	1,731,477	99	10,423
<b>TOTAL</b>		<b>6,506,100</b>	<b>6,506,100</b>	<b>0</b>	<b>6,506,100</b>	<b>6,473,305</b>	<b>99</b>	<b>32,795</b>
<b>Mission to Montenegro</b>								
Office of Head of Mission		316,100	316,100	0	316,100	300,812	95	15,288
Fund Administration Unit		603,800	616,300	0	616,300	592,821	96	23,479
Democratization		467,900	463,900	0	463,900	444,783	96	19,117
Media		361,700	362,700	0	362,700	359,144	99	3,556
Security Co-operation and Governance		402,600	393,100	0	393,100	374,377	95	18,723
<b>TOTAL</b>		<b>2,152,100</b>	<b>2,152,100</b>	<b>0</b>	<b>2,152,100</b>	<b>2,071,937</b>	<b>96</b>	<b>80,163</b>
<b>TOTAL FOR SOUTH-EASTERN EUROPE</b>		<b>47,042,600</b>	<b>47,042,600</b>	<b>32,700</b>	<b>47,075,300</b>	<b>46,911,507</b>	<b>100</b>	<b>163,793</b>
<b>EASTERN EUROPE</b>								
<b>Mission to Moldova</b>								
Office of Head of Mission		421,200	423,200	0	423,200	422,489	100	711
Fund Administration Unit		874,000	859,000	0	859,000	853,051	99	5,949
Conflict Prevention/Resolution		532,400	571,400	0	571,400	569,100	100	2,300
Human Rights		475,100	449,100	0	449,100	440,128	98	8,972
<b>TOTAL</b>		<b>2,302,700</b>	<b>2,302,700</b>	<b>0</b>	<b>2,302,700</b>	<b>2,284,768</b>	<b>99</b>	<b>17,932</b>
<b>Project Co-ordinator in Ukraine</b>								
Office of Head of Mission		386,700	411,700	0	411,700	369,534	90	42,166
Fund Administration Unit		923,700	958,700	0	958,700	878,006	92	80,694
Democratization and Good Governance		484,100	484,100	0	484,100	163,427	34	320,673
Rule of Law and Human Rights		721,900	661,900	0	661,900	473,713	72	188,187
Human Security		589,800	589,800	0	589,800	235,420	40	354,380

## OSCE 2022 Year-end Expenditure Report

Fund Main Programme Programme	Figures in EUR	Provisional	Revised	Additional	Total	Utilization		
		Expenditure Authorization Fin. Reg. 3.04	Provisional Expenditure Authorization including Transfers Fin. Reg. 3.02(b)	Provisional Expenditure Authorization PC.DEC/1455	Revised Expenditure Authorization	Expenditure	Rate %	Available Balance
		A	B	C	D = B + C	E	F = E / D	G = D - E
Economic, Environmental and Politico-Military Projects		512,300	512,300	0	512,300	332,926	65	179,374
<b>TOTAL</b>		<b>3,618,500</b>	<b>3,618,500</b>	<b>0</b>	<b>3,618,500</b>	<b>2,453,027</b>	<b>68</b>	<b>1,165,473</b>
<b>Representative to the Latvian-Russian Joint Commission on Military Pensioners</b>								
Office of Head of Mission		5,500	5,500	0	5,500	2,808	51	2,692
<b>TOTAL</b>		<b>5,500</b>	<b>5,500</b>	<b>0</b>	<b>5,500</b>	<b>2,808</b>	<b>51</b>	<b>2,692</b>
<b>TOTAL FOR EASTERN EUROPE</b>		<b>5,926,700</b>	<b>5,926,700</b>	<b>0</b>	<b>5,926,700</b>	<b>4,740,602</b>	<b>80</b>	<b>1,186,098</b>
<b>CAUCASUS</b>								
<b>High-Level Planning Group</b>								
Office of Head of Mission		247,600	247,600	0	247,600	180,233	73	67,367
<b>TOTAL</b>		<b>247,600</b>	<b>247,600</b>	<b>0</b>	<b>247,600</b>	<b>180,233</b>	<b>73</b>	<b>67,367</b>
<b>The Minsk Process</b>								
Office of Head of Mission		911,200	911,200	0	911,200	111,946	12	799,254
<b>TOTAL</b>		<b>911,200</b>	<b>911,200</b>	<b>0</b>	<b>911,200</b>	<b>111,946</b>	<b>12</b>	<b>799,254</b>
<b>Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference</b>								
Office of Head of Mission		467,300	467,300	0	467,300	354,208	76	113,092
Fund Administration Unit		712,400	712,400	0	712,400	623,931	88	88,469
<b>TOTAL</b>		<b>1,179,700</b>	<b>1,179,700</b>	<b>0</b>	<b>1,179,700</b>	<b>978,139</b>	<b>83</b>	<b>201,561</b>
<b>TOTAL FOR CAUCASUS</b>		<b>2,338,500</b>	<b>2,338,500</b>	<b>0</b>	<b>2,338,500</b>	<b>1,270,318</b>	<b>54</b>	<b>1,068,182</b>

## OSCE 2022 Year-end Expenditure Report

Fund	Main Programme	Programme	Provisional	Revised	Additional	Total	Utilization		
			Expenditure	Expenditure	Provisional	Revised	Expenditure	Rate	Available
			Authorization	Authorization	Authorization	Expenditure	Expenditure	%	Balance
			Fin. Reg. 3.04	including Transfers Fin. Reg. 3.02(b)	PC.DEC/1455	Authorization	E	F = E / D	G = D - E
Figures in EUR			A	B	C	D = B + C	E	F = E / D	G = D - E
<b>CENTRAL ASIA</b>									
<b>Programme Office in Astana</b>									
		Office of Head of Mission	225,000	203,700	0	203,700	203,614	100	86
		Fund Administration Unit	669,600	708,600	0	708,600	706,022	100	2,578
		Politico-Military Activities	444,800	457,200	0	457,200	454,476	99	2,724
		Economic and Environmental Activities	448,400	423,400	0	423,400	418,963	99	4,437
		Human Dimension Activities	444,900	439,800	0	439,800	433,148	98	6,652
		<b>TOTAL</b>	<b>2,232,700</b>	<b>2,232,700</b>	<b>0</b>	<b>2,232,700</b>	<b>2,216,223</b>	<b>99</b>	<b>16,477</b>
<b>Centre in Ashgabat</b>									
		Office of Head of Mission	407,400	438,200	0	438,200	436,886	100	1,314
		Fund Administration Unit	547,100	581,100	0	581,100	580,769	100	331
		Conflict Prevention and Confidence and Security Building	233,100	214,300	0	214,300	213,591	100	709
		Economic and Environmental Activities	249,100	225,100	0	225,100	223,685	99	1,415
		Human Dimension Activities	224,500	202,500	0	202,500	201,462	99	1,038
		<b>TOTAL</b>	<b>1,661,200</b>	<b>1,661,200</b>	<b>0</b>	<b>1,661,200</b>	<b>1,656,394</b>	<b>100</b>	<b>4,806</b>
<b>Programme Office in Bishkek</b>									
		Office of Head of Mission	1,240,300	1,215,300	28,400	1,243,700	1,242,434	100	1,266
		Fund Administration Unit	1,427,300	1,502,300	79,800	1,582,100	1,578,724	100	3,376
		Politico-Military Activities	1,490,400	1,470,400	0	1,470,400	1,469,072	100	1,328
		Economic and Environmental Activities	1,449,700	1,428,700	0	1,428,700	1,428,084	100	616
		Human Dimension Activities	1,203,300	1,194,300	9,400	1,203,700	1,201,305	100	2,395
		<b>TOTAL</b>	<b>6,811,000</b>	<b>6,811,000</b>	<b>117,600</b>	<b>6,928,600</b>	<b>6,919,620</b>	<b>100</b>	<b>8,980</b>
<b>Project Co-ordinator in Uzbekistan</b>									
		Office of Head of Mission	261,300	287,400	0	287,400	287,393	100	7
		Fund Administration Unit	529,600	582,500	0	582,500	574,409	99	8,091

## OSCE 2022 Year-end Expenditure Report

Fund	Revised Provisional Expenditure	Additional Provisional Expenditure	Total Revised Expenditure	Utilization			
				Rate	Available		
Main Programme	Authorization	including Transfers	Authorization	Expenditure	Expenditure	Rate	Available
Programme	Fin. Reg. 3.04	Fin. Reg. 3.02(b)	PC.DEC/1455	Authorization		%	Balance
Figures in EUR	A	B	C	D = B + C	E	F = E / D	G = D - E
Politico-Military Activities	532,200	479,300	0	479,300	459,868	96	19,432
Economic and Environmental Activities	639,700	639,700	0	639,700	630,315	99	9,385
Human Dimension Activities	536,400	510,300	0	510,300	461,502	90	48,798
<b>TOTAL</b>	<b>2,499,200</b>	<b>2,499,200</b>	<b>0</b>	<b>2,499,200</b>	<b>2,413,486</b>	<b>97</b>	<b>85,714</b>
<b>Programme Office in Dushanbe</b>							
Office of Head of Mission	1,169,300	1,055,500	0	1,055,500	979,061	93	76,439
Fund Administration Unit	2,035,500	2,054,100	0	2,054,100	2,047,268	100	6,832
Political and Military Aspects of Security	1,857,300	1,909,300	0	1,909,300	1,896,380	99	12,920
Economic and Environmental Activities	1,112,000	1,137,000	0	1,137,000	1,088,281	96	48,719
Human Dimension Activities	1,137,500	1,155,700	0	1,155,700	1,139,269	99	16,431
<b>TOTAL</b>	<b>7,311,600</b>	<b>7,311,600</b>	<b>0</b>	<b>7,311,600</b>	<b>7,150,259</b>	<b>98</b>	<b>161,341</b>
<b>TOTAL FOR CENTRAL ASIA</b>	<b>20,515,700</b>	<b>20,515,700</b>	<b>117,600</b>	<b>20,633,300</b>	<b>20,355,982</b>	<b>99</b>	<b>277,318</b>
<b>TOTAL FOR FUNDS RELATED TO THE OSCE FIELD OPERATIONS</b>	<b>77,811,900</b>	<b>77,811,900</b>	<b>150,300</b>	<b>77,962,200</b>	<b>75,257,239</b>	<b>97</b>	<b>2,704,961</b>
<b>TOTAL OSCE UNIFIED BUDGET</b>	<b>138,204,100</b>	<b>138,204,100</b>	<b>913,000</b>	<b>139,117,100</b>	<b>135,185,803</b>	<b>97</b>	<b>3,931,297</b>

