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OSCE

Financial Report and Financial Statements
and the Report of External Auditor

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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	1
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I - EXTERNAL AUDITOR'S REPORT

Letter from the External Auditor to the Secretary General	5
Audit Opinion	7
Report of the External Auditor	11
1 - Executive Summary	17
2 - Audit Approach	19
3 - Analysis of the Financial Statements	21
4 - Management Issues	33
5 - Gender Issues	40
6 - Field Working Visits	43
7 - Follow-up of Previous External Audit Report Recommendations	44
8 - Other Matters	45
9 - Cooperation with Other Stakeholders	47
10 - Acknowledgement	48
Annex	49

II - OSCE FINANCIAL REPORT AND FINANCIAL STATEMENTS

Letter of Transmittal to the Auditor General from the Secretary General	55
---	----

Chapter I - Financial Report of the Secretary General for the year ended 31 December 2017	57
--	----

Financial Report of the Secretary General for the year ended 31 December 2017	59
Introduction	59
Summary of the year 2017	59
Financial Statements Analysis	60
Unified Budget Analysis	66
Special Monitoring Mission to Ukraine	69
Internal Controls	71
Responsibility	71
Annex 1 - OSCE Structures and Institutions as at 31 December 2017	73

Chapter II - Budget and Expenditure Report and Staffing Overview	75
--	----

Budget and Expenditure Report	77
Staffing Overview - Budget and Actual Staff Positions, Unified Budget	85
Staffing Overview - Budget and Actual Staff Positions, Special Purpose Funds	86

Chapter III - Financial Statements	87
--	----

STATEMENT I.: Statement of Financial Position	89
STATEMENT II.: Statement of Financial Performance	90
STATEMENT III.: Cash Flow Statement	91
STATEMENT IV.: Statement of Changes in Net Assets	92
STATEMENT V.: Statement of Comparison of Budget and Actual Amounts	93

SEGMENT REPORTING	
STATEMENT VI.1: Statement of Financial Position - Summary by Source of Funds	94
STATEMENT VI.2: Statement of Financial Performance - Summary by Source of Funds	95
STATEMENT VI.3: Cash Flow Statement - Summary by Source of Funds	96
STATEMENT VI.1.A: Statement of Financial Position - Secretariat and Institutions	97
STATEMENT VI.2.A: Statement of Financial Performance - Secretariat and Institutions	98
STATEMENT VI.1.B: Statement of Financial Position - Field Operations by Region	99
STATEMENT VI.2.B: Statement of Financial Performance - Field Operations by Region	100
STATEMENT VI.1.C: Statement of Financial Position - South-Eastern Europe	101
STATEMENT VI.2.C: Statement of Financial Performance - South-Eastern Europe	102
STATEMENT VI.1.D: Statement of Financial Position - Eastern Europe	103
STATEMENT VI.2.D: Statement of Financial Performance - Eastern Europe	104
STATEMENT VI.1.E: Statement of Financial Position - Caucasus	105
STATEMENT VI.2.E: Statement of Financial Performance - Caucasus	106
STATEMENT VI.1.F: Statement of Financial Position - Central Asia	107
STATEMENT VI.2.F: Statement of Financial Performance - Central Asia	108
STATEMENT VI.1.G: Statement of Financial Position - Special Purpose Funds	109
STATEMENT VI.2.G: Statement of Financial Performance - Special Purpose Funds	110
STATEMENT VI.1.H: Statement of Financial Position - Extra-Budgetary Funds	111
STATEMENT VI.2.H: Statement of Financial Performance - Extra-Budgetary Funds	112
Chapter IV - Notes to the Financial Statements	113
Note 1: Reporting Structure	115
Note 2: Significant Accounting Policies	117
Note 3: Assets	124
Note 4: Liabilities	130
Note 5: Reserves	136
Note 6: Revenue	137
Note 7: Expenses	140
Note 8: Reconciliations of Budgets to Financial Statements	144
Note 9: Other Disclosures	146
Chapter V - Statement on Internal Control	149
Statement on Internal Control for 2017	151
Appendix	157
OSCE Provident Fund Summary Statement (Unaudited)	159

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

18 June 2018

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 2017 and the Report of the External Auditor thereon for your consideration and approval.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'T. Greminger'. The signature is stylized and written in a cursive-like font.

Thomas Greminger
Secretary General

I – EXTERNAL AUDITOR’S REPORT

Ramón Álvarez de Miranda García

Tribunal de Cuentas
Presidente

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

Madrid, 15 de junio de 2018

Estimado Sr. Greminger;

Tengo el placer de enviarle el Informe del Auditor Externo sobre los estados financieros de la Organización para la Seguridad y Cooperación en Europa correspondientes al ejercicio 2017 y la Opinión del auditor para el Comité Permanente.

Quisiera aprovechar esta oportunidad para manifestarle la especial relevancia que supone para el Tribunal de Cuentas de España la realización de todas las actuaciones relacionadas con la auditoría externa de la OSCE.

Reciba un cordial saludo,

Ramón A. de M.



TRIBUNAL DE CUENTAS

COURTESY TRANSLATION

Mr. Thomas Greminger
SECRETARY GENERAL
OSCE
Organization for the Security and
Co-operation in Europe
VIENA (Austria)

Madrid, 15th June, 2018

Dear Mr. Greminger,

I am pleased to send you the Long Form Report on the 2017 Financial Statements audit and the Independent Auditor's Opinion to the Permanent Council.

I would like to take this opportunity to express the special significance for the Court of Audit of Spain of all the activities related to the external audit of the OSCE.

Yours sincerely,



TRIBUNAL DE CUENTAS
DE ESPAÑA

Organization for Security and Co-Operation in Europe

OSCE

Opinion of the External Auditor
on the 2017 Financial Statements

Opinion

We have audited the financial statements of the Organization for Security and Co-Operation in Europe (OSCE) for the year ended 31 December 2017. These comprise the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets, Statement of Cash Flow, Statement of Comparison of Budget and Actual Amounts and the related notes. These financial statements have been prepared following the Organization's accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the OSCE as at 31 December 2017, and its financial performance for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

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

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

The Secretary General is responsible for the other information comprising Financial Report, Statement on Internal Control for 2017, Budget and Expenditure Report and Provident Fund Summary Statement.

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

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

Responsibilities of Secretary General for the Financial Statements

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

Auditor's Responsibility for the Audit of the Financial Statements

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect any existing material misstatements. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

AUDIT OPINION

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

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

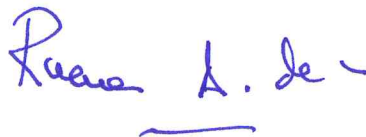
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

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

Madrid, 15th June, 2018



Ramón Álvarez de Miranda García

President of the Spanish Court of Audit

OSCE External Auditor



TRIBUNAL DE CUENTAS
DE ESPAÑA

Organization for Security and Co-Operation in
Europe

OSCE

External Audit Report on the 2017 Financial
Statements

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

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

Contents

1	EXECUTIVE SUMMARY: Overall results of the Audit.....	1
1.1	Audit conclusion. Unqualified opinion.....	1
1.2	Recommendations	1
2	AUDIT APPROACH.....	3
2.1	Scope of the Audit.....	3
2.2	Audit Objective	4
2.3	Audit Approach.....	4
3	FINANCIAL STATEMENTS.....	5
3.1	General observations	5
3.2	Accounting policies.....	6
3.3	Unified Budget.....	6
3.3.1	Budget Approval.....	7
3.3.2	Year-end UB revision	8
3.3.3	Cash Surplus or Deficit	9
3.4	Special Purpose Funds	10
3.5	Extra-Budgetary Funds	11
3.6	Statement of Financial Position.....	11
3.6.1	Assets and Liabilities.....	11
3.6.2	Cash, Cash equivalents and Investments.....	11
3.6.3	Contributions Receivable	12
3.6.4	Property, Plant and Equipment (PP&E)	14
3.6.5	Intangible Assets.....	14
3.6.6	Employee Benefit Liabilities and Actuarial Valuation	14
3.6.7	Contingent Liabilities	15
3.7	Statement of Financial Performance	15
3.7.1	Extra-budgetary Contributions	16
3.7.2	Expenses	16
4	MANAGEMENT ISSUES.....	17
4.1	Treasury	17
4.1.1	Corporate credit cards.....	18
4.2	Expense invoices	18
4.3	ExB projects	19
4.3.1	Indirect Common Costs.....	20
4.4	Procurement.....	20

4.5	Human Resources.....	21
4.5.1	Fixed-term recruitment.....	21
4.5.2	Short-term recruitment.....	22
4.5.3	Other issues.....	23
4.6	Documents management.....	23
5	GENDER ISSUES.....	24
5.1	Framework.....	24
5.2	GAP Implementation, reporting and follow-up of progress.....	25
5.2.1	Implementation.....	25
5.2.2	Reporting and follow-up.....	26
5.3	Gender mainstreaming.....	26
5.4	Gender balance.....	26
5.5	OIO reporting on GI.....	27
6	FIELD WORKING VISITS.....	27
7	FOLLOW-UP OF PREVIOUS EXTERNAL AUDIT REPORT RECOMMENDATIONS.....	28
8	OTHER MATTERS.....	29
8.1	Cases of Fraud and Presumptive Fraud.....	29
8.1.1	Framework: OIO Investigation function.....	29
8.1.2	Cases investigated during 2017.....	29
8.2	Ex Gratia payments.....	30
9	COOPERATION WITH OTHER STAKEHOLDERS.....	31
9.1	Liaison with the Office of Internal Oversight.....	31
9.2	Audit Committee.....	31
10	ACKNOWLEDGMENT.....	32

LIST OF ABBREVIATIONS

ACMF	Advisory Committee on Management and Finance
BOM	The Observer Mission to Two Checkpoints on the Russian-Ukrainian Border
CFA	Chief of Fund Administration
CRMS	Common Regulatory Management System
DHR	Department of Human Resources
DMF	Department of Management and Finance
ER	Exception Request
EUROSAI	European Organization of Supreme Audit Institutions
ExB	Extra-budgetary (funds/projects/pledges)
FAI	Financial and Administrative Instruction (s)
FM	Fund Managers
FO	Field Office
FR	Financial Regulations
FS	Financial Statements
GAP	2004 OSCE Action Plan for the Promotion of Gender Equality
GFP	Gender Focal Point
GI	Gender Issues
GWG	Gender Working Group
Hol	Head of Institution
ICT	Information and Communication Technologies
INTOSAI	International Organisation of Supreme Audit Institutions
IRMA	Integrated Resource Management System
ISA	International Standards on Auditing
ISSAIs	International Standards of Supreme Audit Institutions
IT	Information Technologies
MSS	Mission Support Section
OIO	Office of Internal Oversight
OLACEFS	The Latin American and Caribbean Organization of Supreme Audit Institutions
OMiK	OSCE Mission in Kosovo
OSCE	Organization for Security and Co-operation in Europe
PC	Permanent Council
PCU	Procurement and Contracting Unit
PO	Purchase Order
PP&E	Property, plant and equipment
pS	Participating State
SAI	Supreme Audit Institution
SG	Secretary General

SI	Staff Instruction
SMM	Special Monitoring Mission to Ukraine
SPF	Special Purpose Funds
SR	Staff Regulation
TCE	Tribunal de Cuentas de España
ToR	Terms of Reference
TU	Treasury Unit
UB	Unified budget
ULO	Un-liquidated obligation
UN	United Nations

REPORT OF THE EXTERNAL AUDITOR ON THE 2017 FINANCIAL STATEMENTS

1 EXECUTIVE SUMMARY: Overall results of the Audit

1.1 Audit conclusion. Unqualified opinion

1. The Tribunal de Cuentas of Spain (TCE) has audited the financial statements (FS) of the Organization for Security and Cooperation in Europe (OSCE) for the year ended 31st December 2017 with the objective of expressing an opinion on these financial statements.
2. The TCE has placed an unqualified opinion on the 2017 FS. Notwithstanding the observations in this Report, the examination revealed no weaknesses or errors to be considered material to the accuracy, completeness and validity of the financial statements as a whole. Recommendations for improved procedures or more comprehensive disclosures were discussed with the Secretariat and their comments are attached to this Report as an Annex. None of the findings affect the audit opinion of the OSCE's financial statements.

1.2 Recommendations

Recommendation 1: In order to reduce the economic constraints caused by the 1/12 extension once the first quarter of the extended budget has been overcome, PC could consider to modify FR 3.04 in the sense of regulating provisional allotments until the new budget is approved on a quarterly basis, instead of monthly as currently.

Recommendation 2: We recommend the PC/ACMF to consider the amendment of PC.DEC.553 and thus the corresponding FAI in order to clarify what kind of UB revision is the SG expected to propose, if it is to be done before the end of the year or can be done after and its purpose.

Recommendation 3: We recommend the Management to consider the inclusion in the Financial Statements of data about the utilization rate of UB before year-end revision.

Recommendation 4: We recommend the Management to add in the FS a table of disclosure of total ExB funds employed by executive structures and, if possible, by each of the three OSCE's dimensions.

Recommendation 5: Some studies on historical factual data could be conducted to assess the foreseeable time to realize ExB receivables, their probability of failure and the main factors that would advise to record an allowance for doubtful debt on them.

Recommendation 6: In order to minimize the risk of inaccuracy when calculating deferred revenue of ExB contributions, we recommend that the conditional pledges were recorded in the system as such.

Recommendation 7: We recommend the improvement of FAI 5 in respect of corporate cards procedures, including a relation of type of expenditures that can be paid by this means, and which are excluded. We also recommend the inclusion of specific prescriptions for the raise of payments limits.

Recommendation 8: Having in mind the response of previous audit report's recommendation regarding the implementation of e-signature, pointing at the need of funding to be implemented, we recommend to strengthen transparency and increase accountability of management by allowing identification of those in charge of programmatic and financial approval.