**Staffing Overview - Budget and Actual Staff Positions**  
**Post Table**  
as at 31 December 2022

Fund number of positions	Contracted		International Staff Seconded		Sub-Total		Professional		Local Staff General Services		Sub-Total		Grand Total	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
The Secretariat	142.0	127.0	73.0	50.0	215.0	177.0	0.0	0.0	183.6	170.4	183.6	170.4	398.6	347.4
Office for Democratic Institutions and Human Rights	63.0	62.0	24.0	17.0	87.0	79.0	0.0	0.0	56.0	47.0	56.0	47.0	143.0	126.0
High Commissioner on National Minorities	16.0	14.0	5.0	4.0	21.0	18.0	0.0	0.0	11.5	11.0	11.5	11.0	32.5	29.0
Representative on Freedom of the Media	7.0	7.0	6.0	5.0	13.0	12.0	0.0	0.0	4.0	4.0	4.0	4.0	17.0	16.0
<b>Total for the Secretariat and Institutions</b>	<b>228.0</b>	<b>210.0</b>	<b>108.0</b>	<b>76.0</b>	<b>336.0</b>	<b>286.0</b>	<b>0.0</b>	<b>0.0</b>	<b>255.1</b>	<b>232.4</b>	<b>255.1</b>	<b>232.4</b>	<b>591.1</b>	<b>518.4</b>
Mission in Kosovo	7.0	7.0	108.0	84.0	115.0	91.0	102.0	100.0	273.5	264.5	375.5	364.5	490.5	455.5
Mission to Bosnia and Herzegovina	5.0	5.0	29.0	25.0	34.0	30.0	135.0	123.0	145.5	131.0	280.5	254.0	314.5	284.0
Mission to Serbia	1.0	0.0	20.0	17.0	21.0	17.0	35.5	34.5	62.0	59.0	97.5	93.5	118.5	110.5
Presence in Albania	1.0	1.0	18.0	14.0	19.0	15.0	19.0	18.0	45.5	41.5	64.5	59.5	83.5	74.5
Mission to Skopje	2.0	2.0	36.0	30.0	38.0	32.0	26.0	24.0	89.5	82.0	115.5	106.0	153.5	138.0
Mission to Montenegro	1.0	1.0	8.0	7.0	9.0	8.0	8.0	7.0	15.0	14.0	23.0	21.0	32.0	29.0
<b>South-Eastern Europe</b>	<b>17.0</b>	<b>16.0</b>	<b>219.0</b>	<b>177.0</b>	<b>236.0</b>	<b>193.0</b>	<b>325.5</b>	<b>306.5</b>	<b>631.0</b>	<b>592.0</b>	<b>956.5</b>	<b>898.5</b>	<b>1,192.5</b>	<b>1,091.5</b>
Mission to Moldova	1.0	1.0	12.0	11.0	13.0	12.0	9.0	9.0	30.0	25.0	39.0	34.0	52.0	46.0
Project Co-ordinator in Ukraine	1.0	0.0	2.0	0.0	3.0	0.0	24.0	0.0	25.0	0.0	49.0	0.0	52.0	0.0
<b>Eastern Europe</b>	<b>2.0</b>	<b>1.0</b>	<b>14.0</b>	<b>11.0</b>	<b>16.0</b>	<b>12.0</b>	<b>33.0</b>	<b>9.0</b>	<b>55.0</b>	<b>25.0</b>	<b>88.0</b>	<b>34.0</b>	<b>104.0</b>	<b>46.0</b>
High Level Planning Group	0.0	0.0	8.0	5.0	8.0	5.0	0.0	0.0	1.0	1.0	1.0	1.0	9.0	6.0
Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference	1.0	1.0	5.0	4.0	6.0	5.0	0.0	0.0	11.0	11.0	11.0	11.0	17.0	16.0
<b>Caucasus</b>	<b>1.0</b>	<b>1.0</b>	<b>13.0</b>	<b>9.0</b>	<b>14.0</b>	<b>10.0</b>	<b>0.0</b>	<b>0.0</b>	<b>12.0</b>	<b>12.0</b>	<b>12.0</b>	<b>12.0</b>	<b>26.0</b>	<b>22.0</b>
Programme Office in Astana	1.0	1.0	5.0	4.0	6.0	5.0	4.0	4.0	18.0	18.0	22.0	22.0	28.0	27.0
Centre in Ashgabat	1.0	1.0	5.0	4.0	6.0	5.0	2.0	2.0	21.0	20.0	23.0	22.0	29.0	27.0
Programme Office in Bishkek	3.0	3.0	10.0	9.0	13.0	12.0	23.0	22.0	87.0	80.0	110.0	102.0	123.0	114.0
Project Co-ordinator in Uzbekistan	0.0	0.0	4.0	3.0	4.0	3.0	6.0	6.0	30.0	28.0	36.0	34.0	40.0	37.0
Programme Office in Dushanbe	4.0	3.0	18.0	13.0	22.0	16.0	20.0	18.0	90.0	82.0	110.0	100.0	132.0	116.0
<b>Central Asia</b>	<b>9.0</b>	<b>8.0</b>	<b>42.0</b>	<b>33.0</b>	<b>51.0</b>	<b>41.0</b>	<b>55.0</b>	<b>52.0</b>	<b>246.0</b>	<b>228.0</b>	<b>301.0</b>	<b>280.0</b>	<b>352.0</b>	<b>321.0</b>
<b>Total for Funds related to OSCE Field Operations</b>	<b>29.0</b>	<b>26.0</b>	<b>288.0</b>	<b>230.0</b>	<b>317.0</b>	<b>256.0</b>	<b>413.5</b>	<b>367.5</b>	<b>944.0</b>	<b>857.0</b>	<b>1,357.5</b>	<b>1,224.5</b>	<b>1,674.5</b>	<b>1,480.5</b>
<b>Total OSCE 2022 Post Table</b>	<b>257.0</b>	<b>236.0</b>	<b>396.0</b>	<b>306.0</b>	<b>653.0</b>	<b>542.0</b>	<b>413.5</b>	<b>367.5</b>	<b>1,199.1</b>	<b>1,089.4</b>	<b>1,612.6</b>	<b>1,456.9</b>	<b>2,265.6</b>	<b>1,998.9</b>



# ANNEX 3

## STATEMENT ON INTERNAL CONTROL



## Organization for Security and Co-operation in Europe

### Statement on Internal Control 2022

31 March 2023

#### Scope of Responsibility

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

#### Purpose of the System of Internal Control

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

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

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

This statement on the OSCE's internal control system, as described above, applies for the year ended 31 December 2022, and up to the date of approval of the OSCE's financial statements.

#### Risk Management and Internal Control Framework

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

- Identification of risks classified according to relevance, impact, and probability of occurrence based on the guidance on management of administrative, security and project-related risks. The guidance sets out the scope, basic concepts and mechanisms

underlying risk management and enables OSCE staff to identify, assess, and manage risks applicable to their ES,

- Assessment of the major risks affecting the OSCE's mandate and objectives, following the insight and judgement of senior management across the Organization,
- Continued training and awareness-raising in risk management,
- Periodic and ad hoc reviews of risk management and the operation of the risk management framework.

In this regard, significant progress has been made to integrate the risk management process with strategy setting and results-based management.

In 2022, the Department of Management and Finance (DMF) initiated a process to improve the Organization's risk management framework by updating the current framework and making it more comprehensive. The updated framework is planned to be finalized in 2023. Furthermore, in 2022, in accordance with the External Audit and Audit Committee recommendations related to strengthening the OSCE risk management framework, including embedding risks in the planning processes, DMF launched a pilot process identifying major risks and assigning control measures to the Secretariat programmes and related outcomes derived from the Unified Budget Proposal (UBP) for 2023. The pilot process is ongoing and aims at providing the Main Programme Managers and Programme Managers in the Secretariat with a better overview and understanding of potential risks and applying mitigating measures to further lower risk levels. It is planned to expand the process of assigning major risks and relevant control measures to other ES' and the Institutions' programmatic outcomes during 2024 and 2025. DMF also initiated an update to the risk management framework to make it more comprehensive and incorporate various elements and processes, including the current pilot.

In addition, a comprehensive internal control framework is in place that includes, along with the risk management process, the support of executive management, the CRMS, and established automated and manual control and monitoring activities. It serves to help to ensure that the OSCE's objectives are achieved efficiently, underpinned by ethical values and principles. This framework comprises Ministerial Council/PC decisions related to management of the OSCE's activities, the OSCE Code of Conduct, the Financial Regulations, Staff Regulations and Staff Rules, staff, financial/administrative and security instructions, which provide mechanisms for managing financial, human and material resources of the OSCE. The framework also includes a coordinated review by the Secretariat of all ES' UB documents, application of Performance Based Programme Budgeting (PBPB), to ensure compliance with the CRMS and respective mandates. The framework also includes management of UB projects within the framework of UB programmes relevant to the implementation of the UB. Training on PBPB methodology was provided to staff of Secretariat and Field Operations in 2022. A number of recommendations resulting from the 2021 evaluation on result-based management were implemented and the work on this continues.

The resources entrusted to the OSCE by participating States (pS) demand that it is accountable for them, that it has a robust system of internal controls, and that these controls are properly applied.

The decentralized nature of the Organization, as described below, and its limited central oversight capability requires considerable reliance on the Fund Managers and Chiefs' of Fund Administration statements about the effectiveness of the internal controls in their ES.

My senior management team and I remain committed to continuous improvement in order to strengthen the system of internal control across the OSCE, including through the implementation of IT-based solutions and updating the CRMS as well as increasing monitoring control activities, where feasible within current resource constraints.

### **Review of Effectiveness**

In accordance with Ministerial Council Decision No. 15/04, Permanent Council Decision No. 705, and other decisions of the pS, I am the Chief Administrative Officer (CAO) of the Organization, vested with executive and administrative authorities to oversee the effective and efficient use of OSCE resources. I am committed to enhancing the effectiveness of the Secretariat and to this end launched the Functional Review process in 2021. Within the framework of the two-phased Secretariat Functional Review, a two-year Secretariat-wide initiative geared towards strengthening the organisational framework was ongoing throughout 2022. Under the Phase 1 of the process, an organisational assessment was conducted with wide participation of the Secretariat staff, followed by the implementation under Phase 2 of an initial tranche of critical priority adjustments, implemented through cross-Secretariat change projects, aimed at improving the efficiency and effectiveness of functions, processes and systems across the Secretariat.

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

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

- Fund Managers of the field operations and Institutions, as well as Main Programme Managers at the Secretariat, who are accountable for expected results, performance, controlling their ES' and Main Programmes' activities and the resources entrusted to them. Based on a recommendation from the External Auditor and in an effort to streamline the OSCE's Internal Control System, the mandatory Internal Control

Walkthrough (ICW) process for all ES was updated by introducing limited sample testing and more rigid and independent monitoring of the process by DMF and peers from other ES. The updated ICW guidelines were shared and consulted with the CFAs extensively and have been further adjusted based on received feedback and suggestions. The findings from these ICWs will be reflected in Letters of Attestation (LoA) that are submitted by every ES, in support of the Financial Statements. LoAs are crosschecked by the Office of Internal Oversight (OIO) based on their findings in internal audits.

- DHR's enforcement of the CRMS and talent outreach procedures aim to ensure the recruitment of qualified staff in the Secretariat, and also international staff and mission members elsewhere within the Organization, where DHR leads or supports the process. Advisory support to field operations and Institutions on human resource (HR) matters aims at reducing the risk of non-compliance due to the inadequate understanding of the staff rules, regulations and instructions. Regular revision of staff development opportunities and working conditions, informed by a robust HR analytics, and leading to corresponding adjustments, aims at reducing the risk of a higher than the natural staff turnover due to the staff tenure policy at the OSCE. Four-eye verification of HR and payroll data entry prior to approval ensures smooth and accurate payroll runs.
- DMF ensures compliance with the CRMS through robust review of exception requests, advice and training on administrative processes, management of the annual internal control walkthrough exercise, and checks and analysis transactions in the financial systems. DMF provides second line of defense activities for various administrative processes such as annual physical inventory of assets, oversees monthly bank reconciliations OSCE wide, approval of credit cards, opening of bank accounts, monthly reconciliations OSCE wide, month end closure check-lists.
- The OIO delivers internal audits, evaluations, advisory services and investigations. Reports on the results of these activities include independent and objective information on the adequacy and effectiveness of the OSCE's governance, risk management, and internal control mechanisms, as well as on the compliance, efficiency and effectiveness of the Organization together with recommendations for improvement.
- The Conflict Prevention Centre (CPC), which through its coordinated review of project proposals – and provisions of related draft donor applications and donor agreements developed for the implementation of Financial/Administrative Instruction 04/2004 on Extra-budgetary Contributions, ensures that all extra-budgetary projects planned by the field operations and the Secretariat and RFoM comply with the CRMS and OSCE project management standards. ODIHR and HCNM carry out their own review<sup>1</sup>. CPC also carries out monitoring and control activities and a regular review of Unified Budget

---

<sup>1</sup> RFoM relies on CPC's expertise and advice before launching ExB projects.

and extra-budgetary projects management tools and practices including any updates and alignment with donor requirements. Targeted trainings as well as improvements in project development, monitoring, risk management and result reporting will remain to be the focus areas. The OSCE's extra-budgetary project portfolio has been steadily increasing in recent years, in terms of project sizes and number of projects, including as a result of over a decade of Zero Nominal Growth. This is the case especially in the Secretariat and requires additional human and financial resources in order to remain compliant but at the same time allowing the use of a variety of programming options to support operational agility.

- The Audit Committee.
- The External Auditors.
- The participating States' (pS) observations.

### **General Data Protection**

A new Administrative Instruction on Personal Data Protection was issued and took effect on 1 June 2022, with a 12-month transitional period. This Administrative Instruction sets out principles and procedures for processing of personal data by the OSCE or on behalf of the OSCE to ensure that the privacy of individuals, whose personal data is being processed, enjoys appropriate protection. This Administrative Instruction was promulgated to comply especially in regard to comply with EU rules and regulations, so that the OSCE continues being able to receive extra budgetary funding for our programmatic projects especially in Field Operations. In order to implement the Instruction fully and to further integrate its provisions across the Organization, a temporary seconded post of Data Protection Specialist was published in December 2022. The vacancy is still open, pending nominations and I urge pS to put forward nominations.