Recommendation 9: In order to improve ExB project reporting, we recommend that the Organization consider the possibility of including in the system detailed ExB project data, recording the dates of changes of status from active, to pending close and closed and reporting the information at any point time.

Recommendation 10: We recommend amending FAI 6 in order to state the authority to approve contract extensions and amendments.

Recommendation 11: To the Secretariat, to consider the possibility of making Request Form for STA electronic, avoiding paper and providing automatically all the computations from the data available in IRMA (i.e. "Previous period of temporary assistance", "break taken"; and "STA period available").

Recommendation 12: We recommend the Management to revise the ToR of GFP and enclose a clear definition of when GWG should be constituted.

Recommendation 13: We encourage the FOs to improve their Action Plans on GI, trying if possible to reach some consensus about essential contents as well as the Organization to deepen in the definition and application of result-based indicators.

Recommendation 14: We recommend the OSCE to continue its efforts in pursuing a gender balance, especially among senior management.

Recommendation 15: Giving recognition to the relevant role of OIO in the independent examination and evaluation of the adequacy and effectiveness of the OSCE's systems of internal controls and the quality of performance in carrying out assigned responsibilities, it is advisable to avoid, as much as possible, situations of shortage in its resources.

2 AUDIT APPROACH

2.1 Scope of the Audit

3. Pursuant to the OSCE Permanent Council Decision PC.DEC/1080 the Tribunal de Cuentas of Spain (TCE) was appointed External Auditor, starting on 1st May, 2016 and expiring on 30th April 2019. The financial year ending 31st December, 2017 is the second year of its mandate.
4. The Secretary General (SG) is responsible for preparing the FS in accordance with the Financial Regulations (FR) of the OSCE.
5. Article 8 of the OSCE FR settles that the responsibility of the External Auditor is to express an opinion on these financial statements based on the audit.
6. The TCE conducted the audit in conformity with the International Standards for Supreme Audit Institutions (ISSAIs) issued by the International Organization of Supreme Audit Institutions (INTOSAI) and in compliance with International Standards on Auditing (ISA) as adopted by the ISSAIs. The standards oblige the auditors to comply with ethical requirements, and to plan and carry out the audit so as to obtain reasonable assurance that the financial statements are free from material misstatement. The scope and approach of the audit were communicated to management as well as the audit strategy.
7. In accordance with Article 8.02 FR the external auditors may make such observations as they deem necessary concerning the regularity, economy, efficiency and effectiveness of the financial procedures, the accounting system, the internal financial controls and, in general, with respect to the administration and management of the Organization. In addition to our work in support of the audit of the financial statements we have reviewed certain aspects of management, like Human Resources management, Treasury and corporate credit cards management, invoices management and procurement procedures, among others, in order to verify the correctness of the design and developing of procedures as well as their recording in the system.
8. As a matter of course we have also made a review of the management action plan for the implementation of the recommendations with special focus on financial issues from the previous External Auditor's Report.
9. The TCE is committed, in the scope of its national audit function and in line with the strategic objectives of the International Organizations of SAIs to which it belongs to (INTOSAI, EUROSAI and OLACEFS)¹, to review the implementation of gender equality policies. Gender equality is part of the Strategic Development Goals (SDG) of the UN 2030 Agenda and, as INTOSAI states, SAIs can, through

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

their audits and consistent with their mandates and priorities, make valuable contributions to national efforts to track progress, monitor implementation and identify improvement opportunities across the full set of the SDGs. The TCE considers that the above mentioned declaration can be extended to International Organizations audited by SAIs. In addition, the OSCE has recognized in many occasions that gender equality is one of the key values that are at the core of its mission. Having this in mind, the TCE has committed itself to the audit of OSCE Gender Issues since 2017 FS and up to the end of its mandate.

10. The Report for the financial year 2017 contains the principal observations, findings and recommendations. Together with the audit Report and the audit opinion, the FS for the OSCE have been submitted to the SG as provided for by the relevant financial regulation. The SG took note of the contents of the audit Report and agreed the relevant findings.
11. A copy of this Report was forwarded for the attention of the OSCE Permanent Council (PC) and the Audit Committee.

2.2 Audit Objective

12. The main purpose of the financial audit was to enable the External Auditor to form an opinion as to whether expenditure recorded in the financial statements of the year had been incurred for the purposes approved by the PC; whether revenue and expenditure had been properly classified and recorded in accordance with IPSAS, the Organization's FRs, budgetary provisions as well as applicable directives and financial instructions; and whether the annual FS fairly presented the financial position at 31st December, 2017.

2.3 Audit Approach

13. The audit examination was conducted on a test basis in which the areas of the FS were subject to substantive testing of the transactions recorded on a sample basis. To achieve the audit objectives, the auditors have examined the financial and accounting procedures followed by OSCE in light of their FR, assessed the internal control system, conducted substantive testing of selected transactions, matched the receipts with banks statements, and conducted an analysis of assessed contributions and other supporting evidence as considered necessary in the circumstances. These audit procedures are designed primarily to allow forming an opinion on the OSCE's FS. Consequently, the work did not involve a detailed review of all aspects of the Organization's budgetary and financial information systems and the results should not be regarded as a comprehensive statement on them.
14. The audit was conducted by various audit teams. These audit teams held interviews and discussions with the relevant OSCE staff. In accordance with standard practice, the audit teams issued information requests and audit observations. While auditing 2017 financial activities, the auditors visited the OSCE Secretariat in Vienna, the SMM's premises in Kiev and the Presence in Albania, as well as developed audit works in the TCE Headquarters in Madrid. The audit evidence collected during the audit missions is an integral part of the body of evidence underlying the opinion on the OSCE's financial standing as an entity. The pertinent Management Letters containing the results of the audit work on Field Offices were sent to the corresponding OSCE Fund Manager with a copy to the Secretariat and the Audit Committee.

15. The audit team has checked the correspondence of the FS to the underlying records, which in turn were the basis to develop the audit analysis. Those records proceed from the centralized electronic management system (IRMA-Oracle), where any step in the process of expense and payment is recorded, centralizing all treasury management.
16. The audit team has analyzed recorded transactions throughout the entire Organization in order to check the automatic controls established in the system to guarantee compliance with CRMS, regarding budget limits and dual approval requirements. The tests have been based on statistical sampling in compliance with ISSAI 1530 and ISA 530, using professional audit software. Probability theory has been used to evaluate sample results, including measurement of sampling risk and stratification based upon the risk. According to a confidence level of 95% and an uncertainty of less than 2%, a random selection of invoices has been analyzed. The auditors verified that all invoices were linked in the system to the proper Purchase Order (PO), that they had been filed in accordance with the regulations, and cross-checked the basis for payment.
17. This Report includes observations and recommendations designed to enhance financial management and control exercised by the Secretariat and Executive Structures. As to 2017 the audit work has covered the areas described in the following paragraphs.
18. Comments on the overall financial situation are included in the corresponding section of this Report.
19. This Report also informs about other matters, such as fraud and ex-gratia payments.
20. The observations expressed in this report have been discussed with OSCE management to confirm factual accuracy.
21. We wish to convey our appreciation for the cooperation and assistance extended by the SG, management and staff of the Secretariat and the Office of Internal Oversight (OIO), and the Audit Committee, as well as staff and mission members of the field offices visited. The audit team is very grateful for their assistance during the entire external audit process.

3 FINANCIAL STATEMENTS

3.1 General observations

22. OSCE FS cover all the Organization's executive structures, including Secretariat, Institutions and Field Operations as it is explained in note 1 to FS. Their operations are ordinary funded by annual Unified Budget (UB), covered by assessed contributions from participating States. FR 2 settles that the Budget shall be established by PC decision for one calendar year which shall also constitute the financial year. Accordingly with FR 7.03 the figures are stated in EURO.

23. Certain activities are covered outside of UB as Special Purpose Funds (SPF) with specific mandate and budget approved by PC decision, thus financed by assessed contributions from pSs, according to the scale of contributions applicable.
24. Finally, certain projects do not count with mandatory funding by pSs but depend entirely on voluntary contributions, with total flexibility about temporal schedule to develop their activities. These are the so-called Extra-Budgetary (ExB) projects, and are classified under ExB Funds for management and accounting control.
25. The first draft of FS was submitted to the TCE on the 29th March, 2018, in due time and in accordance with the requirements of FR 8. Other documents like the Financial Report and the Statement of Internal Control were also submitted. These documents are considered in the audit in the scope of ISSAI 1720 (ISA 720), which requires the auditors to read and consider the information they contain but without being covered in the auditor's opinion.

3.2 Accounting policies

26. The 2017 FS are the fifth fully prepared under IPSAS. They fulfil the structural requirements of IPSAS 1.21, since the statements comprise the necessary components:
 - Statement of financial position showing all the assets and liabilities of the Organization.
 - Statement of financial performance showing all the revenue and expenses recognized during the year.
 - Cash flow statement providing details of how cash resources have been utilized during the year.
 - Statement of changes in net assets summarizing the residual value of the assets of the Organization after deducting all liabilities.
 - Statement of comparison of budget and actual amounts showing expenditure against budget appropriations on the (modified cash) basis on which the budget was approved, and
 - Notes comprising a summary of significant accounting policies and other explanatory notes.

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

27. The following paragraphs report on trends, tendencies and background information. For that purpose the audit team analyzed several of the OSCE's key figures and their development over the years since 2013.

3.3 Unified Budget

28. Fund Managers translate their mandates into concrete operational activities and communicate to pSs which results they want to achieve, how they want to achieve them and what progress they have made through the budget cycle. The OSCE Budget Cycle comprises three key documents:

- The Programme Outline, that establishes Programme priorities which will form the basis for the objectives, outcomes and outputs to be formulated in the UB;
 - The OSCE UB, that translates the political mandates and the policy guidance of pS into operational plans; and
 - The Performance Based Programme Budgeting (PBPB), that concludes the budget cycle with the aim of reporting on the derivatives made possible with given resources, measuring progress towards objectives and sharing lessons learned, and is submitted at the same time as the Programme Outline for the following year.
 - The complete Budget Cycle takes around two years and a half (the first year devoted to the Programme Outline and Budget Proposal; the second to the execution of the approved budgets; and the evaluation during the first half of the after execution year).
29. The OSCE's UB is a core management tool for programming, implementing, reporting and evaluating the operational activities of the Organization. The UB comprises the budget of a set of separate Funds, each one related to an executive structure, whether Institutions or Field Operations. Funds consist of a number of individual Programmes, which are the core element of the budget.

3.3.1 Budget Approval

30. FR 2.05 stipulates that the PC should approve the UB for the following year no later than 20th December of the current year. FR 4.04 states that if there is no budget approval on that date, the SG is authorized to bill the pSs for up to the level of 50% of the previous Budget.
31. During the last decade (2007-2017) UBs have always been approved after 20th December, although in five years (2010, 2011, 2012, 2015 and 2016) the approval took place before the beginning of the correspondent financial year. The consequence has been that, at least for the last three years, the first billing has been calculated and collected on the grounds of previous financial data with the corresponding adjustments in the second billing once the UB had been approved².
32. The 2017 UB was agreed only on 1st June, thus constituting a record-late approval considering at least last decade's dates, and after the second bill was issued. In an environment of budget constraints, it had the consequence that the pSs made a disbursement of EUR 2,125 thousand in excess. Due to the date of UB approval, the adjustment of this amount had to be delayed to first 2018 billing, as the audit team has been able to check.
33. It is the right of pSs to determine when a budget is approved. For cases of delay after the start of the new financial period, the UB extension is contemplated in FR 3.04, in the following terms: *the SG and Hol are authorized to incur obligations and make payments until 31st March of the current financial year up to the level of*

² Although the 2016 UB adjustment amounted to zero due to the coincidence in total figures of 2015 and 2016 UBs.

25% of the previous budget, and thereafter, on a monthly basis, up to 1/12th of the previous budget until the new budget is adopted.

34. Preventing the case of the lack of agreement on the UB proposals by the end of 2016, the Director for Management and Finance (DMF) issued a Memorandum dated on 22th December, 2016, on the subject of 2017 Provisional Budget Allotments. This Memorandum was addressed to every FM; CFAs and Alternates; as well as Secretariat Main Programme Managers; It reminds addressees of FR3.04 stipulations and provides with practical aspects and limitations on the implementation of provisional budget allotments, covering every relevant aspect of timing and expenditure concepts.
35. The Organization has been operating for five months in an environment of financial uncertainty, thus meaning an additional administrative burden, especially after the first quarter of the year, when the extensions were monthly and for a 1/12 part of the previous budget. The management highlighted that it reduced the potential for realizing economies of scale; and could have had an impact on the recruitment and retention of staff but did not estimate the economic amount of such impact. Nevertheless, we have observed that budget funds had to be applied to the annual charge of some rolling contracts (like software licenses) reducing the availability of funds for other budget concepts (see 3.7.2); and some activities in FO were reallocated from UB Projects to ExB projects to avoid financial constraints. In addition to the impact in collecting contributions mentioned in para. 32, the 2018 Programme Outline was drafted in exceptional circumstances, with mandates pending for several executive structures (the Office in Yerevan was closed in August and the presences in Kyrgyzstan and Tajikistan were transformed into Programme Offices). The delay of approval deprived management of a clear baseline upon which to plan for 2018.
36. As a conclusion of the previous paragraphs and highlighting that the right of approving the UB corresponds to pSs, some measures can be taken to mitigate the financial negative impact of budget extension, and we recommend to modify FR 3.04 as follows:

Recommendation 1: In order to reduce the economic constraints caused by the 1/12 extension once the first quarter of the extended budget has been overcome, PC could consider to modify FR 3.04 in the sense of regulating provisional allotments until the new budget is approved on a quarterly basis, instead of monthly as currently.