### **Limitations on the Effectiveness of Internal Controls**

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

#### **Inadequate resources**

Legal, structural, security, and financial risks continue to exist and/or are increasing. Continued underfunding of the Organization and the lack of approval of the budget, as in 2022, exacerbate the risks related to inadequate resources. As a result, the capacity of the Organization to implement and operate necessary procedures and controls across all ES is increasingly eroded. The Organization needs to have the resources to be able to react to recommendations pertaining to internal control. Efforts to strengthen governance and the

internal justice system remain high on the agenda with an emphasis on improving the early resolution of disputes. The Audit Committee has also highlighted the risks to the Organization as a consequence of long-term underfunding.

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

However, this mapping also highlighted that the Secretariat is not adequately resourced to fulfil the Organization-wide responsibilities of the Secretary General through relevant monitoring control activities. As a result, the first line of defense (i.e. control activities performed within the various ES) is in a number of instances left as the only barrier for the Organization against some risks such as failure to achieve best value for money, non-compliance, fraud, abuses and other improprieties, with the exception of the periodical, limited assessments carried out by the third line of defense. Despite the efforts to strengthen the second line of defense, particularly by enhancing the internal control walkthrough process, this remained a challenge in 2022, mainly due to insufficient resourcing.

#### *Impact of political environment on management*

At present, the OSCE operates in a political environment characterized by the return of war on the European soil and by high tensions between pS. Management-related decisions requiring consensus of pS are often blocked. This creates delays in decision making, has a negative impact on organizational efficiency, and results in additional risks for the Organization. Beyond resourcing issues, such delays have also affected the Organization's ability to improve and complement its regulatory framework.

#### *Change of field operation mandates or closure of field operations*

The mandates of most field operations are subject to periodic renewal (annually or more frequently, depending on the mission) by the PC. It is therefore possible that a mandate is not renewed in good time; is subject to substantive changes at the request of the host country or other pS; is not extended at the request of the host country; or when consensus on extension cannot be reached, a field operation is forced to close. This imposes significant operational, administrative and resource burdens on the Organization in addition to regular tasks and creates uncertainty as to the legal status of the affected field operations and the OSCE staff assigned to them, and reduced morale, leading to staff seeking more secure employment elsewhere. Such a situation affected in particular the Observer Mission at two Russian Checkpoints in Gukovo and Donetsk (discontinued in 2021), the Special Monitoring Mission to Ukraine (SMM) and the Office of the Project Co-ordinator in Ukraine (PCUk), both closed in 2022.

### Information Security

As reported previously, in recent years the OSCE has faced a series of major information security incidents, putting at risk the confidentiality, integrity and availability of our ICT systems and information. Despite recent strengthening measures and the migration of the most of the ES to the Secure Microsoft Infrastructure (SMI), the risk of cyber-attacks remains. The ICT and Information Security budgets and available human resources at the OSCE are well below averages at comparable organizations, impairing the level and scope of information security controls that we are able to offer.

To mitigate risks, DMF has implemented 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, establishment of OSCE wide incident detection system, inclusion of information security in the internal control walkthroughs and improved security awareness training for staff. In 2022, DMF continued to implement an OSCE-wide information security management system (according to the revised FAI 13 on Information Security, which was published in January 2021), initiated and coordinated Business Impact Assessments across the organization and migrated most of the ES to the SMI. Other key measures are under development, including the enhancement of the second line of defense activities and the replacement of the compromised and vulnerable infrastructure in the rest of the ES.

### **Significant Matters to Report in 2022**

Most of the significant matters noted for 2021 affecting the integrity of the control environment of the OSCE continued to exist in 2022. The following is a summary of the issues and progress made since last year as well as new issues:

#### Lack of approval of the UB 2022

In recent years, adoption of the UB has come later and later in the year, and in 2022 it was not adopted at all. The 2020 budget was adopted in June, the 2021 budget in August, and the 2022 was not approved by year end. Late adoption of the budget impedes the implementation of planned programmatic activities, weakens the ability of the OSCE to operate in an effective and efficient manner, leads to significant additional costs and greater administrative burden and ultimately risks damage to the reputation of the OSCE, which will be perceived as less reliable in delivering programmatic activities and as a less attractive business partner and employer of choice. The lack of an approved budget undermines the OSCE's ability to commit resources in a proper manner, exercise sound financial management, and diminishes its capability to react to emerging issues and risks. Finally, the



increase in costs, particularly from inflation, against stagnant resources is not sustainable. This led to several OSCE areas reporting a financial resource deficits in 2022.

#### Challenges to Staff Recruitment and Retention

- Internal controls rely primarily on the competency, capacity and continuity of staff. High staff turnover, increases in the vacancy rate, underfunding of staff costs to meet financial targets, difficulties in attracting top talent and filling posts (due to non-competitive compensation and limited periods of service) negatively affect the Organization. Despite the attempts to mitigate some of these challenges, by presenting to pS a set of proposals on modifying the international staffing policies, including secondments in field operations in 2021 there was no progress made in 2022 to bring these proposals forward to the Permanent Council.
- Despite the challenges that 2022 placed on the Organization, the policy has been put in place for the return of workforce to the office full time. To keep pace with the contemporary developments, and to preserve the best practices of 2020-2021, Staff Instruction No. 27 on Flexible Working Arrangements was revised (Rev.2). It extended the application of the policy to all ES and established provisions for staggered working hours, limited teleworking and compressed work-weeks.
- The introduction of equitable staff compensation for local mission members and a reassessment of the methodology for establishing the board and lodging allowance (BLA) for seconded mission members remain among the Organization's priorities.

#### Security Environment of the Project Co-ordinator in Ukraine (PCUk) and the Special Monitoring Mission to Ukraine (SMM)

The security environment in Ukraine has dramatically affected the integrity of the internal control environment during the closure of the field operations in Ukraine (SMM and PCUk), particularly the SMM, which had an expanded footprint across the country. Due to security concerns and in light of the lack of access by OSCE officials to many former SMM and PCUk locations, most of the SMM's and PCUk's closure activities had to be undertaken remotely. These circumstances affected the integrity and security of former SMM and PCUk premises, records and assets to varying degrees, depending on whether OSCE officials had direct or full access, partial access (e.g. remote) or no access to undertake necessary closure activities.

In response to the request of the host government to remain engaged in Ukraine after the closure of the PCUk, a Support Programme for Ukraine, funded via extra-budgetary means, was established.

#### Legal Framework of the OSCE

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

- The Organization remains dependent on bilateral arrangements with, or the national legislation of, pS to serve as legal basis for the capacity of field operations as well as the privileges and immunities of field operations and of the OSCE officials assigned to them. This fragmented structure results in a lack of uniformity and certainty regarding the existence, scope, and extent of such privileges and immunities and carries the additional risk that a pS may unilaterally cease to recognize a bilateral arrangement or terminate it. Similarly, in those pS where the OSCE carries out activities but does not have an established field presence, and where there is no bilateral arrangement or national legislation in place granting the OSCE appropriate status and protection, the Organization's ability to conduct basic operational functions can be impaired.
- MoUs covering matters concerning privileges and immunities and the tax status of certain staff in some field operations remain of essence. Significant progress was achieved in 2022 when after sustained efforts lead by the Secretary General and complex legal negotiations a new MoU for the OSCE Programme Office in Dushanbe was signed in the margins of the Ministerial Council.
- The issue of local staff income tax continues to be of concern in certain countries where the OSCE has field presence. The Local Staff Income Tax Task Force in the Secretariat continues to liaise with affected field operations with a view to find solutions to specific issues arising in this respect in individual field operations. It is urgent to find a solution to this issue and consolidated efforts to address the matter intensified in 2022 when seeking to get certain new MoUs in place, as mentioned in the preceding paragraph.

*Policy and procedure improvements*

- As stated in my inaugural remarks to the Permanent Council in January 2021, one of my key priorities was to bring about change to the Organization when it comes to sexual harassment and any other form of harassment. I am really pleased that despite all the external challenges, we were able to meet international standards of duty of care to staff and improved related policies and practices with a focus on protection and prevention, and to foster a culture where staff feel safe speaking up. In this regard, the new Staff Instruction No. 32 on the Prevention of Sexual Exploitation and Abuse and the revised Staff Instruction No. 21 on the Professional Working Environment were promulgated in 2022. Outreach and learning initiatives are being developed and delivered on an ongoing basis to effectively communicate all of these policies and related available resources so that they are well understood by staff.
- Internal controls rely on a policy framework that is responsive to the Organization's needs and informed by factors such as lessons learned in regular implementation and the recommendations of internal and external audits. Partly in response to the External Auditor's recommendations for greater internal mobility in the Organization, enhanced knowledge management, and the safeguarding of the Organization's institutional memory, Staff Instruction No. 12 on Transfers and Temporary Assignments was revised. This revision, seeks to fill administrative gaps in the case of transfers and

introduce leaner administrative mechanisms for temporary internal mobility opportunities, particularly between different ESs. In an effort to make the job design process in the Organization leaner and more responsive to the changing circumstances, Staff Instruction No. 24 on Job Design and Job Classification was revised, seeking to bringing about procedural simplicity and clarity, increase transparency, enhance participatory approach and align the Organization's job evaluation standards with those established by the International Civil Service Commission (ICSC).

- A revamped HR Analytics function at the Secretariat aims to ensure that the Organization-wide human resource management is data-driven and evidence-based. The function aims to enhance support to decision-making on such matters as achieving gender parity, particularly in senior management posts, enhancing gender diversity, identifying bottlenecks in HR processes, and forecasting developments in the areas of people attraction, retention and attrition.
- In 2022, DHR secured a platform for online written assessments and reference checks to ensure a more robust and thorough vetting process to help identify any potential points of concern in talent acquisition.
- CPC put in place that technical focal points were formally appointed by the relevant Main Programme Managers for the coordinated review of project proposals for the implementation of Financial/Administrative Instruction 04/2004 on Extra-budgetary Contributions. An Extra-budgetary programme template was developed and the Project Management Internal Control process was further updated.
- In line with the OSCE strategic directions and operational requirements, Security Management continues to organise and deliver security certification training for Security Officials to ensure standard and effective implementation of the 2020 Security Instructions and Guidelines across ESs. CPC and Security Management have also secured the continuation of Hostile Environment Awareness Training in co-operation with the Austrian Armed Forces International Centre (AUTINT).

### *Scales of Contribution*

The pS have not reached consensus on a systematic reform of scales of contribution, most recently as presented by the Informal Working Group in October 2021, while an interim arrangement for 2019 expired on 31 December 2019. Since that time, OSCE assessments have been billed on a provisional basis. Some pS continue to find it difficult to pay their assessments based on expired scales, which results in increased financial risk to the Organization, including possible cash deficits due to late payment or under-payment of assessments. Overall, this situation is detrimental to the proper functioning of the Organization and is not sustainable.

### **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 changing factors, including the closing of field operations, late or varying levels of resourcing, and other political or environmental developments, the effectiveness of internal controls may vary over time.

I am committed to continuously improving the internal control environment, as well as accountability and oversight. As a priority, we will continue to work on initiatives to safeguard the OSCE's capacity to deliver on its mandate, increase its effectiveness and efficiency, including via Secretariat Functional Review process and strengthen the internal control system; noting that decentralization and indirect reporting lines of FMs and CFAs 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 unmodified 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 2022.



Helga Maria Schmid  
OSCE Secretary General

ANNEX 4  
REPORT OF THE EXTERNAL AUDITOR



**EXTERNAL AUDIT OF THE  
ORGANIZATION FOR SECURITY  
AND CO-OPERATION IN EUROPE  
2022 FINANCIAL STATEMENTS**

**AUDIT REPORT  
FISCAL YEAR 2022**

COURT OF ACCOUNTS REFERENCE: OSCE-2023-2

Courtesy translation





## TABLE OF CONTENTS

<b>I. OBJECTIVES AND SCOPE OF THE AUDIT .....</b>	<b>1</b>
<b>II. LIST OF RECOMMENDATIONS .....</b>	<b>3</b>
<b>III. OBSERVATIONS AND RECOMMENDATIONS.....</b>	<b>4</b>
<b>1. General Accounting Framework.....</b>	<b>4</b>
1.1. Main Trends impacting OSCE's 2022 Financial Statements .....	4
1.2. Internal Control .....	5
<b>2. Operational Elements recognised in the Financial Statements.....</b>	<b>8</b>
2.1. Contributions and other Receivables .....	8
2.2. Other Current Assets .....	10
2.3. Debts and other Payable Accounts .....	10
2.4. Other Expenditure.....	11
2.5. Employee Benefits.....	12
2.6. Provisions/Contingent Liabilities .....	14
2.7. Statement V and Note 9 to the Financial Statements.....	14
<b>3. Fixed Assets and Inventories .....</b>	<b>17</b>
3.1. Fixed Assets .....	17
3.2. Inventories .....	18
<b>4. 2022 Financial Closure .....</b>	<b>19</b>
4.1. Cash and Investment.....	19
4.2. Net equity .....	20
<b>IV. FOLLOW-UP OF THE EXTERNAL AUDITOR'S RECOMMENDATIONS.....</b>	<b>21</b>
<b>V. ACKNOWLEDGEMENT .....</b>	<b>25</b>



## I. OBJECTIVES AND SCOPE OF THE AUDIT

1. In the third year of his mandate at the Organization for Security and Co-operation in Europe (OSCE), the External Auditor carried out one financial and two management audits, which, after clearance, result in:

- the External Auditor's opinion and the present financial audit report on OSCE's 2022 Financial Statements (final report to be addressed to ACMF/PC),
- OSCE's procurement 2019/2022 (final report to be addressed to ACMF/PC).