3.3.2 Year-end UB revision

37. Budgets of public institutions, including International Organizations, are financial plans based on a set of assumptions that may not always match actual circumstances during execution phase. Budgets should be adjusted during the budget period whenever unforeseen events require changes to the original budget plan. Governing bodies should have procedures in place to determine when deviations from the budget plan merit adjustments to the budget. Final changes to the budget should be reported. All these aspects are foreseen and regulated into OSCE FR.
38. In addition to the aforementioned budget adjustments, FAI2 5.11 par. a) established, following the approval of PC.DEC.553 (27th June, 2003) the so called year-end UB revision, in order to align the UB with actual and estimated annual expenditure at the end of the year. For this purpose, this FAI requires the SG the

submission to the PC of proposals for the final revision of the UB at the end of each financial year.

39. The year-end revision practice provokes a utilization rate of UBs shown in the FS of practically 100%, not reflecting the actual comparison of use of funds initially approved and financed, with the consequent loss of information. Although it is not specifically outlined in PC.DECs, this retrospective adjustment permits to credit the cash surplus against the assessed contributions for the following call for contributions without the application of FR 7.07 b) that requires the PC to accept the FS before allowing the compensation. Annexes to PC.DECs related to this issue reflect both the transfers approved by SG in accordance to FR 3.02 b) and proposed budget increases or decreases. In addition, previous years' revisions were approved by the PC in the following year they referred to³, thus making the only possible decision the decrease of UBs. Notwithstanding that no year-end revision has taken place in 2017, thus the above mentioned effects have no impact in the reported FS, we consider appropriate to recommend the following:

Recommendation 2: We recommend the PC/ACMF to consider the amendment of PC.DEC.553 and thus the corresponding FAI in order to clarify what kind of UB revision is the SG expected to propose, if it is to be done before the end of the year or can be done after; and its purpose.

Recommendation 3: We recommend the Management to consider the inclusion in the FS of data about the utilization rate of UB before year-end revision.

40. Year-end revision of 2016 UB was approved, as above stated, by PC.DEC.1243, passed on 2nd, March, 2017. According with FAI 5, art. 7.2, "*In the event of any revisions to the Unified Budget, the participating States shall be billed or credited as applicable within five working days after approval of the revisions*". Nevertheless, on 17th March were issued bills corresponding to 2nd instalment for assessed contributions of 2017 UB, expressing its submission under "*accounting position as of 1/4/17*", but the amounts corresponding to the mentioned year-end revision were not credited against the bill. Those amounts –with its amendments due to disposals as stated in note 4.3 to FS- were also not credited to pSs in the first bill of 2018. Management has stated that an amendment of aforementioned provision of FAI 5, art.7.2, is planned, as it is not consistent with the rest of CRMS.

3.3.3 Cash Surplus or Deficit

41. According with FR 7.07 a) cash surplus or deficit for the funds financed through assessed contributions is determined at the end of each financial year by calculating the excess of revenue received over the expenditure, or the excess of the expenditure over revenue received, as the case may be. Unless otherwise decided by the PC, the cash surplus is credited against contributions of the PS in accordance with prescriptions of FR 7.07 b). This means that 2017 cash surplus will be hopefully due for settlement in 2019, therefore it is classified as a non-current liability and amounts up to EUR 2,949 thousand.
42. Cash surplus current is made up of both the current cash surplus as at 1st January, 2017 and the non-current cash surplus as at the same date that becomes current during 2017.

³ PC.DEC.1201 of 3rd, March, 2016, on the 2015 year-end budget revision; and PC.DEC.1243 of 2nd, March, 2017, on the 2016 year-end budget revision.

43. The reference to the disposition by PC of surpluses pending refund, were they budget cash-surpluses or year-end UB revisions, has been not completely accurate. In PC.DEC/1268, regarding extension of the BOM until 31st January 2018, the mission was entitled to be funded EUR 307.1 thousand “from the 2015 and 2016 cash surpluses”, despite the fact that 2015 cash-surplus was exhausted and 2016 cash-surplus was reduced to EUR 82 thousand⁴ after PC.DEC/1264, extending of the BOM until 31st October 2017.
44. After the end of the audited year 2017, PC.DEC/1287 (approved 15/2/18), stated to fund EUR 506.8 thousand for infrastructure investments in the Secretariat out of cash-surpluses, although funds remained available only under “2016 UB year-end revision” or “ERP-SPF cash-surplus” lines. This, in fact, is a better wording than that in PC.DEC/1264, as long as “cash-surpluses” can be understood as a generic funding reserve, without mention to 2015, 2016 or any year (mentions that point to UB cash-surpluses of particular years). Nevertheless, it would be advisable that, in case of members of PC wanting not to point to certain funding sources, the term employed was in that direction (like “available reserves”, “amounts pending being credit to pSs” or similar).

3.4 Special Purpose Funds

45. As stated in para.23, SPF have specific mandates that do not match with the calendar year. PC.DEC/1199 spans the mandate of the Special Monitoring Mission to Ukraine (SMM) from 1st April, 2016 until 31 March, 2017, whilst PC.DEC/1246 spans the mandate from 1st April 2017 further until 31 March 2018. The Observer Mission to Two Checkpoints on the Russian-Ukrainian Border (BOM) was established with PC.DEC/1130 dated 24th July 2014. Its mandates are approved on a quarterly basis ending on the 31st January, 30th April, 31st July and 31st October.
46. The budgets of the SPF shown in the Statement of Comparison of Budgets and Actual Amounts have been prorated based on the number of days lasted within 2017. For the SMM this means 90 days of the mandate established by PC.DEC/1199 and 275 from the mandate of PC.DEC/1246. For BOM, 31 days from the mandate of PC.DEC/1221, the full mandates of PC.DEC/1239, PC.DEC/1249 and PC.DEC/1264 and 61 days from the mandate of PC.DEC/1268. The fund for Information Security Enhancement lasted 269 days in 2017, out of a total mandate of 24 months, as established by PC.DEC/1247.
47. The SMM accounting impact has been analyzed during the specific audit works. At the end of the budgetary period (31st March), for the carrying valid purchase orders from that budgetary period to the following, the system (IRMA-Oracle), designed for calendar year budget periods, has no ULO tool to carry obligations over to the next budgetary period. Such POs are tracked by the General Ledger date of creation. However, any unspent amounts from obligations registered by the end of March (or within the previous budgetary period) when released during the next budgetary period affect the level of funds available.
48. It is the right of PSs to determine the mandate of SPF, but from an accounting point of view it would be advisable, in order to avoid prorating and thus simplify

⁴ Note 4.3 to FS, states that EUR 225 thousand from 2016 UB year-end revision were employed to complete the funding of the Extension of the BOM until 31/1/2018 approved by PC.DEC/1268.

budget and accounting functions, to align the SMM mandate with the calendar year.

3.5 Extra-Budgetary Funds

49. Apart from the activities covered by a budget approved by PC, whose funding is assumed by pS according with corresponding scales of contribution, there are a number of projects that are financed through voluntary contributions from donors, including or not pSs. These projects have to match OSCE objectives, policies and priorities, and the process for their approval has to ensure its coordination with other projects and activities of the Organization. Its flexibility determines that there exist some of them shorter than a year and other longer, with any start and end dates, and are carried on in practically all of OSCE executive structures.
50. ExB projects have been gaining presence in the overall activity of the OSCE, in terms of resources and projects financed. Thus, the importance of the sharing of common costs is rising, as executive structures have to employ budgeted resources to manage ExB activities in different scales, which should be accurately assessed and distributed, to avoid cross financing activities unintended by stakeholders, were they occasional ExB donors or regular contributors to UB or SPF. Established in FAI 4 (art. 7.5), a system for Internal Common Costs sharing for all the executive structures is under development. In section 4.3.1 below, there are some comments about the system currently in place in ODIHR.

3.6 Statement of Financial Position

3.6.1 Assets and Liabilities

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

3.6.2 Cash, Cash equivalents and Investments

52. The OSCE's overall cash situation is satisfactory. Cash, cash equivalents and investments in all funds amounted to EUR 118.077 thousand. Cash and cash equivalents comprise cash on hand, cash at bank and short-term deposits with a duration up to three months.

Table I: Cash, cash equivalents and investments in EUR'000
(Source: OSCE FS 2017 – Statement of financial position and previous External Auditor's Reports)

Year	Cash and cash equivalents	Investments	TOTAL
2013	26,861	40,553	67,414
2014	33,659	52,790	86,449
2015	22,774	51,616	74,390
2016	28,038	57,841	85,879
2017	103,224	14,853	118,077

53. In 2017 OSCE invested funds not required for immediate operational purposes in short term deposits up to a maximum of nine months, in accordance to FAI 5.
54. Total amount of cash, cash equivalents and liquid investments at the end of 2017 represents 39% of total expenditure of that financial year⁵, or, in terms of days, would allow the Organization to afford 143 days of operation.
55. Bank reconciliation as at 31st December, 2017⁶ was performed. It was complete and no discrepancies were revealed among the accounting records and the information provided by financial entities.

3.6.3 Contributions Receivable

56. Besides cash and liquid investments, contributions receivable constitute the most important current asset for the OSCE. In line with previous year, it comprises budgetary and extra-budgetary contributions commitments.

Table II: Contributions Receivables, in EUR'000
(Source: OSCE FS 2017 – Statement of financial position and previous External Auditor's Reports)

Year	2014	2015	2016	2017
Unified Budget	5.642	5.560	5.754	6.511
Special Monitoring Mission to Ukraine	589	3.217	198	218
Sum: Assessed Contributions Receivable	6.231	8.777	5.952	6.729
Allowance for Doubtful Debts	(5,522)	(5,425)	(5,798)	(6,091)
Extra-budgetary Contributions Receivable	N/A	N/A	14.314	17.023
TOTAL CONTRIBUTIONS RECEIVABLE	709	3.352	14.468	17.661

57. The level of outstanding assessed contributions, added UB and SMM, further increased by EUR 998 thousand for those unpaid in 2017, whilst EUR 221 thousand from previous years' outstanding contributions was collected. This result in a net increase of EUR 777 thousand (13%).
58. The efforts made by the pSs that have reduced their pending contributions are welcomed. Nevertheless, they are encouraged to continue doing their utmost to

⁵ Total expenses under IPSAS basis, shown in Statement of Financial Performance, final draft. It represents 60% of budget expenses (UB plus SPF, Statement V, Comparison of Budget and Actuals) or 331% of ExB expenses (Statement of Financial Performance, summary by Source of Funds).

⁶ In our 2016 External Audit Report we had to point out the lack of response from one financial entity. This fact was brought to the knowledge of the TU/DMF who arranged the collection from the entity and the envoy to us. This response arrived to our Headquarters in August, 2017.

fulfil their obligations. It is also a question of fairness vis-à-vis the other pSs to contribute to the soundness of OSCE’s financial position in accordance with the agreed scale of assessment.

59. In accordance with IPSAS, an allowance for doubtful contributions had to be calculated as at 31 December, 2017. The allowance amounts to EUR 6,091 thousand and is equivalent to the entire outstanding contributions receivable from pSs whose arrears equaled or exceeded the amount of contributions due for the preceding two full years, taking into account each pS’s historical pattern of payment. This criterion has been consistently applied from previous years.
60. Recording an allowance for doubtful debts does not mean that the pSs’ obligation to pay the arrears would no longer exist. The Secretariat records this allowance merely to comply with IPSAS reporting requirements and reported its assessed contributions receivable at fair value.
61. The ExB Contributions Receivable (agreements and pledges acceptances with donors due for payment) are shown in the Statement of Financial Position in the amount of EUR 17,023 thousand (Note 3.3.3) and distributed among the different ExB funds where more than 89% of the total amount is recorded on Fund 750 “Other Activities and Special Projects” and only 11% left, come under the different Extra Budgetary Funds established by PC decisions.

Table III: ExB Contributions Receivables, in EUR’000
(Source: OSCE FS 2017 – note 3.3.3)

EUR’ 000	2017	2016
705. Fund to Support OSCE Action for Peace, Democracy and Stability in Bosnia and Herzegovina	523	389
715. Fund for Activities Relating to Economic and Environmental Aspects of Security	153	250
731. Fund for Activities Related to Special Monitoring Mission to Ukraine	1,169	4,000
750. Other Activities and Special Projects	15,178	9,675
Total	17,023	14,314

62. These funds are only classification devices to summarize the expenses and revenues for all different ExB projects, each of them under the responsibility of an Institution, Field Mission or SPF. Thus, and keeping in mind the uneven distribution before mentioned, it would be desirable to distribute different non-specific projects in generic fund 750 “Other Activities and Special Projects” in different funds associated to specific executive structures, allowing to assess for implementation and management, and to show performance alongside with UB and SPF activities.

Recommendation 4: We recommend the Management to add in the FS a table of disclosure of total ExB funds employed by executive structures and, if possible, by each of the three OSCE’s dimensions.

63. ExB receivables, while representing 72% of total receivables (in gross terms), are not covered with any allowance for doubtful debts, in sharp contrast with UB and SMM receivables, covered at 90% and 100% respectively. Despite the lack of a study from management of age of different balances, it has been possible to identify that, at least in the case of the 2017 year end balances for fund 715 “Activities Relating to Economic and Environmental Aspects of Security”, EUR

153 thousand, they were registered from November 2016, when the recording of ExB receivables began. Although in the other funds this identification has not been possible, in our opinion, this deserves at least a periodic track on the age and permanence of the assets to assess the convenience, among other possibilities, to record an allowance or a reclassification as long-term.

Recommendation 5: Some studies on historical factual data could be conducted to assess the foreseeable time to realize ExB receivables, their probability of failure and the main factors that would advise to record an allowance for doubtful debt on them.

3.6.4 Property, Plant and Equipment (PP&E)

64. On 31st December, 2017, OSCE's stocktaking records showed total PP&E at a net book value of EUR 25,046 thousand. Current values were determined by reducing the original cost over the estimated useful life of the item. Compared to the value as of the year-end 2016 it shows a decrease of EUR 3,322 thousand (-12%). The most important decrease was registered in vehicles (EUR -4,193 thousand), with reductions also in 'Leasehold improvements' and 'Other Equipment'. Those reductions are partially offset by increments in the rest of elements of PP&E, i.e. ICT, Household-Office and Security equipment.
65. PP&E was recognized at cost and depreciated using the straight-line method over a reasonable period. The Organization's treatment is IPSAS compliant.

3.6.5 Intangible Assets

66. Intangible assets recorded in the Statement of Financial Position only consist of software. As at 31st December 2017, 41% of the net book value of intangible asset relates to commercial off-the-shelf software, and the other 59% is internally developed software. Existing projects under development at the beginning of 2017, shown in Statement of Financial Position for an amount of EUR 200 thousand, besides increments of EUR 46 thousand through 2017 (EUR 6 thousand for staff costs and EUR 40 thousand for external consultancy) has been transferred to 'Internally developed', as the project has successfully finished, leaving no amounts as projects under development among the assets as at end of 2017.
67. The Audit Report of 2016 recommended⁷ the amendment of FAI 7 to regulate the possibility of capitalize internal costs to develop software internally, which was already regulated in Policy Paper 10. Although the only project in course at the end of 2016 has finished in 2017 and none exists as at the end of 2017, it would be good to make those regulations consistent, as recommended. In this regard, Management has informed us that the amended FAI is due to be published during 2018.

3.6.6 Employee Benefit Liabilities and Actuarial Valuation

68. According to IPSAS 25, every year OSCE has to record the accruals of employee benefits that will be probably paid in the future. An external consultant (actuary) is engaged by the Secretariat to perform the actuarial valuation of employee benefits. The actuarial valuation of the defined benefits obligation is determined by discounting the probable future payment required to settle the obligation from

⁷ In Audit Report 2016, Recommendation number 1.

employee services rendered in the current and prior periods and based on a range of demographic, financial and economic assumptions as laid down in Note 4.5. Being an estimate of long term liabilities, it does not represent a payment that needs to be made in the immediate future, and the estimated amount can vary in future periods.

69. The actuarial estimation is not part of FS, and has therefore not been audited. Nevertheless, we have checked that the estimations made by the actuary have been properly recorded in the corresponding accounts and reflected in the financial statements.

3.6.7 Contingent Liabilities

70. Contingent liabilities refer to several claims for the back rent of five premises, no longer occupied by OSCE, in relation to the Mission in Kosovo (OMiK). They are described in Note 9.1 of the Financial Statements. For four of them, which are the oldest, the situation remains like last year's, with no claimant sufficiently substantiated their claim, thus remaining numerous uncertainties regarding the legality of these claims. In relation to the fifth claim, a settlement has been agreed with two of the three parties to the claim and the likelihood of the final third being pursued is considered remote. As mentioned in our 2016 Audit Report, the disclosure is IPSAS compliant, nevertheless, IPSAS 19 settles that, when practicable, it should be included an estimate of the financial effect together with indications of the uncertainties relating to the amount and timing.

3.7 Statement of Financial Performance

71. For the first time, in 2017 FS the amount of all the in-kind resources made available to the OSCE free of charge are recorded as both revenue and expense, thus having no net effect on the figures of overall performance, but showing a more realistic picture about the real cost of the activities of the Organization, putting in perspective the importance of this kind of contributions for its performance. Previous Audit reports recommended this accounting policy⁸.
72. The change has affected mainly the staff costs, due to the large number of seconded posts assumed directly by pSs, and has motivated the restate of 2016 figures in the Statement of Financial Performance, in order to make possible the comparison with 2017.
73. The OSCE experienced an overall surplus of revenue over expenses of EUR 15,673 thousand, meaning a sharp recover from the deficit of previous year, and returning to the trend in recent years, as shown in the following table:

Table III: Revenue and Expenses; Surplus/(Deficit) since 2013 in EUR'000
(Source: OSCE FS 2017 and previous External Audit Reports)

(IPSAS basis) Year	2013	2014	2015	2016 (restated)	2017
Total Revenue	168,998	204,813	242,856	316,409	317,134
Total Expenses	163,281	184,113	230,790	318,194	301,461
Surplus/(Deficit)	5,717	20,701	12,065	(1,785)	15,673

⁸ In Audit Report 2016, Recommendation number 4.

74. The recovery of the yearly surplus has been made possible because of the cut in total expenses by 5%, while revenue has been increased by less of 1%. In fact, in comparable terms the revenue has indeed decreased, because the figures for 2016 are affected by the first ever recognition of ExB deferred revenues. In addition, year-end UB revision reduced the registered revenue in 2016. Had it not been for those adjustments, the revenue in 2017 would decrease with respect to previous year.

Table IV: Surplus/(deficit)/Year in EUR'000
(source: OSCE FS 2017 and previous)

Surplus/(Deficit) IPSAS basis /Year	Total Unified Budget	Total Special Purpose Funds	Total Extra- Budgetary Funds	Total OSCE
2017	6,220	6,619	2,833	15,673
INCREASE/DECREASE	5.946	62	11.449	17.458
2016	274	6,557	(8,616)	(1,785)
INCREASE/DECREASE	(1,639)	(794)	(11,418)	(13,851)
2015	1,913	7,351	2,802	12,066

3.7.1 Extra-budgetary Contributions

75. Revenue from Extra-budgetary Contributions experienced an increase (from EUR 26,364 thousand in 2016 to EUR 39,512 thousand in 2017). This is mainly due to the decrease in the amount of the deferred revenue in 2017, from EUR 27,163 thousand in 2016⁹ to 9,069 in 2017 (66,6%) while inflows from pledges in fact decreased 12% (from EUR 52,900 thousand to EUR 46,771 thousand).
76. The amount of deferred revenue is not automatically obtained by the system and has to be computed selecting manually the conditional pledges from non-conditional ones and reviewing the expenses associated to them. This procedure, beside its high costs in time and effort, is fully subject to manual estimates which increase the risk of inaccuracy. Due to the fact that every ExB project expense has to be linked to a pledge when it is recorded in the system, that every ExB revenue is associated to a pledge and that every pledge is also registered when signed, it would be easier and more reliable for the calculation and follow up of the deferred revenues that the conditional pledges were recorded in the system as such. Thus, the difference between revenues and expenses would be automatically considered as deferred revenue.

Recommendation 6: In order to minimize the risk of inaccuracy when calculating deferred revenue of ExB contributions, we recommend that the conditional pledges were recorded in the system as such.

3.7.2 Expenses

77. According to FR 1.02, “expenditures”, actual disposition of budget allotments happens with the payment or, if it has not taken place within the budget year, when PO is applied to expenditures. This is realized by applying POs pending of invoice and payment at the end of the year as expenditures to the budget, by

⁹ In 2016 was registered for the first time the deferred revenue from ExB contributions, reckoning an adjustment to the revenues along the history of ExB projects in one single year, and thus resulting in a deficit in that year.

means of collecting Un-Liquidated Obligations (ULO) to carry them over next budgetary year. Thus, from the budgetary perspective, the expense is equivalent of the OSCE incurring in an obligation.

78. From IPSAS perspective, the relevant fact for recording an expense is the underlying stream of goods or services that explains the disbursement due, or the obligation incurred.
79. It has been noted along the sample that not always the accounting expenditure is in line with the real flow of the goods or services received¹⁰.
80. Situations in which procurement for services take place one or even two years before its realization¹¹, may not have any material financial impact, because of the revolving nature of the contracts. However, the anticipation of expenses might not be in line with the correct application of FR 2.01 that establishes the calendar year as financial year.
81. In IPSAS terms, the financial impact would be also reduced by the continuity of revolving contracts of similar dimensions year after year, but nevertheless it is a good practice to register accounting adjustments for accrual of those expenses. The Management has informed us about the replacement of FAI 2 with a new FAI on ULOs, aimed in part to ensure correct accounting in the FS.

4 MANAGEMENT ISSUES

82. OSCE FR 8.02 allows the External Auditor to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the OSCE.
83. Continuing with the analysis strategy started last year, we have reviewed several aspects of the management of Treasury, Procurement and Human Resources, as well as other issues like invoices, ExB projects and indirect common costs, in order to form an opinion on the design and management of procedures.

4.1 Treasury

84. According to Financial Rules and Regulations, the SG is responsible for the management of funds. The SG delegates this function to the Director of DMF and the Chief of Treasury Unit (TU). The latter is in charge of receipts, payments and reconciliations. Income and cash management is regulated in FAI 5. In previous audit year we checked that the functions of the TU are clearly identified and properly segregated.
85. FAI 5 has been updated, though without great changes, becoming into force at 13th February, 2018, thus after the end of the year audited.

¹⁰ PO 2016/437090 – EUR 16 thousand, for services between Jan2017 and Jan2018. PO 2016/466435 – EUR 80 thousand, for services between Sep2017 and Aug2018. PO 2016/413337 – EUR 17 thousand, for services in 2016, settled and accounted for as expenses in 2017.

¹¹ POs 2016/437090 and PO 2016/466435, cf. former footnote 10.

4.1.1 Corporate credit cards

86. Credit card payments involve certain risks by definition, as the disposition of funds (or contracting of obligations through card issuer) is made in advance and outside the system for procurement and registration of expense and payment in OSCE-IRMA. Thus, they should be limited to those areas where regular procedures of procurement and payment are not applicable, or if there are conditions which suppose a relevant disadvantage for the Organization.
87. In 2017 charges were made by 33 credit cards issued for a total amount of EUR 262 thousand.
88. Corporate credit cards are regulated in FAI 5 “Income and Cash Management”, regarding the procedure for authorizing the issue of cards (art. 17.2) and the change in the credit limit (art. 17.4). The audit team has reviewed that the procedure was applied in general¹². Nevertheless, the regulation has room for improvement, as it is described in the two following paragraphs.
89. It is already regulated that credit card payments do not substitute the procurement procedures. There are provisions of limits for each corporate card issued, nevertheless, additional prescriptions regarding the type of expenses that can be paid by credit card (thus excluding those that should not be) can be implemented.
90. It is advisable to formalize the procedure to raise the limit of the credit card payments, defining the responsibilities of each step. At present, it is understood to be sufficient the same level of authorization than that for the initial issuing.

Recommendation 7: We recommend the improvement of FAI 5 in respect of corporate cards procedures, including a relation of type of expenditures that can be paid by this means, and which are excluded. We also recommend the inclusion of specific prescriptions for the raise of payments limits.

91. The audit team has checked that reconciliation and recording procedure regulated in FAI 5 has been applied without relevant issues¹³. The procedure has been found sufficient and fulfils the need for assuring a permanent control of compliance and the proper recording of operations.

4.2 Expense invoices

92. The automatic controls established in the centralized electronic management system (IRMA-Oracle) to register any step in the process of expense and payment (Purchase requisition, Purchase order, prepayments, payments, clearances...) guarantees compliance with CRMS, regarding budget limits and dual approval requirements.
93. In this regard, the audit team, by means of the examination of a sample of invoices:

¹² Procedure for credit limit extension consists of a request and justification of the need of increase and its approval. It has been examined for the 13 credit cards with limits exceeding the threshold in FAI 5, art. 17.4, and the files in Treasury Unit were found incomplete in 4 cases (1 in Secretariat, 2 in ODIHR and 1 in Representative for FoM).

¹³ Some minor foreign exchange difference have been found double-booked in the credit card travel expenses of Fund 130 pending to settle.

- a) Verified that all that invoices were linked in the system to the proper Purchase Order;
 - b) Verified that invoices and the related documents had been filed;
 - c) Cross-checked the basis for payment:
 - Amount of transaction
 - Date of transaction
 - Supplier
 - Economic nature of the goods/services involving expense.
94. As stated in para. 16 and in line with 2016 financial year Long Form Audit Report, no cause of criticism has been found in the invoices examined. However, after the quoted examination, some observations related to the procedures for dual approval and the filing of the supporting documentation can be made.
95. The lack of homogeneity in the way the documentation is handled stated in our previous report still applies this year to the invoices examined. It should be further explored the possibility of implementing digital trail of those who realized dual approval of each record, entitled by password access to the system. The Organization has highlighted that using e-signature¹⁴ as an OSCE standard may require significant financial investments and is a subject of funds availability in ICT budget. If not by e-signature, the trail could be kept just simply showing the identity of those in charge of programmatic and financial approval, in all the IRMA outputs (like hard copies). This would strengthen transparency and accountability of management, with no material increase in control costs.

Recommendation 8: Having in mind the response of previous audit report's recommendation regarding the implementation of e-signature, pointing at the need of funding to be implemented, we recommend to strengthen transparency and increase accountability of management by allowing identification of those in charge of programmatic and financial approval.

4.3 ExB projects

96. It has been tried to obtain a table with ExB projects approved in 2017, and those active at the end of the year. Records of "Active" projects found in Docln as "overview operation activity" are different to the report run in IRMA the same date. According to Docln there were 322 active projects but only 300 are shown in IRMA report of ExB projects. This is due to different "perspectives" of an active project as those approved with start and end date, or as those funded with pledges, giving the opportunity to start activities and realize expenses.
97. It has also to be noted that IRMA can only generate information of the projects on a given day with data valid only for that day. This means that it cannot generate reports on a day in the past. Therefore if OSCE does not run a report on the 31st December, there is no information available for that date. This could be surmounted by keeping project data, complete and updated in the system,

¹⁴ PC.ACMF/56/17, 31 October, 2017 "Action Plan for the Implementation of the Recommendations of the Report of the External Auditor on the Financial Statements (2016/2015)"

including start and end dates, and records on the dates of any change in status (active, pending close, close...), as it is done with any revenue or expense, thus allowing to obtain summaries and reports referred to any certain date.