**Table n°1: External Auditor's audits - 2022 financial year**

Scope	Observations	
	Draft	Final
Opinion	n/a	30/06/2023
2022 Financial Statements	17/04/2023	30/06/2023
OSCE's procurement 2019/2022	24/02/2023	24/05/2023

Source: External Auditor

2. In accordance with our notification letter dated January 27<sup>th</sup>, 2023, a team of five auditors carried out from March 13<sup>th</sup> to 31<sup>st</sup> 2023, the final audit mission of the Financial Statements of the Organization for Security and Co-operation in Europe (OSCE), for the financial year ended December 31<sup>st</sup>, 2022.

3. Prior to the final mission, an interim audit mission on OSCE's 2022 Financial Statements took place in Vienna from November 28<sup>th</sup> to December 9<sup>th</sup>, 2022, mainly devoted to:

- a review of the trial balance for the period from January 1<sup>st</sup>, to September 30<sup>th</sup>, 2022;
- a review of the internal control, in order to prepare the detailed tests to be carried out during the final audit mission on the Financial Statements for the financial year 2022.

4. The interim and final audit missions on the 2022 Financial Statements were carried out in accordance with the International Standards (ISA) on Auditing and the International Standards of Supreme Audit Institutions for financial audits (ISSAI 200) and, as stated in OSCE's Financial Regulation art. 8, "*in accordance with International Public Sector Accounting Standards (IPSAS), the Financial Regulations, budgetary provisions as well as applicable directives and other relevant instructions*".

5. The objective of the audit was to obtain reasonable assurance that:

- the Financial Statements give a true and fair view, in all material respects, of the financial position of OSCE at December 31<sup>st</sup>, 2022 and of the operations recorded during the financial year, in accordance with International Public Sector Accounting Standards (IPSAS);
- the Financial Statements were prepared in compliance with the Financial Regulations and the stated accounting policies;
- the transactions were performed in compliance with the Financial Regulations and the authority conferred by the legislative bodies.

6. Each observation and each recommendation were discussed with the management. A draft report was addressed to the Secretariat by the External Auditor on April 17<sup>th</sup>, 2023, for clearance, and OSCE's comments and written answers are, where applicable, considered in the final report.

7. The External Auditor issued an unqualified opinion on the Financial Statements for the financial year ended December 31<sup>st</sup>, 2022.

8. The main audit observations on the Financial Statements are devoted successively to:
- OSCE's general accounting framework in 2022, with an analytical review of the Financial Statements for the financial year 2022 and observations on OSCE's internal control
  - the operational elements recognized in the Financial Statements: contributions and other income/receivables, debts and other accounts payable, employee benefits, provisions/contingent liabilities, reconciliation of Unified Budget cash surplus and IPSAS Financial Statements
  - the fixed assets and inventories recognized in the Financial Statements
  - the financial closure of the financial year: cash and deposits, net assets.

## II. LIST OF RECOMMENDATIONS

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

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

To	Priority	Recommendations
SG	1	<b>1. To mitigate the risk of some programmes being irreversibly jeopardised due to late (or absence of) approval of the Unified Budget, the External Auditor recommends the Secretary General to draft and submit to the Permanent Council an amendment of FinReg 3.02 in order, in similar circumstances as for FinReg 3.04 provisional expenditure authorizations, to authorize, to an extent and in a manner to be specified, provisional transfers between the Main Programmes and Programmes.</b>
DMF	2	<b>2. The External Auditor recommends the Organization to close all inactive bank accounts that are no longer in use, and DMF to inform and continue to remind all executive structures of this requirement.</b>
DMF/ISC	1	<b>3. To comply with FinReg 8.06, starting in 2023, all recommendations issued in External Auditor's management audit reports addressed to the ACMF/PC should be included in the ACMF/PC action plan for the Implementation of the External Auditor's recommendations.</b>

### III. OBSERVATIONS AND RECOMMENDATIONS

#### 1. General Accounting Framework

##### 1.1. Main Trends impacting OSCE's 2022 Financial Statements

10. During year 2022, after a significant slowdown in 2020 due to the coronavirus pandemic and a partial recovery in 2021, the decision to close all operations in Ukraine (i.e. the Special Monitoring Mission and the Project coordinator in Ukraine) significantly reduced the volume of OSCE's field operations, with an important impact on the Organization's assessed and in-kind contributions, human resources and net assets.

11. These major trends are also reflected through the evolution of OSCE's actual expenditure since 2019, as shown in table 2 below.

**Table n°2: OSCE's expenditure per segment during the 2019-2022 period (in million of euros)**

<b>Actual expenditure</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Unified Budget	140.9	129.3	137.2	137.8
SMM (including extra-budgetary)	100.9	95.8	90.9	53.2
Extra-budgetary (excluding SMM)	30.2	17.9	26.9	34.8
In-kind	81.7	72.0	75.4	43.1
Other	2.3	3.1	2.2	0.7
<b>TOTAL</b>	<b>356.1</b>	<b>318.2</b>	<b>332.5</b>	<b>269.6</b>

Source: IPSAS segment reporting 2019-2022 (rounded amounts)

12. From a purely financial perspective, during the past four years, OSCE's financial situation and performance have benefited

- from the underspending due to the pandemic during the period;
- and in 2022, to the partial payment of assessed contributions billed to cover the SMM activity after March 31<sup>st</sup> 2022, before the Permanent Council decided the closure of field operations in Ukraine<sup>1</sup>.

13. Table 3 below illustrates the positive impact

**Table n°3: Overall evolution of the main financial aggregates (in million of euros)**

<b>Statement</b>		<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Financial position</b>	Net equity	37.7	49.2	49.9	73.4
	(of which UB cash surplus <sup>2</sup> )	(2.8)	(4.0)	(3.8)	(0.0) <sup>3</sup>
<b>Performance</b>	Performance result	-7.4	15.5	12.0	27.9
<b>Cash flow</b>	Cash as of 31 December	95.1	91.1	104.5	48.3

Source: OSCE Financial Statements 2019-2022 (rounded amounts)

<sup>1</sup> On April 5<sup>th</sup>, 2022, the Secretary General issued, on the basis of FinReg 4.04 and by analogy with the provisional Unified Budget, a billing of €45.7 million which was explicitly justified by a continuation of the Mission in Ukraine ("I hereby submit to you the provisional first bill for the Special Monitoring Mission to Ukraine (SMM) from 1 April 2022 onwards"); on April 28<sup>th</sup>, 2022, the PC decided the closure of SMM, but partial payments for the continuation of SMM took place for an amount of €30.6 million.

<sup>2</sup> Since 2021, the cash surplus of the Unified Budget is no longer shown as a liability, but is included in the net position, pending its final allocation by the Permanent Council. In table 3, the net equity is presented for 2019 and 2020 on a comparable basis with 2021 and 2022.

<sup>3</sup> This figure corresponds to the 2022 UB element only, it does not include the BOM Cash Surplus (€198,471.41).

14. The decrease of cash in hand at the end of 2022 is due to increased financial investments, rising from €28.81 million to €111.60 million during the year, in order to benefit from positive rates on the financial short-term yield markets.

15. Altogether, OSCE's financial situation as of December 31<sup>st</sup>, 2022, is very sound – at year's end, the Organization was holding an amount of financial liquid assets equalling almost €160 million, including, a PS provisional payment of € 30.6 million to continue SMM activities after April 1<sup>st</sup>, 2023. But considering the PC's April 26<sup>th</sup> decision to stop SMM after March 31<sup>st</sup>, 2022, and the fact that, in doc. PC.ACMF/22/23, the cost of SMM closure in 2022 has amounted to €22,828,900.

## 1.2. Internal Control

16. Three areas of internal control were updated during the audit:

- fraud prevention and detection;
- identification and monitoring of related parties;
- new “*Internal Control Walkthroughs*” process.

### a. *Fraud prevention and detection*

17. The Office of Internal Oversight (OIO) provided the following information on fraud prevention and detection from 2019 to 2022.

**Table n°4: Fraud prevention and detection since 2019**

	2022	2021	2020	2019
Allegations of fraud reported	12	11	6	17
Number of preliminary reviews conducted by OIO (all allegations including fraud)	58	32	45	49
Number of investigations carried out	12	17	7	3
Investigation reports issued (Allegations substantiated)	3	11	4	3
Closure reports issued in 2021 (allegations not substantiated or closed for other reasons)	2	6	3	0
New Investigations	5	6	18	6
<b>Total Complaints/Allegations received in 2021 (including Fraud)</b>	<b>61</b>	<b>59</b>	<b>66</b>	<b>55</b>

Source: OIO

18. In 2022, the number of allegations of fraud remained within the usual range (12, versus 11 in 2021):

- Two were reported in the Secretariat, one concerning DSA fraud, the other concerning time sheet fraud. Both were not confirmed;
- A third allegation was reported in the former SMM concerning medical insurance fraud. Cigna performed its own investigation and is trying to claim €14,054 from the former staff member;
- The other allegations were reported in various field offices: single source contracting under suspicious circumstances (no fraud was confirmed but the office decided to retender the contract); staff member being alleged of sharing insider knowledge and information with contractors (during External Auditor's final audit mission, this was in the Preliminary Assessment phase); alleged corruption in the selection of a vendor (in the Investigation stage); staff member receiving full salary but not showing up for work not performing any of their duties since March 2022 (Preliminary Assessment phase); consultant forging time sheets for hours worked (referred to field office to investigate); travel fraud (Preliminary Assessment Phase)

**Finding n°1:** The External Auditor has been informed of the allegations of financial fraud brought to the attention of the Office of Internal Oversight within the framework of the fraud prevention and detection system set up by FAIs 10 and 14. The External Auditor has taken note of the investigations carried out by the Office of Internal Oversight and has not identified, for the financial year 2022, any fraud likely to have a significant impact on the Financial Statements as a whole.

*b. Identification and monitoring of related parties*

19. IPSAS 20 §34 requires the reporting entity to disclose information on staff identified as « *Key Management Personnel* » (KMP). The External Auditor checked that the procedure to identify related party transactions was applied in 2022<sup>4</sup>: the OSCE did not identify any transaction with KMP in 2022. The relevant information is disclosed in note 10.4 to the Financial Statements.

**Finding n°2:** The External Auditor notes that the principles adopted by the OSCE for the identification of related parties comply with IPSAS 20 and that for year 2022, note 10.4 discloses adequate information.

*c. The new “Internal Control Walkthroughs” process*

20. Last year, the External Auditor welcomed the implementation of a simplified new “walkthroughs” process<sup>5</sup> based on risk analysis and implying reduced resources compared to the initial process in place since 2020. But he also noted that the proposed new process relied on purely declarative attestations from the CFAs, and he recommended to reintroduce in the revised process for 2022 “*a minimal but significant number of annual walkthrough tests to be carried out by administrative staff in the Executive Structures*”. He also suggested that “*the tests to be carried out should be defined and adapted for each Executive Structure by the Information Security and Coordination unit (ISC), based on proposals from the other units of the Department of Management and Finance (DMF)*”.

21. This recommendation has been implemented with some acceptable modifications concerning ISC’s role, and a new guideline has been issued.

22. The ISC summarizes the amended process, which reintroduces Internal Control Walkthroughs (ICW), as follows:

---

<sup>4</sup> Every year, in accordance with IPSAS 20 Standard, a message is sent to each Key Management Personnel requesting the disclosure of any transaction with the OSCE, implying themselves or any close family members.

<sup>5</sup> A “walkthrough test” is self-assessment procedure designed to check the reliability of an entity’s internal control: the principle is to trace a transaction “step-by-step” through the accounting system, from its inception to the final disposition. This involves identifying how a transaction is authorized, recorded (manually, by automated means, or both) and then reported in the general ledger.