Recommendation 9: In order to improve ExB project reporting, we recommend that the Organization consider the possibility of including in the system detailed ExB project data, recording the dates of changes of status from active, to pending close and closed and reporting the information at any point time.

4.3.1 Indirect Common Costs

98. ODIHR was the only OSCE structure with an implemented system for Indirect Common Costs sharing in the year 2017, as established in FAI 4 “Extra-budgetary Contributions”, article 7.5 “Recovery for Technical Support and Common Cost”.
99. According to FAI 4, the total amount of a fee charged to ExB donors is applied by recording a specific expenditure balanced with a specific liability. Once actually incurred and calculated the share, the amounts of indirect costs are deducted from their correspondent expenditure-by-nature and reclassified instead by reducing the liability. This system results in an overstatement of both expenses and liabilities when the real cost is less than the charged fee¹⁵.
100. The amount is not material to affect the fairness of FS, as it only affects ODIHR projects up to EUR 165 thousand. Nevertheless, it is currently under evaluation a new system for Indirect Common Cost sharing for the ExB projects throughout the entire Organization. In that regard, aforementioned issues should be avoided.

4.4 Procurement

101. Procurement is regulated under FAI 6 and the Procurement and Contracting Management Manual. Provision of goods and services can be made through a competitive process or by sole-source contracting, to meet with the needs of the Organization in certain cases. The competitive process is conducted in three successive stages: (1) administrative approval, (2) technical evaluation and (3) financial evaluation. Generally, in procurement of goods and works, once passed the administrative and technical evaluation, the bidder offering the lowest price will be eligible, whereas in procurement of services the bidding documents shall include the specific criteria and methodology used. More specifically:
 - Point system or ‘comply fail’ Technical Evaluation is applied when using least cost selection method (LCS)
 - Point system evaluation for quality and cost-based selection method (QCBS).
102. In our previous year Audit Report it was recommended¹⁶ to define the responsibility for the release of the quarterly monitoring reports. In 2017 the audit team has not been provided with the report, although having asked for it. This prevented us to assess accurately the total procurement and contracting expenditure as at 31 December 2017.

¹⁵ In that case, the remaining balance is included as “Other current liabilities” in Statement of Financial Position and as “Other operating expenses” in the Statement of Financial Performance.

¹⁶ In 2016 Audit Report, Recommendation 5.

103. The audit team has conducted a revision of procurement processes by means of a sample of contracts. The tests have revealed that the provisions of FAI 6 are actually applied and procedures and controls are in place to ensure the OSCE's interest, although in one contract¹⁷ an amendment in Terms of Reference (ToR) had to be made for urgent reasons of security, but it was not communicated to all participating vendors, as provided in FAI 6. In addition, in other¹⁸ the list of bidding offers was not attached to the file.
104. Although every extension and amendment to contracts passed dual approval, FAI 6 does not clearly state that it should be done by the same authority who approved initially the contract.

Recommendation 10: We recommend amending FAI 6 in order to state the authority to approve contract extensions and amendments.

4.5 Human Resources

105. The OSCE and pSs are committed to the non-career principle with flexibility in staff resourcing, to enable the Organization to react to potential crises that may emerge. On the other hand, it means a high turnover of staff, reducing the OSCE's capacity to attract and retain best specialists.
106. Staff contracts fall mainly in two categories, both of them recruited as part of a process of advertised vacancies through the so-called Vacancy Notices (VN), namely: (1) contracted staff and (2) seconded staff. Contracted staff comprises fixed-term or short-term contracts, recruited by the DHR, for positions at the Secretariat, Institutions and, to a limited extent and mainly in the area of administration, at FOs. Seconded staff is made available for recruitment by pSs, mainly destined for the FOs.
107. Staff Regulation (SR) 3.01 provides that recruitment shall be based on a transparent process, subject to open competition among nationals of pSs and without regard to any clauses of discrimination.
108. The audit team has checked the recruitment processes in situ by means of examination of a random samples.

4.5.1 Fixed-term recruitment

109. The tests on the samples revealed nothing noticeable, taking into account that in some cases there is a lack of documental evidence in files that impedes testing actual criteria applied for some steps or how the lists were formed or the interviews conducted.
110. Staff Instruction (SI) n° 17 doesn't provide clear guidance about criteria and procedures to be applied when drafting the short list of candidates from the long list. It would be advisable to establish written standard common guidelines or at least the recording of the criteria used in short listing. It would also be desirable to consider the possibility of extending the practice of online interviews already used in certain cases, which could save travel costs and avoid dead times.

¹⁷ SEC 01/2016.

¹⁸ SEC 12/2012.

4.5.2 Short-term recruitment

111. Temporary staff is composed of short-term appointments (STA) –those staff members with appointments or assignments for a period of less than six months-, and those employed on an hourly or daily basis. According to SR, STA shall be for more than 30 days but not exceed five months plus 29 days for the same purpose and the same individual. The cumulative period of service shall not exceed 24 months, and no more than 12 months shall be in the same duty station or mission area.

112. The STA modality shall be used only in the following cases:

- To replace a staff/ mission member on prolonged sick leave maternity /paternity/adoption leave or special leave without pay.
- To temporarily fill vacant posts on the approved post table.
- To cope with temporary peaks in workload provided specific funds have been designated in the budget for temporary assignment purpose.
- To fill short-term ExB posts.
- To fill a position which is expected to be altered/ abolished in the next UB.
- It must not be used to replace staff mission members on annual leave.

113. Total cost of STA in 2017 is shown in the following table:

Table VI: STA costs 2017-2016
(Source: data provided by TU and TCE's elaboration)

Temporary Assistance	Ending Balance (EUR '000)			
	2.016	2.017	Increase/ Decrease	%
Total Secretary and Institutions	1.336	1.473	138	10,30
Total Field Operations	701	742	42	5,94
Total Special Purpose Fund	114	115	1	1,18
Total ExB	443	666	223	50,39
Total Non- OSCE Funds (1)	76	16	-61	-79,56
Annual Leave Encashment for Temporary	1	-2	-3	-213,28
Maternity/paternity leave repl.		24	24	N.A.
Total Temporary Costs	2.671	3.035	364	13,61
Total Temporary Costs Without Non OSCE	2.595	3.019	424	16,35

(1) Non OSCE funds are not included in the Financial Statements.

114. The increase in the cost of temporary assistance in 2017 represented 14%, being especially significant in ExB funds, with a raise of 50%, EUR 223 thousand.

115. DHR reported 52 ERs related to STA in 2017. The number of ER was especially high in the Secretariat, since it represents 67% of the total STA employees in 2017. One out of each five STA in the sample found necessary to issue ER, for the lack of persons which fit the profile or expertise in the current roster. Eleven

of the temporary employees were hired through the approval of more than one ER. There was a case in the Secretariat with 4 exceptions for the same employee.

116. The audit team examined in situ the recruitment procedures in place by means of examination of a random sample.
117. In most of the cases the STA request was not initiated at least one month in advance of the required start date, as is required in the SI No. 26/ 6.1.
118. None of the files analyzed in the sample certified the existence of funds by the head of the DMF as is required in the SI No. 26/ 6.1. DHR stated that there are already procedures in place to avoid this in the future, making confirmations of available funds mandatory for any STA request, and issuing STA contracts only upon the confirmation of budget encumbrance reservation for the funds needed along all the period of the appointment.
119. Request form for STA should be electronic, avoiding paper and making impossible many errors detected. In addition, many data due to manual calculation v.gr. "Previous period of temporary assistance", "Break taken" and "STA period still available" could be easily completed automatically by the system.

Recommendation 11: To the Secretariat, to consider the possibility of making Request Form for STA electronic, avoiding paper and providing automatically all the computations from the data available in IRMA (i.e. "Previous period of temporary assistance", "break taken"; and "STA period available").

4.5.3 Other issues

120. In the OIO Report for Third-Party Project Management in the OSCE (issued 2 March 2018), it was stated the need for a regulation of approval and information on management and disposition of "profit sharing" funds from CIGNA staff health insurance policy¹⁹. We endorse the recommendations of good practices increasing the level of transparency, the sound regulation of internal controls, the implementation of dual approval whenever possible and publicity among staff of available benefits.

4.6 Documents management

121. DocIn is the main storing virtual documentation software in OSCE. We have used DocIn to search and download many useful information and documents. There are specific files for big management areas, like Finance, OIO, Staff etc, including a specific file for Gender Issues in the Secretary General and Central Services Section. But in general, the contents of the files are not updated thus conducting anyone interested to perform a research that usually takes time and with the risk of not having satisfactory results although documentation be stored in it. This situation may be addressed by the new SharePoint system, but the external auditors do not have access to it because it requires an account in the Organization.

¹⁹ They represented EUR 170 thousand during 2017.

5 GENDER ISSUES

5.1 Framework

122. As mentioned in par. 9, the TCE is committed to provide independent audit contributions to the fulfilment of gender equality policies. The OSCE reckons gender equality²⁰ as a necessary component to achieve its broader goal of comprehensive security. To achieve gender equality a gender mainstreaming²¹ approach is essential, as it calls for a gender perspective to be considered into all the Organization's activities, projects and programmes, and involves every executive structure and people. Its review can be addressed from different criteria. The audit approach of GI has focused on compliance, and is aimed to give some additional value to the extensive evaluation made by OIO²² during 2017.
123. The Organization adopted its first Action Plan for Gender Issues (GI) in 2000, which was followed by the 2004 Action Plan for the Promotion of Gender Equality (GAP) (MC.DEC.14/04, of 7th December, 2004)²³. This GAP is more comprehensive than its predecessor and can be considered a policy document whose duration is indefinite. It specifically mentions the need to develop "implementing plans" that must be designed and put into practice by the SG and HoI; it reflects upon the interest of pursuing gender equality both within the OSCE executive structures as well as in pS; it aims to set out the priorities of the OSCE in the Organization and in all pS in promoting gender equality; recognizes that gender issues are much wider than recruiting; and includes training and implementation in every dimension of the Organization²⁴.
124. The general regulatory framework of GI is completed with several MC.DECs, among which the following can be mentioned: MC.DEC. 15/05 on preventing and combating violence against women; MC.DEC.07/09 on Women's participation in Political and Public life; and MC.DEC.10/11 on promoting equal opportunity for women in the economic sphere.
125. There are also many additional documents available at DocIn for anyone interested within the Organization²⁵. There is a specific file for GI in the Secretary General and Central Services section, but it is not updated with the most recent ones (see para. 123).

²⁰ Gender equality is the fact of absence of discrimination and distinction on the basis of being a woman or a man in opportunities, in the allocation of resources or benefits, in access to services and the enjoyment of rights.

²¹ Gender mainstreaming is the process of assessing the implications for women and men of any planned action whose ultimate goal is to achieve gender equality.

²² Thematic Evaluation of the Implementation of the OSCE's 2004 Action Plan for the Promotion of Gender Equality. Supporting participating States to establish comprehensive security and to achieve gender equality.

²³ It was endorsed at the Sofia Ministerial Council.

²⁴ MC.DEC.8/14 on the Addendum to the 2004 OSCE Action Plan for the promotion of gender equality tasked the pS to elaborate an Addendum to GAP to be presented to the Permanent Council for adoption in 2015, but it wasn't finally developed.

²⁵ "Gender Matters in the OSCE" (2010); "Glossary of Gender Related Terms" (2006); "Aide-Memoire on Gender Mainstreaming Projects"; a "Checklist for Gender Mainstreaming Project documents"; or "The OSCE Toolbox for the promotion of gender equality" (2010) are some that can be mentioned.

126. It can be concluded that the OSCE regulatory framework on GI is in general terms aligned with commitments embodied by other International Organizations, like UNSCR 1325 on Women, Peace and Security; Beijing Platform for Action; or Council of Europe Convention on preventing and combating violence against women and domestic violence.
127. Although every OSCE structure must be involved in GI, some have specific tasks related to it. There is a GI Section in the Office of the SG to assist with the integration of a gender perspective into the Organization's policies and programmes in the three dimensions; advise OSCE executive structures and political bodies on the implementation and monitoring of the GAP and gender-related Ministerial Council Decisions; and provide direct assistance to the FO, to Institutions and to the Secretariat's units. The Gender Section implements thematic programmes and develops operational tools, guidelines and capacity building materials. In every FO and Department of the Secretariat there is a Gender Focal Point (GFP). Some FOs have appointed the Deputy Head of Mission as a gender focal point following the recommendation of the Secretary General's 2008 Report on the Implementation of the GAP. Without being full-time gender advisers, the gender focal points are tasked with raising awareness and supporting OSCE staff in the mainstreaming of gender issues in different policies and projects. There are ToR for GFP that settle that at least 10% of working hours of the person designed as GFP should be devoted to the gender tasks. Larger OSCE Entities should have a Gender Working Group with representation from each Department to support the GFP, but there is not a definition of "larger".

Recommendation 12: We recommend the Management to revise the ToR of GFP and enclose a clear definition of when GWG should be constituted.

128. The SMM is the first OSCE Mission that has deployed a full-time Gender Adviser from the onset of the Mission. In April 2017, a SMM Gender Office was established. The Gender Office coordinates and provides guidance to the SMM Gender Focal Point Network which currently is composed of 13 Monitoring Officers that act as Gender Focal Points (one per team/hub, covering the whole geographical and operational spectrum of the Mission). Nevertheless, these Monitoring Officers do not have these specific gender responsibilities defined in the description of the post.

5.2 GAP Implementation, reporting and follow-up of progress

5.2.1 Implementation

129. The GAP states that the SG and the HoI shall develop their corresponding implementation plans that will include concrete measures for achieving its overall aims. As at 31st December, 2017, we have been provided with the action plans of the Secretariat plus 9 FOs. These plans are very uneven and whilst some are very complete others lack of essential elements being the most significant those that make difficult to provide a results-based assessment of progress achieved, like benchmarks or targets and indicators. Their lifespans are also variable.

Recommendation 13: We encourage the FOs to improve their Action Plans on GI, trying if possible to reach some consensus about essential contents as well as the Organization to deepen in the definition and application of result-based indicators.

5.2.2 Reporting and follow-up

130. According to para. 47 of GAP, the SG must present an annual evaluation report on gender issues to the PC in June each year, starting in 2006, which must contain contributions from Departments, Institutions and Missions, on developments related to gender equality and gender mainstreaming in the OSCE structures. The 2016 Annual Report is dated on the 15th September, 2017, being the delay due to the recent incorporation of the new Senior Gender Advisor. Nevertheless, previous Reports have always been presented to the PC in the second half of the following of the reporting year, in some occasions quite close to the deadline (2015, 2013 and 2006 were presented in July of the following year).
131. In accordance to par. 26 of the GAP, the 2016 Annual Progress Report includes extensive sets of statistic data that allow the follow-up of the gender balance along the years. Although the SMM is treated separately in a specific section of the text, their data are not, in general, aggregated into the annexes.
132. The 2016 Annual Progress Report also remarks that there is an absence of a clear set of benchmarks or targets for measuring implementation of the GAP, which makes it difficult to provide a results-based assessment of progress achieved.

5.3 Gender mainstreaming

133. On the 29th March, 2017, the results of the first OSCE Staff Survey were published. 38% of the staff answered, with a distribution of 52% males/48% females. More than 80% considered OSCE an employer of choice being significantly bigger among women (85%) than men (76%). This survey revealed that major worries for men were the limited contract period whilst professional development as well as balance between private and professional life were subject of more concern for women.

5.4 Gender balance

134. OSCE is committed to a goal of 40% women in senior management by end 2019²⁶. At the beginning of 2017, and according to The Annual Progress Report, OSCE had achieved overall gender balance in the staff (females reached 41%) but this has not yet translated to senior management levels, particularly among heads and deputy heads of missions.

Recommendation 14: We recommend the OSCE to continue its efforts in pursuing a gender balance, especially among senior management.

135. We welcome the inclusion, for the first time this year 2017, of information concerning gender balance in the Financial Report (par. 30 and 31).

²⁶ Doc. Human Resources Strategy for a capable OSCE workforce 2016-2018, dated on 23rd, October, 2017.

5.5 OIO reporting on GI

136. The OIO plays a significant role in the internal audit of executive structures as well as making independent evaluations. During 2017, OIO has:
- Designed its own Implementation Roadmap on GI.
 - Performed several internal audits of FO, considering in most of the cases the GI, as stated above.
 - Developed a thematic Evaluation of the implementation of the 2004 GAP.
137. The OIO Gender Equality Roadmap includes as a result to be reached by 2020 that 'OIO evaluations and audits, as well as the evaluations commissioned by executive structures, provide findings and recommendations that inform the OSCE's work for the promotion of gender equality in all areas related to the organization's mandate.
138. As at 31st December, 2017, OIO had issued internal audit reports of 5 executive structures. 2 of them include several reporting paragraphs; two mention briefly some aspects and one does not refer to GI²⁷. The OIO has also issued 3 thematic case evaluations developed in the corresponding FOs that have also covered GI.
139. OIO also reviewed the effectiveness of OSCE integrating a Gender Perspective into its Polices, Programmes, Projects and Activities in 2012²⁸. During 2017 it has performed a *Thematic Evaluation of the Implementation of the OSCE 2004 GAP*, which focuses on the implementation of the second pillar (mainstreaming a gender perspective into OSCE activities, policies, programmes and projects, organizational structures and mechanisms). The OIO evaluation provides with a deep insight of GI across the Organization and should be taken into consideration by every executive structure.

6 FIELD WORKING VISITS

140. Accounting records and related data are centralized and the external auditors have access from Vienna and Madrid (via remote access). As stated in para. 16, transactions throughout the entire Organization have been sampled and analyzed. Nevertheless, the Organization's largely decentralized structure, with the consequent important management functions carried out locally, make highly recommendable to visit FO. Our FO working visits are developed in close communication with OIO, in order to provide with the best coverage among both.
141. From October, 2016 to May, 2017 the auditors conducted field visits to the SMM and to the Presence in Albania. The field working visits were designed to provide independent assessment of financial procedures and managerial activities. The audit findings were mostly related to such areas as Project management, Cash

²⁷ Report on the Internal Audit of the OSCE Documentation Centre in Prague.

²⁸ OIO Report number 4/2012, December 2012.

and Bank Management, Procurement & Contracting, Recruitment; management of expenses etc. The Management Letters with all the observations, findings and recommendations were submitted to the Fund Managers. Copies of the ML were sent to the attention of the DMF and to relevant stakeholders within OSCE. Comments on specific findings in both visited executive structures are included in the corresponding sections of this Report.

142. Nevertheless, the relevance of the SMM deserves some specific comments. Since its inception, the Mission has demonstrated flexibility and capacity to adapt to the new circumstances, coming mainly from the continuous evolving of the situation in Ukraine. Not only there has there been an expansion of the size in staff and financial terms, but also there has been an increase of the complexity of its activity. The Mission operates in a complex and highly volatile environment of conflict that makes sometimes difficult to stick to the general terms of CRMS, thus having to make use of cumulative ER to FAI 5 and FAI 6.
143. The following data highlight the relevance in financial terms of SMM, whose Audit works on SMM's premises in Kiev were complemented with some audit fields in the Secretariat:

Table VII: Relative size of SMM-SPF in OSCE
(Source: 2017 FS draft)

EUR '000, IPSAS basis	Total OSCE 2017	SMM 2017	
Assesed contributions	206,570	67,587	33%
Voluntary contributions	39,512	9,051	23%
Contributions in-kind*	69,084	41,003	59%
Total revenue	317,134	117,678	37%
Total expenses	301,461	114,587	38%
Staff Posts	3,712	1,399	38%

* Financial Report of the SG

7 FOLLOW-UP OF PREVIOUS EXTERNAL AUDIT REPORT RECOMMENDATIONS

144. PC.ACMF/56/17 of 31st October, 2017, took notice of the Action Plan for the Implementation of the Recommendations of the Report of the External Auditor on the FS (2016-2015). This document covers the 10 Recommendations included in our 2016 Audit Report as well as 6 from our predecessors' 2015 Audit Report²⁹. 3 of our recommendations were of non-expiring nature (3, 7 and 10). Number 4 (giving the same accounting treatment to in-kind contributions) was implemented in the 2017 FS. Recommendation 2, related to the provision of financial effects of well-founded claims was accepted subject to Legal advice about potential prejudice to the position of OSCE in future legal proceedings; the practice has

²⁹ The German SAI – Bundesrechnungshoff- was appointed for the triennia 2013-2015.

been an application of the prudent position, avoiding the recording in accounts (see para. 70). Recommendation number 1 was in progress at the date of issuing this Report..

145. Recommendations number 8 and 9 were related to the Minsk Group (minimize risks associated with cash handle and reinforce controls on travel expenses). We have verified that cash handling has been significantly reduced and consequently the risks associated have also minimized. Justifying documentation related to travel expenditure has been found complete, although there is still a lack of justification of non-OSCE officials.
146. Further details on the implementation of recommendations are included in the relevant paragraphs of this Report.

8 OTHER MATTERS

8.1 Cases of Fraud and Presumptive Fraud

8.1.1 Framework: OIO Investigation function

147. FAI 14 covers the OSCE fraud prevention and detection policy. It incorporates the mandate of PC.DEC/399 (Annex 6), that settles into the OIO functions the investigation of allegations of possible violations of regulations, rules or related administrative instructions and allegations involving waste or mismanagement of resources, or fraud or other impropriety, with the exception of those areas for which separate provision has been made³⁰. Further on, in the context of the risk management framework³¹ and in line with the COSO³² *Three Lines of Defense Model* (see Section 9.1 below), the OIO is also responsible for examining and evaluating the adequacy and effectiveness of the Organization's internal control environment including assessment in fraud risk.
148. OIO has investigated several cases of presumptive fraud during 2017. The following paragraphs summarize the results of those that have concluded until the date of emission of this Report as well as other investigation works related to fraud. All cases were to happen in Executive Structures, fact that must be put in relation with the inherent to the decentralized structure effect on the effectiveness of internal controls, reported by the SG in the 2017 FR (par. 47).

8.1.2 Cases investigated during 2017

149. Discrepancies among fuel payments and fuel consumptions. This case was first noted in 2015 in the context of an OIO internal audit. It consisted of significant discrepancies between payments of fuel and fuel recorded as received over a period of years. The case became subject to formal investigation in 2016. The complexity of the case, the fact that it spanned over several years, significant

³⁰ The OSCE Ethical Framework was reviewed by OIO in the scope of its 2016 activity plan. The corresponding Report was issued on the 21st, February, 2017.

³¹ OSCE's document Guidance on Administrative Risk Management

³² Committee of Sponsoring Organizations of the Treadway Commission.

vacancies in OIO in 2016 and the due process defined in PC.DEC/399 were causes of the prolongation of the investigation during 2017. On the 11th November, 2017, the Report for the Audit Committee, external auditors, D/DMF and D/DHR was put at our disposal. Regarding the External Auditor, this report is aimed to inform us about the fraud mechanisms and estimation of financial losses. The adoption of disciplinary and funds recovery measures relies on the decision of the HoM and/or the SG. The fraud period spanned between January, 2010, to August, 2016. The estimated financial losses span from EUR 330 thousand to EUR 390 thousand.

150. In follow up to the fraud risk noted, OIO issued a Report on the Thematic Review of Vehicles and Fuel Management in the OSCE on the 19th June, 2017 (posterior to the emission of our 2016 Long Form Report) which concluded with the existence of weak controls over fuel consumption across the Organization. Among other remarks, the report highlighted the scarce comparison of actual fuel consumption to the manufacturer's standards; the general weakness of the segregations of duties in the execution of fuel supply related tasks; and room for improvement in re-fueling controls. It also remarked the usefulness of GPS tracking system to facilitate the monitoring of vehicle utilization, which was also stated in our Report³³.
151. Purchasing of consumables. A second case involving the purchase of consumables was investigated by OIO in 2017. The investigation has not revealed evidence of significant financial losses although the final report was not issued before the emission of the External Auditors' long form report.
152. Telecommunication equipment and services. During 2017 OIO investigated another case of fraud involving telecommunication equipment paid for by the OSCE and never received by the Organization, as well as the invoice and payment of telecommunication services for private use. The fraud spanned from November, 2012 to April, 2016 in the case of equipment acquisition and from December, 2010 to June, 2017 for the telecommunication services. The total loss is estimated to be EUR 43,558.83, of which EUR 2,032.73 are for interest in arrears incurred. According to DHR, the whole principle was recovered (EUR 16,000 transferred from one of the alleged responsible and the rest, EUR 25,526 from the individual's Provident Fund payment).
153. Leakage of information. A fourth case was investigated and reported by OIO during 2016, related to leakage of sensitive information in the SMM. Given the separation of the Mission Members involved OIO determined there was no interest for OSCE to invest further resources in an investigation to establish the individual responsibilities. Thus this fraud did not have financial repercussion or impact in the financial statements.

8.2 Ex Gratia payments

154. During 2017 a total of 56 ex gratia payments amounting EUR 76 thousand have been recorded whilst in 2016 the total amount was EUR 12 thousand. The increase is mainly due to the gratifications to personnel in the closed Office in Yerevan (31 invoices for EUR 53 thousand) and the change of mandate in the Programme Office in Bishkek (22 invoices for EUR 18 thousand). None of the individual records are above the annual threshold of EUR 2,500 stated in FR

³³ Para. 84 of the 2016 Long Form Report from External Auditors.

6.05. A sample of ex gratia payments was reviewed to verify the implementation of related regulation, with no relevant findings.

9 COOPERATION WITH OTHER STAKEHOLDERS

9.1 Liaison with the Office of Internal Oversight

155. During the reporting period the external auditors have received the complete collaboration of the OIO, whose members have always been available and willing to share with the external auditors their experience, ideas and knowledge. They have also provided us with all the Reports issued by the Office throughout the year with promptness. We have taken the audits done by OIO into consideration in our financial audit of 2017. They have also shared with us the conclusions of their evaluations and the final results of their investigation of possible improprieties such as fraud. References to OIO's works are made in numerous paragraphs of this Report. OIO has provided us with valuable information and we appreciate their work.
156. The OIO's role in OSCE is modelled under the so-called Three Lines of Defense Model recommended by the International Institute of Internal Audit³⁴. This model defines a framework in which different parts and levels of an organization play different roles in risk management and control, and the interplay between them determines how effective the organization as a whole is in dealing with risk. The internal control is placed at the so-called Third Line of Defense. Applying this model in an organization is not a silver bullet for achieving effective internal audit; much also depends on the standing, scope and resourcing of the internal audit function. However, if the positioning, resourcing and governance structure for internal audit are wrong, its ability to support the board or audit committee in their challenging of management can be fatally undermined.
157. The work of OIO along the audited period, whose results are recorded in the types of documents mentioned in para. 157, are aligned with a good level of performance of its role in the COSO model. In order to guarantee the high level of performance of OIO it is important to avoid shortages in both its staff and budgets.

Recommendation 15: Giving recognition to the relevant role of OIO in the independent examination and evaluation of the adequacy and effectiveness of the OSCE's systems of internal controls and the quality of performance in carrying out assigned responsibilities, it is advisable to avoid, as much as possible, situations of shortage of its resources.

9.2 Audit Committee

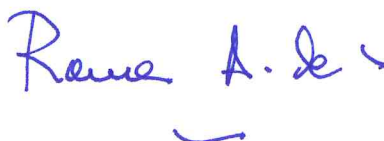
158. The auditors have met with the OSCE Audit Committee in several occasions in order to share points of views and knowledge. Following the usual practice, the Audit Committee has been informed about the external auditors working plan, the audit findings in Field Operations and results of the Financial Statements' audit.