Source: Information Security and Coordination Unit – DMF / Internal control report January-June 2022.

23. The 2022 ICW process was carried out from November 2022 to January 2023, and involved the Executive Structure (ES).

24. The Quality Assurance phase has been conducted by the Department of Management and Finance (DMF) for the administrative aspect, and by the Conflict Prevention Centre-Programming and Evaluation Support Unit (CPC/PESU) for the programmatic aspect. The letters of attestation of the Executive Structures reaffirm on a declarative mode, the reality of the controls carried out. These letters are reviewed by both DMF and OIO and its conclusions are documented in the Interoffice Memorandum. The related Interoffice Memorandum for 2022 was provided to the External Auditor, and no significant issues were identified.

25. The ICWs were implemented in six business areas: 1) Accounts, Treasury and cash management; 2) Asset management; 3) Implementing partners; 4) Procurement; 5) Information Security; 6) Project management. The Human Resources remained excluded from the process, but the External Auditor was advised that HR will be an additional area included in the next annual ICW exercise.

26. Some of the changes to the ICW process aimed at optimizing the agenda in order to avoid the end of year closure period, and at improving communication between Executive Structures, DMF and CPC/PESU.

27. ISC's annual report on the ICW outcomes was provided to the External Auditor: no major issues have been raised, but some remedial actions have been launched. In particular, the report mentions some deficiencies in the area of Information Security, for which ICTS took part in the ICWs. In particular, the report:

- points out that *"Institutions and Field Operations do not yet have location specific Disaster Recovery Plans (DRP) for the quick recovery of ICT services and equipment in case of a disruption. The risk is even higher for bigger ESs, where several local ICT services are being operated"*;
- recommends *"to continue the implementation of the SMI"* (Secure Microsoft Infrastructure), and *"to perform regular external penetration tests OSCE-wide"*.

28. Among the Capital Investment Planning (CIP) projects proposed for implementation in 2023, most relate to ICT projects: in particular, the replacement of ICT Core Infrastructure

Equipment<sup>6</sup>, the implementation of Secure Microsoft Infrastructure (SMI) 2.0<sup>7</sup> and the replacement of ICT client equipment<sup>8</sup>.

**Finding n°3:** Based on the elements provided by the ISC on the new Walkthroughs process, the External Auditor:

- considers that his previous recommendation can be closed,
- notes that in 2023, the process will also include Human Resources;
- shares ICT’s concern on the absence of a disaster recovery plan for the institutions and field operations.

## 2. Operational Elements recognised in the Financial Statements

### 2.1. Contributions and other Receivables

29. In 2022, the total contributions amount to €291.1 million as shown in the following table.

**Table n°5: 2022 total contributions (in million of euros)**

		2021	2022	Variance
Assessed Contributions	Unified Budget	138.2	138.2	0.0%
	SMM*	91.4	68.5	-25.0%
Voluntary Contributions	Extra-budgetary activities	34.9	41.3	+18.5%
	Contributions in-kind	75.5	43.1	-42.9%
<b>TOTAL</b>		<b>340.0</b>	<b>291.1</b>	<b>-14.4%</b>

\*For SMM in 2022, the volume of assessed contributions is the sum of ¼ of the contributions for the April 1<sup>st</sup>, 2021 to March 31<sup>st</sup> 2022 period (i.e., a lump amount of €22,829 thousand covering the Jan 1<sup>st</sup>/March 31<sup>st</sup> 2022 period) plus 50% of the previous period assessed contributions allowance equal to €45,658 thousand.

Source: 2022 Financial Statements (rounded amounts)

#### a. Assessed contributions

30. For the Unified Budget, the 2022 Unified Budget Proposal (UBP) was not approved at year’s end, and assessed contributions were raised through two provisional billings to the participating States on the basis of a combination of FinReg 4.04 and 3.04<sup>9</sup>.

31. FinReg 3.04 provides, in case “*at the beginning of a financial year, the Budget has not yet been approved by the Permanent Council*”, a provisional expenditure authorization within the nominal limit of the “*previous budget*” – for 2022, by reference to the last approved UBP (2021), OSCE’s UB expenditure authorization was limited to €138,204,100 which, following FinReg 3.04, was to be applied to determine provisional expenditure authorizations “*until the new*

<sup>6</sup> The ICT Core Infrastructure is the essential DMF/ICTS-managed computing environment (data centre, storage, servers, networks, and associated software) used by OSCE executive structures. Infrastructure equipment and related software needs to be periodically replaced and updated before it becomes obsolete and reaches its “end of life”. As part of the standard ICT capital replacement activities, ICTS need to upgrade all near-obsolete or obsolete equipment with new, supported models prior to their “end of life” dates.

<sup>7</sup> Secure Microsoft Infrastructure (SMI) 2.0 is an ICT project that will build upon the secure on-premise computing environment established by the major Secure Microsoft Infrastructure (SMI) project, further improving ICT security and introducing a set of industry-standard cloud-based ICT tools that will increase the productivity of OSCE staff and reduce long-term data centre costs.

<sup>8</sup> This includes PCs (windows 7 laptop), monitors, desk telephones, mobile devices, meeting room equipment, and consumables. Recurrent expense.

<sup>9</sup> See the Office of Legal Affairs’ analysis provided in the recent External Auditor’s report on the Unified Budget process.



*Budget is adopted*. On December 8<sup>th</sup>, 2022, the Permanent Council decided an “*additional provisional expenditure authorization*” (more details will be provided below).

**Finding n°4:** The 2022 UBP not having been approved as of December 31<sup>st</sup>, 2022, the two 2022 UB provisional expenditure authorizations must be considered as definitive at that date.

32. Assessed contributions receivables at year’s end increased by €4.3 million or +128% as of December 31<sup>st</sup>, 2022 as compared to December 31<sup>st</sup>, 2021. Unusual movements in receivables at year’s end originate from unpaid 2022 contribution by one participating State for €5.4 million, slightly offset by the reimbursement of arrears by two other participating States, for total of €0.9 million. See details hereafter:

**Table n°6: Assessed contributions receivables at year’s end (in million of euros)**

	2021	2022	Var.
Participating state (A)	-	5.4	5.4
Participating state (B)	1.0	0.9	- 0.1
Participating state (C)	1.7	0.9	- 0.8
Others	0.6	0.5	- 0.1
<b>Assessed Contributions Receivable</b>	<b>3.4</b>	<b>7.7</b>	<b>4.3</b>

*Source: Ageing balance IRMA report (rounded amounts)*

33. Allowances for Unified Budget arrears of assessed contributions decreased by €1 million as of December 31<sup>st</sup>, 2022, mainly due to the payment of arrears by two participating States (B and C) mentioned in the table above.

34. For SMM in 2022, in the absence of an approved budget to cover the period beginning on April 1<sup>st</sup>, 2022, FinReg 4.04 was transposed to SMM and as mentioned above, a provisional billing was issued by the Secretary General on April 5<sup>th</sup>, 2022, for an amount of €45,658 thousand, equal to 50% of the previous period assessed contributions allowance - altogether the total assessed contributions, added up to ¼ of the approved previous approved contributions covering the April 1<sup>st</sup>, 2021 to March 31<sup>st</sup>, 2022 period (i.e., a lump amount of €22,829 thousand), bring the total SMM assessed contributions amount for 2022 to €68,487 thousand.

35. At year-end, Non-Unified Budget Assessed Contributions Receivables amount to €14.8 million, partially offset by an allowance of €0.4 million. Most of the arrears appeared less than two years ago and consequently, they are not depreciated

*b. Extra-budgetary contributions*

36. Receivables from current and past extra-budgetary contributions amount to €17.5 million as of December 31<sup>st</sup>, 2022, of which:

- €12.6 million are overdue since less than two years;
- €4.9 million are overdue for more than 2 years.

37. The External Auditor reviewed a sample ranging from 2017 to 2019. For the selected invoices, amounting to total €3.8 million, the remaining balances relate all to extended pledges continuing as of December 31<sup>st</sup>, 2022.

38. As recommended in External Auditor’s 2021 financial report (recommendation 2021-FS/5), the OSCE has designed and implemented an effective Standard Operating Procedure

(SOP) to review and regularly clean extra-budgetary contributions related to closed projects. The SOP provides for an on-going monitoring process with donors for the collection of outstanding receivables throughout the year, and for an annual clean-up and analysis of unpaid bills related to closed projects.

39. “*Pledge reduction*” is assessed for receivables deemed unlikely to be received based on the status of the project or the feedback received from the donor: it was performed in 2022 for a total €1.2 million related to 24 pledges.

**Finding n°5:** As recommended in External Auditor’s previous financial report (recommendation 2021-FS/5), the OSCE has established a formalized procedure for outstanding receivables for closed projects.

### *c. Contributions in-kind*

40. Contributions in-kind represent mainly seconded staff (€37 million), with a decrease of €32.4 million or -47% in 2022 compared to 2021. The OSCE values those in-kind contributions at the cost of equivalent international contracted staff indexed on UN/ICSC staff cost increases expressed in USD. The 2022 decrease is mostly due to the closure of the SMM and PCUK missions<sup>10</sup>, although the decrease is partly offset by the increase of the USD/EUR exchange rate (USD 1 = EUR 0.888 in 2021 versus EUR 0.939 in 2022).

41. Contributions in-kind for goods remained stable as compared to 2021.

### 2.2. Other Current Assets

42. Part of current assets consist in prepayments, in relation with the vendors, the implementing partners and the staff.

43. The prepayments increased slightly between 2021 and 2022: €6.6 million as of the end of 2021, compared to €7.0 million as of December 31<sup>st</sup>, 2022. The main prepayments concern suppliers (€4.7 million as of December 31<sup>st</sup>, 2022 compared to €4.3 million as of December 31<sup>st</sup>, 2021). They correspond to payments of services to be received over the financial year (€2.0 million), and to cash advances payment (€2.7 million).

### 2.3. Debts and other Payable Accounts

44. The main debts consist in payables and accruals, which decreased significantly from €13.3 million as of the end of 2021, to €10.5 million at the end of 2022. This decrease is mainly due to the payable accruals (€11.3 million at the end of 2021, €7.2 million in 2022).

45. The External Auditor carried out some sample tests which did not reveal material errors.

46. The accounts payables (€3.3 million in 2022), consist in suppliers account payables for €1.7 million and in amounts owed to staff for €1.6 million. The External Auditor was addressed the supplier’s confirmations and compared them with the ageing balance. All the differences have been explained by OSCE. Nevertheless, three of the selected twelve vendors didn’t answer to the external Auditor.

47. Concerning the accruals, the accounting policy was not included in the accounting policy but in the financial part of the notes. On the External Auditor request, the notes have been

---

<sup>10</sup> The total number of effective working days from seconded staff decreased by 223,000 in 2022 (- 53%). For SMM and PCUK alone, the decrease is 294,000 days

modified, and OSCE has completed its accounting policy. Financial details have been included.

48. A sample of expenses was selected for testing among following items:

**Table n°7: Details of OSCE's non-staff expenses (in million of euros)**

	<b>2022</b>	<b>2021</b>	<b>Variance</b>
Consultancy and Subcontracting	25.5	35.2	-27.7%
Travel Expenses	17.7	11.8	49.7%
Services and Office Costs	34.5	38.2	-9.7%
Consumables and Supplies	6.1	7.5	-18.0%
Equipment Expenses	7.8	7.2	8.6%
Other Operating Expenses	5.2	8.2	-37.1%
<b>Total</b>	<b>96.7</b>	<b>108.1</b>	<b>-10.5%</b>

*Source: 2022 Statement of financial performance (rounded amounts)*

49. The control of the cut-off and of the correct recording of fixed assets didn't reveal material errors.

50. The decrease of consultancy, consumables and the increase of travel are mainly due to the conjunction of the end of the Covid pandemic and the closure of missions in Ukraine.

51. The end of the pandemic also resulted in a decrease of on-line interpretation (- €0.6 million) and an increase of conferences and seminars (+ €0.6 million) as well as travel expenses (+ €5.9 million) .

52. The SMM closure resulted in a decrease of the other operating expenses, mainly due to the cancellation of the contract for unmanned aerial vehicles (UAV), (- €5.1 million), partly offset by the payment of compensation to staff for loss of private property (+ € 2.6 million);

**Finding n°6:** Tests carried out by the External Auditor on non-staff expenses did not reveal material differences.

#### 2.4. Other Expenditure

##### a. *Consultancy and subcontracting*

53. The decrease by €9.8 million of the Consultancy and Subcontracting expenditure (Note 7.2 to the Financial Statements) is mainly due to the closure of the SMM mission, notably for medical services (decrease of €6.3 million in comparison with 2021), SSA hiring (decrease of €2.4 million in comparison with 2021) and for security services (decrease of €0.5 million in comparison with 2021).

54. One can also note a decrease of €0.4 million in the ODIHR Election Observation Mission (EOM) costs in 2022, due to the nature of the missions conducted.

##### b. *Implementing partners*

55. In June 2022, the External Auditor audited the OSCE Programme Office in Bishkek (POiB). He noted that the OSCE Academy in Bishkek is a Kyrgyz foundation under an Implementing Partner Agreement (IPA) with the POiB.

56. The OSCE retains significant direct involvement in the Academy, primarily through the POiB Head of Mission's Chairpersonship of the Academy's Board of Trustees and the Director of Conflict Prevention Centre's membership of the Board. For 2021 and 2022, the POiB signed IPAs with the OSCE Academy in Bishkek to cover the basic running costs for the Academy. Due to the nature of the Academy's funding, POiB makes advance payments of instalments, and no holdback of 10 per cent is enforced.

57. Such agreements are clearly not compliant to FAI 15 because:

- the implementing partner (the OSCE Academy in Bishkek) has not been competitively selected, since it was created on OSCE's own initiative with several donors
- the largest part of the funding is provided to cover overheads
- there is no 10 per cent holdback from the IPA amount.

58. Moreover since 2004, the Academy's Director has been paid through Special Service Appointments, authorized through Exception Requests. The last Exception Request was approved by the Secretary General on 2 February 2nd 2021. As a result, the Director of the OSCE Academy in Bishkek is awarded through SSA contracts, a sort of "*synthetic fixed-term contract*", equivalent to a five-year international OSCE fixed-term contract, with a yearly amount based on the P4 rate scale until 2021 and on a P5 rate scale starting 2022.

59. The External Auditor was provided with the Exception Requests authorizing this highly exceptional legal and financial arrangement.

**Finding n°7:** For local legal and political reasons, the OSCE Academy in Bishkek was established as a foundation under Kyrgyz law and treated by the OSCE, in contravention of FAI 15, as an Implementing Partner, and its director is currently hired under an exceptional derogatory five-year Special Service Appointment. The Auditor checked that this exceptional situation was duly authorized by approved Exception Requests.

## 2.5. Employee Benefits

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

### a. *Salaries*

61. The total staff costs at the end of 2022 amount to €163.6 million, i.e. €54.1 million less than in 2021 (-25%). This is mainly due to the closure of the mission in Ukraine, which lead to a decrease of:

- seconded staff in-kind costs (- €32.4 million see §1.1 above);
- Board and Lodging Allowance (- €21.8 million);
- other staff costs (- €1.8 million), mainly due to the decrease of hazard pay and medical services;
- insurances (- €2.4 million), for which the decrease is also due to lower claims compared to the premium paid by the OSCE, which led to a surplus in the fund during 2022.

62. Those decreases are partially offset by the 5% increase of salaries (+ €4.0 million) despite lower full-time equivalent staff (-8%). This is due firstly to the fact that local staff salaries in Ukraine are lower than the average OSCE staff salaries. Secondly, as mentioned in §1.1 above, the OSCE salaries are indexed directly on the US/ISC staff costs and indirectly on the EUR/USD exchange rate.

63. The amounts owed to staff at year's end have significantly increased between 2021 (€0.4 million) and 2022 (€1.6 million). This is largely due to former SMM and PCUK Staff, for which the payment of salaries, entitlements and travel claims are on hold pending banking issues which are in the process of being resolved.

**Finding n°8:** The External Auditor notes that, as recommended in his previous financial report (recommendation 2021-FS/4), a reconciliation table had been prepared between the flows from the payroll ledger and those integrated in the general ledger. Such a table is useful to guarantee the reality and completeness of the integrated flows. No significant deviation has been detected.

*b. Ex gratia payments*

64. The External Auditor reviewed the ex gratia payments paid in 2022: their exceptionally high level (none in 2021, €1.2 million in 2022) is linked with the closure of field operations in Ukraine. A sample test was carried out in order to check compliance with Financial Regulation 6.05. In three cases, payments exceeded the annual limit (€2,500), but they were all authorized by an approved specific Exception Request.

**Finding n°9:** Ex gratia payments granted to staff in 2022 are exceptionally high, but with few exceptions compliant with FinReg 6.05. Note 7.1.1 to the Financial Statements discloses adequate information.

*c. Annual leave*

65. The provision for annual leave has decreased by €0.5 million (-7%) in comparison with 2021. In the same time the annual leave payments have increased by €1.2 million (+27%). The level of unused annual leave was already high in 2021: in the context of the pandemic, in 2020 and 2021, the employees were exceptionally allowed to carry-over up to 40 days of their untaken leaves, 10 more days than the 30 days allowed by Staff Rule 7.02.1 (b). In 2022, the level of unused annual leave remained high, and the cut-off date for annual leave carry-over from 2022 to 2023 was moved from December 31<sup>st</sup>, 2022 to January 31<sup>st</sup>, 2023. Until that last date, the employees were allowed to carry-over their annual leave without any restriction, which means they could take, within the limit of the 20 opening days available in January, all their annual leave balance as of December 31<sup>st</sup>, 2022. As of January 31<sup>st</sup>, 2022, they could continue to carry over a maximum of 30 days of annual leave accumulated in 2022 + 2.5 days accumulated for January 2023, but the maximum annual leave balance that can be carried-over from 2023 to 2024 will be limited back to 30 days That is why the level of the provision for annual leave is expected to decrease significantly in 2023.

*d. Repatriation costs*

66. As of 2022, Financial Statements closure, repatriation obligations include:

- repatriation grants (€2.583 million)
- repatriation shipments (€0.907 million)
- repatriation travel (€ 0.246 million)

67. The total repatriation obligations amount to €3.737 million in 2022 vs. €3.544 million in 2021. They are recognized, in the 2022 Financial Statements, as “*non-current employee benefits*” and actualized in compliance with IPSAS 39.

68. The External Auditor has asked the organization to provide information in order to decide whether the part of the grants expected to be paid in 2023 should be, if material, reclassified as current employee benefits liabilities in compliance with IPSAS 1 §80<sup>11</sup>. The answer is negative.

**Finding n°10:** The part of repatriation costs expected, at 2022 closing, to be paid in 2023 amounts to €124 thousand and concerns 12 staff members. The External Auditor considers that the amount is not material and does not need to be reclassified as current liabilities.

## 2.6. Provisions/Contingent Liabilities

### a. *Provisions for contributions*

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

70. The only provisions recorded as liabilities in the Statement of Financial Position, in compliance with IPSAS 19, relate to unearned revenue on extra-budgetary pledges currently expiring on or before December 31<sup>st</sup>, 2022. They amount to €17.3 million (cf. Note 4.9 to the Financial Statements).

**Finding n°11:** Several pledges, fully provisioned as of Dec. 31<sup>st</sup>, 2022, have been extended in the subsequent period of 2023, based on donor instructions, for a total of € 7.1 million.

### b. *Other contingent liabilities/allowances*

71. Statement I (financial position) records no other provisions or off-balance sheet contingent liabilities. The External Auditor checked the pending litigations with the Office of Legal Affairs, and noted that one litigation, already existing at 2021 year's end, was still pending as of December 31<sup>st</sup>, 2022. It concerns the owner of one-third of a former antenna site used by OMiK until May 2016. According to OLA, the corresponding contingency does not exceed €10,000.

72. A case and a group case within the OSCE's internal justice system that were under consideration by the OSCE Panel of Adjudicators concerning the appeal of five former members of the OSCE against disciplinary measures for fraudulent vehicle refuelling has been settled. In total, the Panel of Adjudicators awarded €8,100.

73. The litigation risk not being material, the Accounts Unit did not record any provision as of December 31<sup>st</sup>, 2022. The contingent liability of €10,000 in respect of the antenna site owner remains, but the likelihood of the last owner coming forward appears remote.

**Finding n°12:** The External Auditor diligences did not reveal any need for additional allowances for provisions in the 2022 Financial Statements.

## 2.7. Statement V and Note 9 to the Financial Statements

74. The Unified Budget is publicly available, so that IPSAS 24 has to be applied<sup>12</sup>. It provides for a statement of comparison of budget amounts and the actual amounts arising from

<sup>11</sup> IPSAS 1 §80: "a liability shall be classified as current when it satisfies any of the following criteria [...] (c) It is due to be settled within twelve months after the reporting date".

<sup>12</sup> IPSAS 1, §3: "this Standard applies to public sector entities, other than Government Business Enterprises, which are required or elect to make their approved budget(s) publicly available."

execution of the budget to be included in the Financial Statements (“Statement V”), and for specific disclosures in the note.

*a. The 2022 Unified Budget cash surplus*

75. As mentioned in § 2.1 above, the 2022 UBP was not approved as of year-end, and FinRegs 3.04/4.04 were applied, so that the Unified Budget assessed contributions for 2022, based on the last nominal approved budget (2021), remained unchanged at €138,204,100.

76. When implementing the 2022 UB programmes, many rising costs had to be absorbed, with constant nominal resources. In order to avoid UB cash deficits in several programmes/funds (Secretariat, OMiK and POiD), an additional provisional expenditure authorization of €913,000 was approved by the pS on December 8<sup>th</sup>, 2022 (PC.DEC/1455).

77. The additional authorization was not financed by additional contributions, but “*on an exceptional basis*”, from the 2020 UB cash surplus. Statement V (Statement of Comparison of Budget and Actual Amounts) is presented on a Budget basis which includes the FinReg 3.04 expenditure authorization (€138.2 million), and the December 8<sup>th</sup>, 2022, additional authorization (€0.9 million), bringing the 2022 available Budget authorization to €139.1 million.

78. The OSCE Expenditure Report at end of fourth quarter 2022 provides detailed information on the 2022 UB authorizations and actual expenditure, broken down by Executive Structures and, in each Executive Structure, by dimensions. In that document, the total 2022 UB expenditure amounts to €135.2 million. As recommended in 2021 by the External Auditor, this information is made public in other financial documents than the Financial Statements: it is now annexed to the Resource Utilization Report (RUR), which, in compliance with IPSAS 24, can be considered as a “*public document issued in conjunction with the Financial Statements*”, provided that “*a cross reference to those documents is made in the notes*”. The required cross-reference is effectively provided in note 9 to the Financial Statements. The bottom line (UB authorizations less actual expenditure) is a positive balance of €3.9 million (= €139.1 million - €135.2 million).

79. Statement V, in a first table, synthesises those elements, broken down between 8 categories of Executive Structures (the Secretariat, the three Institutions, the four regions of field operations).

80. The UB “*cash surplus*” is defined by FinReg as “*the excess of revenue received over the expenditure*”. That is why in a second table, Statement V provides:

- technical elements not taken into account in the Resource Utilization Report, which lead to an adjustment of + €0.427 million – bringing the budgetary excess of revenue over expenditure to €4.358 million (= €3.931 million + €0.427 million);
- the elements necessary to calculate the UB “revenue received” in 2022: it is equal to the assessed contributions receivables as recognized as of January 1<sup>st</sup>, 2022 (€3.384 million), less the assessed contributions receivables as recognized as of December 31<sup>st</sup>, 2022 (€7.722 million). Due to the significant increase of contribution arrears recorded in 2022 (see above), the net assessed contributions revenue effectively received in 2022 must take into account unpaid contributions for - €4.338 million (= €3.384 million - €7.722 million). As a result, the bottom line of the second table, representing the overall UB cash surplus in 2022, is limited to €0.190 million (= €4.358 million - €4.338 million)

*b. Reconciliation of actual Unified Budget amounts with Statements II (performance) and IV (cash flow)*

81. As required by IPSAS 24, note 9 to the Financial Statements provides two reconciliations:

1) between the budget cash surplus, measured on a modified cash accounting basis (€0.190 million, as in Statement V), and the performance surplus measured on an accrual basis (€ 27.930 million, as in Statement II) (see note 9.1 to the Financial Statements);

2) between the actual amounts presented on a comparable basis to the budget (i. e. an excess of + €3.931 million between the UB expense authorizations and the actual UB expenses, as in Statement V), and the net cash flows from operating activities, investing activities and financing activities (a net cash decrease of - €58.557 million, as in Statement IV) (see note 9.2).