³⁴ IIA 2013 paper entitled The Three lines of Defense in Effective Risk Management and Control; a further position was settled in 2017.

159. The External Auditor (EA) wishes to thank the OSCE Audit Committee for sharing the part of its draft 2018 Annual Report related to the external audit and for providing the opportunity to submit any comments and suggestions that might be deemed needed to clarify factual contents of the text. Although not specifically included in the ToR of the Audit Committee, the external auditors consider this to be a good practice.

10 ACKNOWLEDGMENT

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



Ramón Álvarez de Miranda García

President of the Spanish Court of Audit

External Auditor

ANNEX

MANAGEMENT RESPONSES TO RECOMMENDATIONS

Number	Recommendation	Management Response
Recommendation 1:	In order to reduce the economic constraints caused by the 1/12 extension once the first quarter of the extended budget has been overcome, PC could consider to modify FR 3.04 in the sense of regulating provisional allotments until the new budget is approved on a quarterly basis, instead of monthly as currently.	Accepted. The Secretariat will propose this amendment to the ACMF for consideration and possible recommendation to the PC.
Recommendation 2:	We recommend the PC/ACMF to consider the amendment of PC.DEC.553 and thus the corresponding FAI in order to clarify what kind of UB revision is the SG expected to propose, if it is to be done before the end of the year or can be done after and its purpose.	Accepted. The Secretariat will discuss this matter with the Chairmanship and consider how best to take this proposal forward.
Recommendation 3:	We recommend the Management to consider the inclusion in the Financial Statements of data about the utilization rate of UB before year-end revision.	Accepted. Finding and recommendation agreed and actual implementation rate to be shown transparently.
Recommendation 4:	We recommend the Management to add in the FS a table of disclosure of total ExB funds employed by executive structures and, if possible, by each of the three OSCE's dimensions.	Accepted. Additional disclosures in the 2018 Financial Statements will aggregate UB and ExB expenditure by Executive Structure to give a complete picture of the total cost of each part of the Organization in line with the recommendation. The Secretariat will explore what information can be identified by dimension.
Recommendation 5:	Some studies on historical factual data could be conducted to assess the foreseeable time to realize ExB receivables, their probability of failure and the main factors that would advise to record an allowance for doubtful debt on them.	Accepted. The Secretariat (DMF/BFS) will undertake a study and consider whether an allowance is required.
Recommendation 6:	In order to minimize the risk of inaccuracy when calculating deferred revenue of ExB contributions, we recommend that the conditional pledges were recorded in the system as such.	Accepted. Oracle contains a flag to identify conditional contributions and this will be used in future.
Recommendation 7:	We recommend the improvement of FAI 5 in respect of corporate cards procedures, including a relation of type of expenditures that can be paid by this	Accepted. In conjunction with Mission Support Service (MSS), BFS will consider ways to clarify credit card procedures, including purpose of usage and allowed expenditures. This will be addressed through the most

ANNEX
MANAGEMENT RESPONSES TO RECOMMENDATIONS

Number	Recommendation	Management Response
	means, and which are excluded. We also recommend the inclusion of specific prescriptions for the raise of payments limits.	relevant documentation within the OSCE CRMS.
Recommendation 8:	Having in mind the response of previous audit report's recommendation regarding the implementation of e-signature, pointing at the need of funding to be implemented, we recommend, to strengthen transparency and increase accountability of management by allowing identification of those in charge of programmatic and financial approval.	Accepted. Oracle already retains an electronic record of programmatic and administrative approval of PRs and full records of approvals up to the final payment by Treasury, and internal controls prevent signature by unauthorised individuals. Different ESs have different requirements for hard copy support of the electronic record, but a general move towards electronic recording only will be recommended wherever possible. The Approvals Matrices identify all individuals with responsibility/authority for programmatic and administrative approval within each ES.
Recommendation 9:	In order to improve ExB project reporting, we recommend that the Organization consider the possibility of including in the system detailed ExB project data, recording the dates of changes of status from active, to pending close and closed and reporting the information at any point in time.	Accepted. The Secretariat will consider where in the information systems this data is best recorded and implement any necessary changes, subject to technical feasibility and the availability of resources.
Recommendation 10:	We recommend amending FAI 6 in order to state the authority to approve contract extensions and amendments.	Accepted. FAI 6 will be amended.
Recommendation 11:	To the Secretariat, to consider the possibility of making Request Form for STA electronic, avoiding paper and providing automatically all the computations from the data available in IRMA (i.e. "Previous period of temporary assistance", "break taken"; and "STA period available").	Accepted. Recommendation to be analysed and, if resources permit, DHR will implement the recommendation in Q1 2019.
Recommendation 12:	We recommend the Management to revise the ToR of GFP and enclose a clear definition of when GWG should be constituted.	Accepted. The ToR will be updated through a consultative process led by the Gender Section during the course of 2018.

ANNEX

MANAGEMENT RESPONSES TO RECOMMENDATIONS

Number	Recommendation	Management Response
Recommendation 13:	We encourage the FOs to improve their Action Plans on GI, trying if possible to reach some consensus about essential contents as well as the Organization to deepen in the definition and application of result-based indicators.	Accepted. Field Operations are encouraged to adopt gender action plans or improve existing gender action plans. The Gender Section will provide support and guidance on this.
Recommendation 14:	We recommend the OSCE to continue its efforts in pursuing a gender balance, especially among senior management.	Accepted. Gender balance is a priority issue for the Organization. However, noting that the Heads of Missions, Deputy Heads of Missions and S4 are seconded posts, gender balance among senior management (P5+, S4+) heavily depends on seconding states prioritising it by nominating qualified female candidates.
Recommendation 15:	Giving recognition to the relevant role of OIO in the independent examination and evaluation of the adequacy and effectiveness of the OSCE's systems of internal controls and the quality of performance in carrying out assigned responsibilities, it is advisable to avoid, as much as possible, situations of shortage in its resources.	Accepted. Accepted, noting that resource allocation is under participating State control through the annual budget process.

II - OSCE FINANCIAL REPORT
AND
FINANCIAL STATEMENTS

Letter of Transmittal to the Auditor General from the Secretary General



Organization for Security and Co-operation in Europe
The Secretariat

29 March 2018

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 2017.

Yours sincerely,



Thomas Greminger
Secretary General

Excmo. Sr. D. Ramón Álvarez de Miranda Garcia
Presidente del Tribunal de Cuentas

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

Chapter I
Financial Report of the Secretary General
for the year ended 31 December 2017

Financial Report of the Secretary General for the year ended 31 December 2017

INTRODUCTION

1. The Secretary General of the Organization for Security and Co-operation in Europe submits herewith the Financial Report, the Financial Statements and the Report of the External Auditor, with his unqualified opinion, for the year ended 31 December 2017, in accordance with Financial Regulation 7.04.
2. The Financial Statements are prepared on an accrual basis, in accordance with International Public Sector Accounting Standards (IPSAS) and the OSCE's Financial Regulations.
3. The OSCE was established with the Helsinki Final Act in 1975 as a Conference on Security and Co-operation in Europe (CSCE). Subsequently, in 1994, the CSCE was renamed the Organization for Security and Co-operation in Europe. The OSCE is a regional organization in the sense of Chapter VIII of the United Nations Charter and is an observer in the United Nations General Assembly.
4. The OSCE is a forum for political dialogue on a wide range of security issues and a platform for joint action to improve the lives of individuals and communities. Through its comprehensive approach to security that encompasses the politico-military, economic and environmental, and human dimensions and its inclusive membership, the OSCE helps bridge differences and build trust between states by cooperating on conflict prevention, crisis management and post-conflict rehabilitation. With 57 participating States in North America, Europe and Asia, the OSCE is the world's largest regional security organization.
5. An organisational chart of OSCE Structures and Institutions as at 31 December 2017 is included as Annex 1 to the Financial Report.

SUMMARY OF THE YEAR 2017

6. Overall, total revenue of the OSCE stood at EUR 317,134 thousand (2016 restated, EUR 316,409 thousand), a fractional decrease. Of this, EUR 206,570 thousand was Unified Budget and Special Purpose Funds, EUR 39,511 thousand Extra-Budgetary Contributions and EUR 69,084 thousand was received in the form of non-cash contributions in-kind. Total assets increased by EUR 31,994 thousand (23%) to EUR 173,504 thousand, and liabilities also increased by 21% (EUR 19,553 thousand) to EUR 111,208 thousand, giving a total net asset value of EUR 62,296 thousand, an increase of EUR 12,441 thousand (25%) over 31 December 2016. The most significant drivers were the increase in total cash and investments (EUR 32,198 thousand), offset by deferred revenue liabilities in respect of Extra-Budgetary contributions with conditions attached that prevent immediate recognition of the revenue, and advance payments by participating States (EUR 18,923 thousand).
7. A continuing theme in OSCE's operations and financial performance is the critical dependence on in-kind contributions of both goods and services, especially in the Special Monitoring Mission to Ukraine. The estimated value of goods received was disclosed in the Financial Statements for 2016, following the end of transitional provisions permitted by the applicable accounting standard. Following a

recommendation of the External Auditor and in order to enhance the transparency of reporting, the estimated value to OSCE of in-kind services is also recognised in the 2017 Financial Statements for the first time as expenditure, predominantly on staff costs, and revenue, and the 2016 comparative figures have been restated on a comparable basis. If the Organization had been required to provide these from its own resources, it is estimated that additional budgetary resources of EUR 69,084 thousand (28%) would have been required during 2017 (EUR 79,299 thousand or an additional 33% in 2016) to support the level of activity undertaken. The reduction vis-à-vis 2016 is due mainly to reduced deployment of Monitoring Officers following the incident of 23rd April 2017 in which a patrol member was killed while on patrol in the Luhansk region.

8. Also continuing the trend seen in recent years, the Special Monitoring Mission to Ukraine dominated the OSCE agenda and the Financial Statements bear witness to this. This Mission accounted for 38% of the total expenditure reported in the year (32% in 2016) and 64% of its non-current assets as at 31 December 2017 (39% in 2016). Now in its fourth year of operations, the Mission continued to expand its presence, including through increased means of technical monitoring (camera systems, satellite imagery, UAVs, trial of acoustic sensors, thermal binoculars). Seven new camera systems were delivered to the Mission. In the context of the overall OSCE, SMM accounted for around a third of total staff headcount at the end of the year, although total staff costs decreased by 8% to EUR 85,426 thousand, due to reduced deployment of Monitoring Officers, who are mainly seconded staff, described in the preceding paragraph. Nonetheless, staff costs, including the estimated value of seconded members, account for the vast bulk (74%) of Special Monitoring Mission to Ukraine total expenditure. Non-staff costs amounted to EUR 29,160 thousand (the principal costs being travel and accommodation expenses along with vehicle and equipment support costs and the contract for medical support services).

FINANCIAL STATEMENTS ANALYSIS

Summary

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

Financial Highlights

EUR'000	2017	2016 (restated)	Change	Change %
<i>Statement of Financial Position</i>				
Cash and Bank	103,224	28,038	75,186	268%
Investments	14,853	57,841	(42,988)	(74%)
Net Assets	62,296	49,855	12,441	25%
Cash Surplus	2,949	148	2,801	1,894%
<i>Statement of Financial Performance</i>				
Revenue from Assessed Contributions	206,570	207,778	(1,208)	(1%)
Extra-Budgetary Revenue	39,512	26,364	13,148	50%
Contributions In-Kind	69,084	79,299	(10,215)	(13%)
Foreign Exchange Gains/(Losses)	(1,538)	223	(1,761)	(790%)
Total Revenue	317,134	316,409	725	(0%)
Total Expenditure	301,461	318,194	(16,733)	(5%)

10. Due to the inclusion of the estimated value of services in-kind in the statements for the first time, the 2016 comparative figures have been restated on a basis comparable to that of 2017, increasing both revenue and expenses reported for that year by EUR 73,742 thousand.
11. Overall, OSCE's financial situation is satisfactory, with increasing assets and broadly stable assessed contribution revenue and a marked increase in extra-budgetary contributions. The major driver in the increase in net assets is the greater cash and investments balances, and it is notable that the fall in investment returns across the Eurozone has led to significantly more cash lodged with banks. The slight decrease in total revenue is made up of a number of off-setting movements, principally the reduction in the level of contributions in kind due to fewer seconded monitors in Special Monitoring Mission to Ukraine and the increase in extra-budgetary revenue. It is also notable that the sustained fall in the value of the Euro against the US Dollar has caused exchange rate losses of EUR 1,536 thousand.
12. The 2017 cash surplus marks an increase compared to 2016, only due to the fact that no 2017 year end revision was calculated, since to do so would have created a cash deficit. The final result is that the budgetary surplus flowed directly into the cash surplus resulting in an increase of EUR 2,801 thousand compared to 2016. The table below demonstrates this effect and also illustrates a downward trend over several years in the total surplus:

EUR'000	2013	2014	2015	2016	2017
Year-end revision	3,056	2,954	2,820	2,893	-
Cash Surplus	6,976	2,678	392	148	2,949
Total Surplus	10,032	5,632	3,212	3,041	2,949

13. The most significant part of the total decrease in total expenditure relates to a 6% (EUR 13,451 thousand) reduction in staff costs, largely due to the reduction in seconded monitors in Special Monitoring Mission to Ukraine.