**Finding n°13:** Statement V and Note 7 fully comply with IPSAS 24.

*c. Budget outlook for 2023*

82. One of the major financial constraints imposed to the OSCE Unified Budget implementation results from the combination of four factors: a) UB prolonged Zero Nominal Growth b) FinReg 3.02, c) FinReg 3.04, and d) the high risk of not obtaining, in the present circumstances, a consensus of the Permanent Council on any budgetary matter: More precisely:

- UB prolonged Zero Nominal Growth can only lead to the deficit of Funds/Programmes that have in fact to absorb costs dictated by external factors (UN/ICSC staff cost increases, contracts pegged to consumer prices indexes, etc.);

- FinReg. 3.02 prohibits transfers between Funds and Main Programmes without PC authorization. Even when sufficient unused UB resource is available in other Funds, the absence of a consensus makes it practically impossible to cover the UB deficit of one single Fund/Programme through transfers from Funds/Programmes showing a surplus. In addition, FinReg. 3.02(a)(iv) limits the level of budget transfers between Programmes that can be exercised without a PC authorization only to a cumulative total of 10 per cent of the Programme to which or from which the transfers are to be made;

- FinReg 3.04, as long as not amended as recommended by the External Auditor in his recent report on OSCE's budget process, provides for "piece-meal" expenditure authorizations, which prevent OSCE from proper financial planning and engaging in any longer-term financial commitment;

- In case of that, for external reasons, an additional expenditure authorization is needed to avoid a deficit in one or several Funds, Main Programmes or Programmes, a consensus of the Permanent Council must be obtained. It was the case in 2022 – as indicated above, an additional provisional expenditure authorization was approved by the pS on December 8<sup>th</sup>, 2022, but it was explicitly presented as "exceptional", i.e. not to be expected to be renewed even if similar circumstances continue to prevail in 2023.

83. That is why, although OSCE's cash position is proving more and more prosperous, in a speech delivered to the 1414th PC meeting on March 9<sup>th</sup>, 2023 (doc. SEC.GAL/35/23), the Secretary General announced that "*in 2023, it is no longer a question of whether we will run out of money, but when and where. We will see larger deficits than last year and much sooner. It's possible that we will see deficits in some areas as early as the 2nd quarter of this year*".

84. Taken literally, such a statement could raise a doubt on the going concern of several Unified Budget Funds in 2023<sup>13</sup>.

85. That is why the External Auditor requested additional information from the DMF on the results of its monthly in-depth budget forecasting exercise, as completed at March end, 2023.

<sup>13</sup>According to ISA 570 Standard ("Going Concern"), the External Auditor must conclude on the appropriateness of the Management's use of the going concern basis to prepare its Financial Statements. ISA 570 §13 implies that the External Auditor's conclusion, if positive, covers the entity's ability to continue as a going concern at least twelve months from the reporting date of the audited Financial Statements, i.e. until December 31<sup>st</sup>, 2023.



According to DMF's most recent forecast, as early as in May, Security Management will run into a deficit; by June, the Conference and Language Services programme will also run out of resources. The rest should follow in autumn. DMF notes that the timing of the budget deficit is accelerated by the application of the FinReg 3.04 "piece-meal" expenditure authorization system, which applies in the absence of an approved budget for the entire year<sup>14</sup>.

86. In March 2023, a number of executive structures have forecasted a year-end deficit, estimated at €3.3 million, with €2.7 million in the Secretariat alone. The executive structures will continue updating their forecasts on a monthly basis which are expected to become more precise as the financial year progresses.

**Finding n°14:** In the External Auditor's view, the forecasted budget deficits, even if confirmed, have no consequence on the going concern of the OSCE taken as a whole – that is why, although largely predictable, they have no impact on his opinion on OSCE's 2022 Financial Statements.

87. At the same time, an absence of an adequate decision taken in time by the PC to avoid these specific Funds' deficits (either through a 2023 UBP approval in due time, or through new additional authorizations, or through any other adequate action), would be equivalent to a PC decision to mandate the Secretary General to stop taking any further financial commitment concerning those Executive Structures, leading to immediate termination and/or drastic reduction of the underfunded programmes. Such an irreversible shock could be attenuated if, parallel to FinReg 3.04, FinReg 3.02 could be amended in order to allow to some extent "provisional" transfers within the Unified Budget Funds, Main Programmes and Programmes in case of a late (or absence of) UBP approval. As for FinReg 3.04 provisional expenditure authorizations, those provisional transfers would be regularised by the subsequent approval of the UBP or considered final in the absence of an approved budget.

**Recommendation n°1 (to Secretary General – priority 1):** To mitigate the risk of some programmes being irreversibly jeopardised due to late (or absence of) approval of the Unified Budget, the External Auditor recommends the Secretary General to draft and submit to the Permanent Council an amendment of FinReg 3.02 in order, in similar circumstances as for FinReg 3.04 provisional expenditure authorizations, to authorize, to an extent and in a manner to be specified, provisional transfers between the Main Programmes and Programmes.

### 3. Fixed Assets and Inventories

#### 3.1. Fixed Assets

88. As for previous years, the recording of fixed assets remains a complex procedure leading to successive reconciliations. In 2022 the situation of assets located in Ukraine adds some complexity to the process. Nevertheless, the External Auditor has not detected any significant anomaly:

- in net amounts, during 2022, OSCE's overall tangible and intangible decreased from €20.1 million to €13.8 million (-31%), mainly due to the situation in Ukraine. For the first time, OSCE recognized some impairments, for a total €5.5 million, mainly on the vehicles (for €4.5 million).

---

<sup>14</sup> The External Auditor notes that, if its recent recommendation to amend FinReg 3.04 was implemented, even in a Zero Nominal Growth Unified Budget context, such deficits would appear later.

- in gross amounts, during the same period, the tangible assets decreased from €75.8 million to €53.5 million i.e. a decrease of €22.3 million resulting from new acquisitions for €3 million, and disposals for €25.3 million.

89. Among the €22.3 million decrease, €16.2 million relate to vehicles. Out of 461 vehicles which were in Ukraine as of December 31st, 2021, with a total purchase value estimated at €39.2million, as of December 31st, 2022, 295 were deemed to remain “active” and were kept on OSCE’s balance sheet, for a total net book value (NBV) of €3.3 million. More precisely:

- 92 were still “on road” in Ukraine (purchase value €5.4 million, NBV € 0.350 million);
- 78 were transferred to other OSCE Executive Structures (purchase value €4.6 million, NBV €1.6 million);
- 46 were to be sold and handed-over (purchase value €4.8 million, NBV €1.3 million);
- 1 was for donation (purchase value €0.1 million, NVB €0 – fully depreciated)
- 73 were seized (purchase value €8.7 million, NBV €0 after impairment)
- 1 was captured (purchase value €0.1 million, NVB 0 after impairment)
- 4 were stolen or missing (purchase value €0.1 million, NBV 0 after impairment)

**Finding n°15:** Although as of December 31<sup>st</sup>, 2022, 78 vehicles belonging to the closed Ukrainian missions were either seized, captured or stolen, and were no longer controlled by the OSCE, they remain legally OSCE’s property, having no longer any service potential they remain on OSCE’s balance sheet, but their net book value was totally impaired.

### 3.2. Inventories

90. The accounting policies relating to the inventories are presented in the Note 2.5 to the Financial Statements. There are composed of two categories:

- Consumables and supplies held for use by the Organization to support the delivery of its programmatic objectives: the threshold for capitalization is set at €150 per item and €50,000 per category and location
- Inventories held for distribution to beneficiaries at no or nominal charge: the threshold for capitalization is set at €150 per item.

91. Inventories amount to €291,101 as of December 31<sup>st</sup>, 2022, to be compared to €1.6 million at the end of 2021, showing a decrease of €1.3 million. That decrease concerns mainly vehicle spare parts held by the Special Monitoring Mission to Ukraine, which were written-off for €1.1 million. Considering the unfolding events in Ukraine, many items, not included in the inventories such as markers, whiteboards, notebooks, bullet-proof vests, etc., were donated to the international organizations and NGOs. The list of beneficiaries has been provided to the External Auditor.

92. At year’s end, the remaining inventories consisted in “unique items” held for distribution.

93. To mitigate the operational risk in recording consumables, inventories and assets held for donation, the External Auditor recommended in his previous financial report to upgrade the inventory process and to automate the financial accounting of the Organization’s inventories. He also recommended to record the assets held for donation as inventories in the upgraded inventory module. In 2022, the OSCE already implemented the Oracle inventory module in five Executive Structure (Albania, Bosnia and Herzegovina, Kosovo, Secretariat and Skopje).

94. ALTSU will complete the implementation in other field operations during 2023.

95. The external Auditor maintains the previous recommendation until full implementation of ORACLE inventory module in the remaining Executive structures.

**Finding n°16:** The inventory process upgrade, recommended in External Auditor’s previous financial report is in progress, but not fully implemented.

#### 4. 2022 Financial Closure

##### 4.1. Cash and Investment

96. During the 2019-2022 period OSCE's financial liquidities break down as follows:

**Table n°8: Evolution of cash, cash equivalent and investments (in million of euros)**

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Cash and equivalents	95.1	91.1	104.5	48.3
Investments	14.0	43.7	28.8	111.6
<b>TOTAL</b>	<b>109.1</b>	<b>134.8</b>	<b>133.3</b>	<b>159.9</b>

Source: IRMA (rounded amounts)

##### a. Analytical review

97. During the 2019-2022 period, OSCE’s liquidities (cash and equivalents + investments) have been steadily increasing every year, but 2022 saw a sharp acceleration in this trend: in 2022 alone, there was an increase of €26.6 million<sup>15</sup>, and the overall liquidities reached €159.9 million as of December 31<sup>st</sup>, 2022, due to the increase of unused liquidities in the non-UB funds (+ €27.7 million in 2022).

98. Starting July 2022, with the rise in European Central Bank deposit rates, positive interest short-term interest rates became available: investments increased by €82.8 million or +287.4% as of December 31<sup>st</sup>, 2022 compared to December 31<sup>st</sup>, 2021, while cash and cash equivalents decreased by €56.2 million or - 53.8% during the same period, and short term bank deposits (under 3 months), amounting €3.5 million as of December 31<sup>st</sup>, 2021 were brought to 0 as of December 31<sup>st</sup>, 2022.

##### b. Cash and cash equivalents

99. The OSCE holds 138 accounts (bank and cash) as of December 31<sup>st</sup>, 2022. The External Auditor was provided with the bank & cash statements and with their reconciliations: 29 out of 30 banks have confirmed OSCE’s balances as of December 31<sup>st</sup>, 2022<sup>16</sup>. No significant differences were detected, but the External Auditor notes that at 2022 year’s end:

- 49 cash accounts show a zero balance, among which 3 have been inactive (and not updated) for more than 1 year. These accounts are no longer in use;
- 2 new bank accounts have been opened (Ashgabat and New York) and 3 were closed (Ukraine);
- in the Financial Statements, in compliance with IPSAS 4, all of the 79 accounts held in currencies (29 bank accounts and 50 cash accounts) are converted with UNORE rates as of December 31<sup>st</sup>, 2022;
- 18 bank accounts provide credit cards for a total of 16 authorized persons (heads of mission, fund administrators, budget assistants, procurement and contracting officers). The year-end 2022 balance is €0.705 million and the bank reconciliations do not reveal any significant anomaly;

<sup>15</sup> In 2022, increase in non-UB funds is €45.6m, decrease in UB of €18.0m.

<sup>16</sup> CITIBANK CBO Services did not provide its confirmation - the OSCE sent reminder e-mails.

- financial positions are updated in Oracle only when a transaction is recorded – that is why some bank accounts are not listed as of December 31<sup>st</sup>, 2022 in the Oracle field “Cash Management - Statement Date”.

**Finding n°17:** 49 cash accounts show a zero balance, among which three have been inactive (and not updated) for more than 1 year. These accounts are no longer in use.

**Recommendation n°2 (to DMF - priority 2):** The External Auditor recommends the Organization to close all inactive bank accounts that are no longer in use, and DMF to inform and continue to remind all executive structures of this requirement.

#### *c. Investments*

100. The investment rules of the Organization remain unchanged: short-term deposits must not exceed three months, while over three months, short-term investments are limited to nine months. No exceptions were identified throughout 2022. This rule, which was established on April 24<sup>th</sup>, 2015, is intended to preserve available cash for operational needs and to minimize investment risks.

101. The External Auditor was provided with the confirmation of amounts and maturities for all invested positions (€111.6 million) in three banks: Barclays Switzerland (€60 million; invested through Barclays for €30 million, through Société Générale for €10 million, and through BNP Luxembourg for €20 million), CIC (€20 million) and DNB (\$12.35 million. In the Financial Statements, in accordance with IPSAS 4, these investments are converted, where applicable, with the UNORE exchange rate as of December 31<sup>st</sup>, 2022.

**Finding n°18:** 2022 investments comply with OSCE’s regulation.

#### 4.2. Net equity

102. Statement III shows a €23.5 million increase of OSCE’s net position (i.e. the difference between the Organization’s assets and liabilities) in 2022, from €49.9 million as of December 31<sup>st</sup>, 2021 to €73.4 million as of December 31<sup>st</sup>, 2022.

**Finding n°19:** The External Auditor has checked the components of the net position and the changes recorded as of December 31<sup>st</sup> 2022.

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

103. The External Auditor reviewed the status of the recommendations issued for the previous fiscal years (2017 to 2021). The action plan, as presented in Doc. PC.ACMF/83/22 issued on October 31st, 2022, includes a total of 19 recommendations fully or partly accepted by the Secretariat

- two recommendations are related to the audit of OSCE 2017 Financial Statements ("FS"),
- twelve recommendations are related to audits carried out in 2021: 4 on 2020 Financial Statements, 7 on Human Resources ("HR") and 1 on field operations the Programme Office in Dushanbe ("POiD"),
- and five were related to the 2021 Financial Statements.

104. The External Auditor's comments are included in the document PC.ACMF/83/22 issued on October 31st, 2022. In this document, the External Auditor indicated that:

- six recommendations could be closed, either because they have been implemented or because they no longer meet current needs (recommendations 2017-FS/1, 2020-FS/3 part 1, 2020-FS/4, 2020-HR/4, 2020-HR/6 and 2021-FS/2);
- thirteen recommendations remained open and should continue to be followed up (recommendations 2017-FS/11, 2020-FS/1, 2020-FS/2, 2020-FS/3 part 2, 2020 HR1, 2020-HR/3, 2020-HR/5, 2020-HR/7, 2020-HR/10, 2020 POiD/2, 2021-FS/1, 2021-FS/3 and 2021-FS/5)

105. Four more recommendations (one of which has already been implemented) were issued in the External Auditor's management audit report on the OSCE Budget Process ("BP", sent to the Secretariat on July 7th, 2022, but they were not included in the last PC ACMF action plan, although they deal with the "other matters which should be brought to the attention of the Permanent Council" which, according to in FinReg 8.06 a) (iii), should be included in the External Auditor's report.

106. The External Auditor's present mandate covers these "other matters", as it provides not only for one yearly Financial audit to support the Auditor's opinion on the Financial Statement, but also for two or three yearly additional management audit reports.

107. During the first year of the External Auditor's mandate (fiscal year 2020), based on indications provided by the previous auditor, all recommendations (i.e. resulting from both financial and management audits) were issued in a single annual "long report".

108. Then, the DMF advised the External Auditor that it was preferable not to include any longer management audit observations/recommendations in the "long report", as our predecessors did, because the "long report" is part of the OSCE yearly financial report dedicated to the Financial Statements and should not deal with management issues not directly related to the FS.

109. That is why, in order to comply with FinReg 8.06 and with his mandate, the External Auditor decided that in future, for management audits, each report concerning "horizontal issues" (such as HR, budget process, procurement, etc) would be addressed separately to the ACMF/PC, and that the observations/recommendations they contain should be included in the ACMF yearly action plan (follow up of EA's recommendations). The fact that non-FS related recommendations are included in the ACMF yearly action plan is not new: it was done in 2020 for the External Auditor's audit on HR (which was included in the "long report"), for which the recommendations are already included in the ACMF's action plan - but it was also the case for our predecessor's recommendations on management issues, such as the recording and follow up of Exception Requests, gender equality, the use of the "mission to Skopje Guidelines

for the UB and ExB projects", publications of KPI's, modification of FinReg 3.04, request forms for STA, and other matters not linked with the audit opinion on the FS<sup>17</sup>.

**Finding n°20:** in 2021, OSCE asked the External Auditor not to include any longer his management audit observations/recommendations in the "long report" on Financial Statements annexed to the annual report on Financial Statement. As a consequence, the four recommendations issued in the recent External Auditor's report to the ACMF/PC on the Unified Budget process have not been included in the last PC/ACMF action plan for the implementation of the External Auditor's recommendations.

**Recommendation n°3 (to DMF/ISC):** To comply with FinReg 8.06, starting in 2023, all recommendations issued in External Auditor's management audit reports addressed to the ACMF/PC should be included in the ACMF/PC action plan for the Implementation of the External Auditor's recommendations.

110. The following table presents the present status (as of March 31<sup>st</sup>, 2023) of recommendations which, according to doc. PC.ACMF/83/22, remained open on October 31<sup>st</sup>, 2022. It shows that 6 more recommendations can be closed: 2020-FS/1 part 2, 2020-FS/3, 2020-HR/1, 2020-HR/5, 2020-HR/10, 2021-FS/3 and 2021-FS/4:

Rec. #	Priority	Recommendation	Status
2020-FS/1	1	In the area of IT management, the External Auditor recommends to: 1) draw up a business continuity plan by the end of 2021, jointly with the operational divisions and the IT division. The business continuity plan will have to be subject to formalized tests; 2) DHR should update in real time the HR tool and IRMA with the contract data which are used to manage access authorizations to the system	<b>Recommendation 2020-FS/1 part 1 remains open. Part 2 is closed.</b>
2020-FS/2	2	The External Auditor recommends to update FAI 4 by adding the IPSAS 23 recognition criteria for extra-budgetary contributions	<b>To be followed up</b>
2020-FS/3	2	The External Auditor recommends to automate in Oracle the monitoring of extra-budgetary contributions	<b>Closed</b>
2020-HR/1	2	The External Auditor recommends, as already recommended by the internal audit of the OSCE, to define in which specific conditions the access to the US Medical System could be provided	<b>Closed</b>
2020-HR/3	2	The External Auditor recommends to extend the pilot of direct applications to the seconded staff recruitment process for volunteer participating States, with implementation expected by 2023	<b>To be followed up</b>
2020-HR/5	2	The External Auditor recommends to issue an official yearly mobility strategy namely for OSCE officials without limits of duration in their posts	<b>Closed</b>

<sup>17</sup> At the same time, the External Auditor decided to stick to the principle that his observations/recommendations presented in « management letters » resulting from his audit of individual Executive Structures outside the Secretariat (i.e. separate audits on Institutions, such as the ODIHR, or field operations, such as OMiK, POiD, POiB) would continue, provided they do not deal with major issues implying potential PC decisions, to be addressed exclusively to the Heads of these ES, with a copy to Secretary General" - i.e. not addressed to ACMF/PC, and not meant to be followed up ACMF's level.

2020- HR-7	2	The External Auditor recommends the issuance of a yearly document describing the needs for learning and training at the field level	<b>To be followed up</b>
2020- HR/10	1	The External Auditor recommends to launch a strategic review of the OSCE posts in 2022	<b>Closed</b>
2020 POiD- 2	1	The External Auditor reminds that any extension of ExB projects registered in Oracle before 28 May 2018, is considered as a new project, and as such, should in all cases have to contribute to the Indirect Common Costs (ICC), so that within a short period of time, the subsidizing of ExB by UB through unshared structure costs should end	<b>To be followed up</b>
2021- FS/1	2	The External Auditor recommends to formalize an IT mapping showing the flows (manual or Automated) between the systems for the financial application environment, and for the overall OSCE IT environment.	<b>To be followed up</b>
2021- FS/2	1	The External Auditor recommends to reintroduce in the revised internal control process for 2022 a minimal but significant number of annual Walkthrough tests to be carried out by administrative staff in the Executive Structures. To avoid excessive disparities between the Executive Structures, the number and the nature of the tests to be carried out should be defined and adapted for each Executive Structure by the Information Security and Coordination Unit, based on proposals from the other units of the Department of Management and Finance.	<b>Closed</b>
2021- FS/3	2	The External Auditor recommends to formalize the procedure applicable in case of outstanding receivables for closed projects	<b>Closed</b>
2021- FS/4	3	When closing the OSCE's yearly Financial Statements, the External Auditor recommends that the Accounts Unit should prepare a reconciliation table between the flows from the payroll ledger and those in the general ledger.	<b>Closed</b>
2021- FS/5	3	To mitigate the operational risk in recording consumables, inventories and assets held for donation, the External Auditor recommends: - enhancing the inventory module in order to automate the financial accounting of the Organization's inventories; - recording the assets held for donation as inventories in the upgraded inventory module.	<b>To be followed up</b>

111. The following table presents the status of the previous recommendations related with the EA's 2021 audit on the Unified Budget process which were omitted in doc. PC.ACMF/83/22:

<b>No.</b>	<b>Priority</b>	<b>Recommendations made by External Auditor</b>	<b>Status</b>
<b>BP/1</b>	<b>2</b>	1. For 2024 and the following years, the External Auditor recommends that the Secretariat General should either propose a modification of Financial Regulation 2.06(b), or comply with it by including in the Unified Budget Proposal financial forecasts for the two ensuing financial years.	To be followed up (will be proposed with the UBP 2024)
<b>BP/2</b>	<b>1</b>	2. The External Auditor recommends that the Secretariat General, for the 2024 Unified Budget Proposal, should present to the Permanent Council an alternate option limiting the Staff Table to P5 grade and higher, and submitting budgetary envelopes for each Executive Structure for all the other staff	To be followed up (will be proposed with the UBP 2024)
<b>BP/3</b>	<b>1</b>	3; In order to i) comply with IPSAS 24 and ii) avoid an over-complex network of reporting requirements, the External Auditor recommends that the Secretariat General should include the information requested by IPSAS 24 on the material differences between the approved budget and actual amounts in the Programme Budget Performance Reports for 2021 and for the following years. This recommendation has been implemented during the clearance process of the present report and is already closed	Closed
<b>BP/4</b>	<b>1</b>	4; To provide a secure and consistent financial and legal solution to face a very late (or an absence of) budget approval, the External Auditor recommends that the Secretary General should draft and submit to the Permanent Council an alignment of Financial Regulation 4.04 with Financial Regulation 3.04, or even better, a modification of Financial Regulation 2.05(d) in order to secure at least a Zero Nominal Growth provisional budget in the absence of an approved budget	Partially implemented To be followed up



## **V. ACKNOWLEDGEMENT**

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

*End of audit observations.*

# APPENDIX

## OSCE PROVIDENT FUND STATEMENT

**OSCE Provident Fund Summary Statement**

**Unaudited - For Information Purposes Only**

For the Year Ended 31 December 2022

	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
<b>Opening Balance as at 1 January 2022</b>	<b>89,586</b>	<b>115,364</b>	<b>5,627</b>	<b>6,027</b>	<b>14</b>	<b>1,299</b>	<b>20</b>	<b>2,142</b>	<b>77</b>	<b>1,870</b>	
Contributions/Premium Allocation	15,733	16,266	542	582	0	32	1	104	9	200	
Unit Adjustments	(3)	(3)	-	-	-	-	-	-	-	-	
Surrenders	(16,946)	(17,519)	(447)	(480)	-	-	(1)	(138)	(15)	(311)	
Withdrawals	(2,272)	(2,349)	(326)	(350)	(1)	(65)	(2)	(146)	(1)	(28)	
Switch Out	(89,649)	(115,430)	-	-	-	-	(0)	(30)	(5)	(98)	
Switch In	111,685	115,461	14	15	-	-	0	15	3	65	
Transfer Out	(148)	(153)	(54)	(57)	-	-	(0)	(28)	(1)	(14)	
Transfer In	-	-	-	-	-	-	-	-	-	-	
Fees (Administration Fee and Establishment Charge)	-	-	-	-	-	-	-	-	-	-	
<b>Total movements during year</b>	<b>18,400</b>	<b>(3,729)</b>	<b>(271)</b>	<b>(291)</b>	<b>(0)</b>	<b>(33)</b>	<b>(2)</b>	<b>(224)</b>	<b>(9)</b>	<b>(186)</b>	
Guaranteed Interest on Opening Balance	-	11	-	18	-	-	-	-	-	-	
Guaranteed Interest on units accumulated during year	-	(0)	-	(0)	-	-	-	-	-	-	
Deposit Administration Bonus Units (additional interest)	-	-	10	11	-	-	-	-	-	-	
Market Value Adjustment	-	-	-	-	-	(108)	-	(305)	-	(236)	
<b>Closing Balance as at 31 December 2022</b>	<b>107,985</b>	<b>111,647</b>	<b>5,366</b>	<b>5,765</b>	<b>13</b>	<b>1,158</b>	<b>18</b>	<b>1,613</b>	<b>68</b>	<b>1,448</b>	<b>121,181</b>