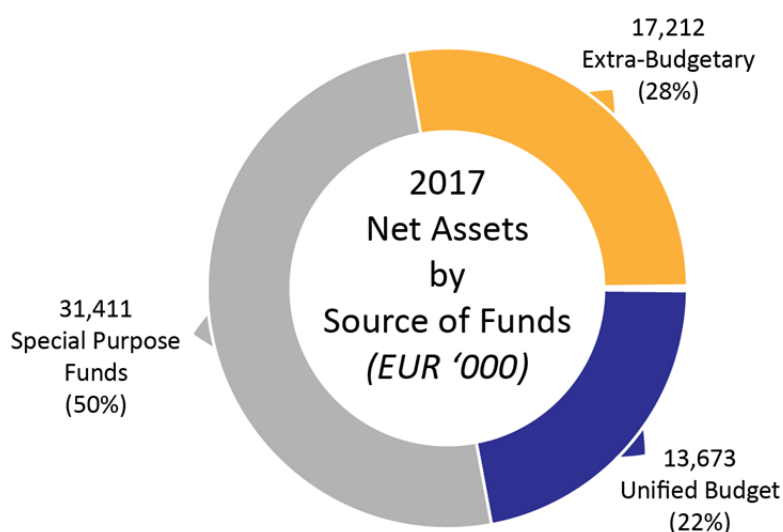
Statement of Financial Position

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

EUR'000	2017	2016	Change	Change %
Cash and Bank	103,224	28,038	75,186	268%
Investments	14,853	57,841	(42,988)	(74%)
Outstanding Assessed Contributions	6,729	5,952	777	13%
Current Assets	144,538	108,657	35,881	33%
Property Plant and Equipment	25,046	28,368	(3,322)	(12%)
Non-Current Assets	28,966	32,853	(3,887)	(12%)
Total Assets	173,504	141,510	31,994	23%
Current Liabilities	104,571	87,390	17,181	20%
Non-current Liabilities	6,637	4,265	2,372	56%
Total Liabilities	111,208	91,655	19,553	21%
Net Assets	62,296	49,855	12,441	25%

14. As in previous years, the OSCE's financial position continues to be healthy, as demonstrated by the sound liquidity indicators. Total assets remain at approximately 1.5 times the value of total liabilities (1.5 times in 2016). Current assets have increased to approximately 1.4 times the value of current liabilities (1.2 times in 2016), demonstrating that the OSCE has sufficient resources to cover short-term obligations, particularly as about two-thirds of current assets are highly liquid (cash and short-term investments).
15. Current assets increased by 33% or EUR 35,881 thousand, due to an increase in cash and investments of 37% or EUR 32,198 thousand, mainly as a result of cash contributions received for extra-budgetary and third-party projects. Cash and investments are managed centrally in order to safeguard funds, better monitor cash flows and optimise finance revenue, and more than 98% of the cash is held with banks carrying an investment grade BBB- and above. An overall improvement in the ratings of investments can be observed in 2017 compared to 2016 (Note 2.2 to the Financial Statements refers) and finance revenue increased by 33%, albeit from a modest EUR 91 thousand to EUR 121 thousand, as shown in Note 6.6. Due to the prevailing low and negative returns on short-term investments, most of these were sold during the year and converted into cash. The Investment Committee, which regularly reviews the investment portfolio and approves the banks where investments are placed, continued to monitor and assess the risks associated with cash management activities.
16. Total current assets also include outstanding assessed contributions in the amount of EUR 6,729 thousand which represents an increase of 13% (from EUR 5,952 thousand in 2016). This amount is not unusual and is not a cause for concern, although the long-term arrears have slightly increased during 2017. Other current assets consist of taxes receivable, prepayments to implementing partners and other suppliers, and inventory.
17. Total non-current assets amount to EUR 28,966 thousand, out of which property, plant and equipment represents the largest portion, amounting to EUR 25,046 thousand. There was a 12% decrease in the net book value of property, plant and equipment compared to the previous year, largely due to delays for operational reasons in equipment procurement by SMM.
18. The increase in total liabilities of 21% or EUR 19,553 is caused by the increase in extra-budgetary cash received which cannot be recognised as revenue until conditions attached to them by donors have been fulfilled and which are consequently recorded as deferred revenue liabilities until such time as the conditions are met. Other, much smaller, balance changes between the two years net each other out.

19. Total net assets increased compared to last year by 25% or EUR 12,441 thousand, mainly in cash and investments, reflecting the receipt of extra-budgetary and third-party funds, offset by the increase in deferred revenue. Net assets include OSCE fund balances and reserves, broken out as illustrated below. The chart below shows that 78% of net assets are related to funds other than the Unified Budget.



20. The net assets balance in Special Purpose Funds mainly relates to the Special Monitoring Mission to Ukraine and the high surplus of assets over liabilities stems mainly from the fact that the mission's budget period runs until March 2018. Net assets in Extra-Budgetary Funds consist primarily of property, plant and equipment related to Special Monitoring Mission to Ukraine and timing differences between cash inflows and outflows.

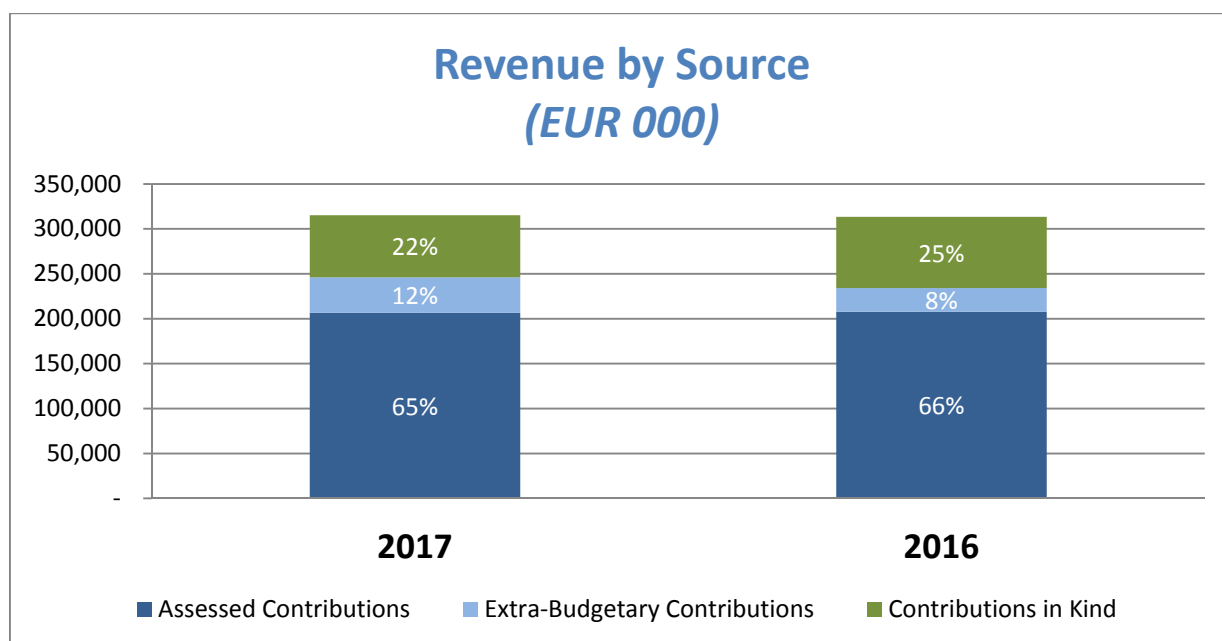
Statement of Financial Performance

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

EUR'000	2017	2016 (Restated)	Change	Change %
Revenue from Assessed Contributions	206,570	207,778	(1,208)	(1%)
Extra-Budgetary Revenue	39,512	26,364	13,148	50%
Contributions in Kind	69,084	79,299	(10,215)	(13%)
Foreign Exchange Gains/(Losses)	(1,538)	223	(1,761)	(790%)
Other revenue categories	3,506	2,745	761	28%
Total Revenue	317,134	316,409	725	(0%)

21. In 2017 total revenue increased by EUR 725 thousand to EUR 317,134 thousand. This relatively modest variation conceals two major off-setting movements: the reduction in the number of seconded monitors in Special Monitoring Mission to Ukraine, which was the main factor in a decrease in contributions in-kind of EUR 10,215 (13%) identified in Note 6.4; and an increase of EUR 13,148 thousand in extra-budgetary revenue recognised.
22. Assessed contributions, amounting to EUR 206,570 thousand in 2017, represent OSCE's main source of revenue, of which EUR 138,983 thousand relates to the Unified Budget and EUR 67,587 thousand to Special Monitoring Mission to Ukraine as disclosed in the Note 6.1.
23. Extra-budgetary revenue continues to be an important source of funding for the OSCE and increased, in part because OSCE deferred less due to conditions applied to it.

24. The chart below also underlines the critical dependence of the Organization on contributions in kind, primarily in the form of personnel seconded, especially to Special Monitoring Mission to Ukraine, and the free use of buildings provided by host governments.



25. The remaining portion of total revenue (EUR 1,968 thousand in 2017) relates to currency exchange adjustments, finance revenue, sale of assets and other revenue. The exchange losses suffered during the year are 95% unrealised and are likely to change as exchange rates move during 2018. Other revenue comprises mainly revenue reallocated from cash surplus to finance the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border. Of note is the effect of the severe fall in the value of the Euro against the US Dollar which has driven an exchange rate loss of EUR 1,537 thousand.
26. Total expenses decreased by 5% or EUR 16,733 thousand. The following table provides details of the changes by cost category:

EUR'000	2017	2016 (Restated)	Change	Change %
Staff Costs	195,806	209,257	(13,451)	(6%)
Consultancy and Subcontracting	28,547	28,659	(112)	(1%)
Travel Expenses	21,689	22,095	(406)	(2%)
Services and Office Costs	34,034	33,225	809	2%
Consumables and Supplies	5,235	5,427	(192)	(4%)
Depreciation and Amortization	9,725	8,226	1,499	18%
Equipment Expenses	4,077	3,757	320	8%
Other Operating Expenses	2,348	7,548	(5,200)	(69%)
Total Expenses	301,461	318,194	(16,733)	(5%)

27. The most significant part of the total decrease relates to a 6% (EUR 13,451 thousand) reduction in staff costs, almost entirely due to the reduction in seconded monitors in Special Monitoring Mission to Ukraine. The reduction in consultancy and sub-contracting relates mainly to Office for Democratic Institutions and Human Rights. The increase in depreciation, attributable mainly to the Special Monitoring Mission, is caused by the acquisition of assets relatively late in 2016 which are subject to a full year's depreciation charge only in 2017. The reduction in other operating expenses stems mainly from extra-budgetary projects, although other costs increased to compensate so that there was no material change in overall extra-budgetary expenditure.

Staff Analysis

28. As can be seen from the above analysis of the Statement of Financial Performance, staff costs, including the estimated value of seconded personnel, constitute the greatest single element of expenditure for the Organization, accounting for 65% of the total. The single biggest driver behind staff costs is the number employed in various staff categories. The table below shows the change in staff numbers, both on the Unified Budget Post Table and working in Extra Budgetary projects, including seconded personnel.

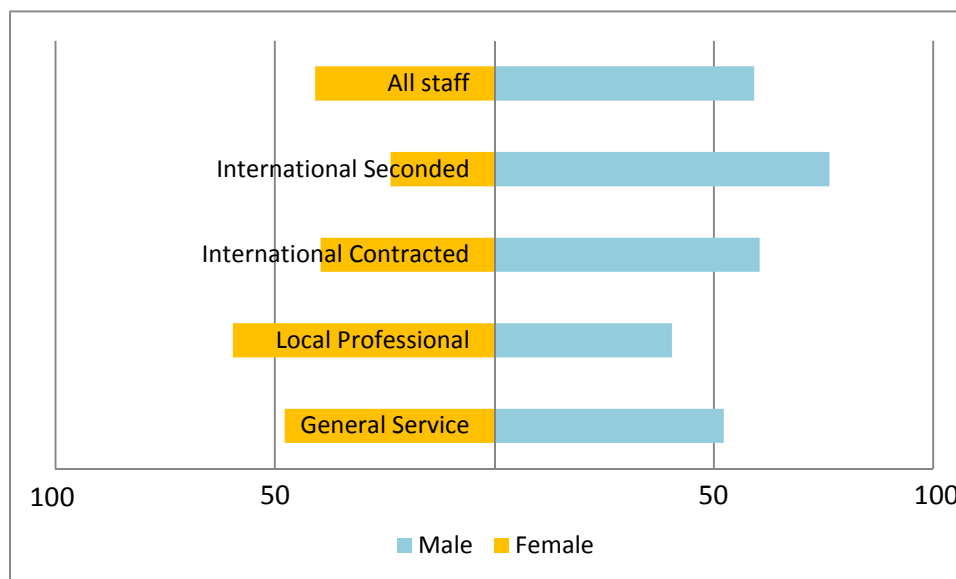
	As at 31 December 2017	As at 31 December 2016	Change	Change (%)
International Contracted	268	272	(4)	(1%)
International Seconded	1,103	1,134	(31)	(3%)
International Staff	1,371	1,406	(35)	(2%)
Local Professional	423	417	6	1%
General Service	1,623	1,679	(56)	(3%)
Local Staff	2,046	2,096	(50)	(2%)
All Staff	3,417	3,502	(85)	(2%)

29. More detail on Unified Budget posts, including a breakdown by Executive Structure and vacancy rates, can be found in Chapter II of this document.
30. In terms of gender, there is a reasonable balance in overall terms. However, in common with many organisations, gender distribution is not even between staff categories. The following table and graph show the gender distribution of all fixed-term staff, both on the Post Table and working in Extra Budgetary Projects, including seconded personnel.

	31 December 2017			31 December 2016		
	Male	Female	% Female	Male	Female	% Female
International Contracted	162	106	40%	160	112	41%
International Seconded	842	261	24%	867	267	24%
International Staff	1,004	367	27%	1,027	379	27%
Local Professional	171	252	60%	172	245	59%
General Service	848	775	48%	881	798	48%
Local Staff	1,019	1,027	50%	1,053	1,043	50%
All Staff	2,023	1,394	41%	2,080	1,422	41%

Gender Distribution of OSCE Staff by Category

(% female vs % male)

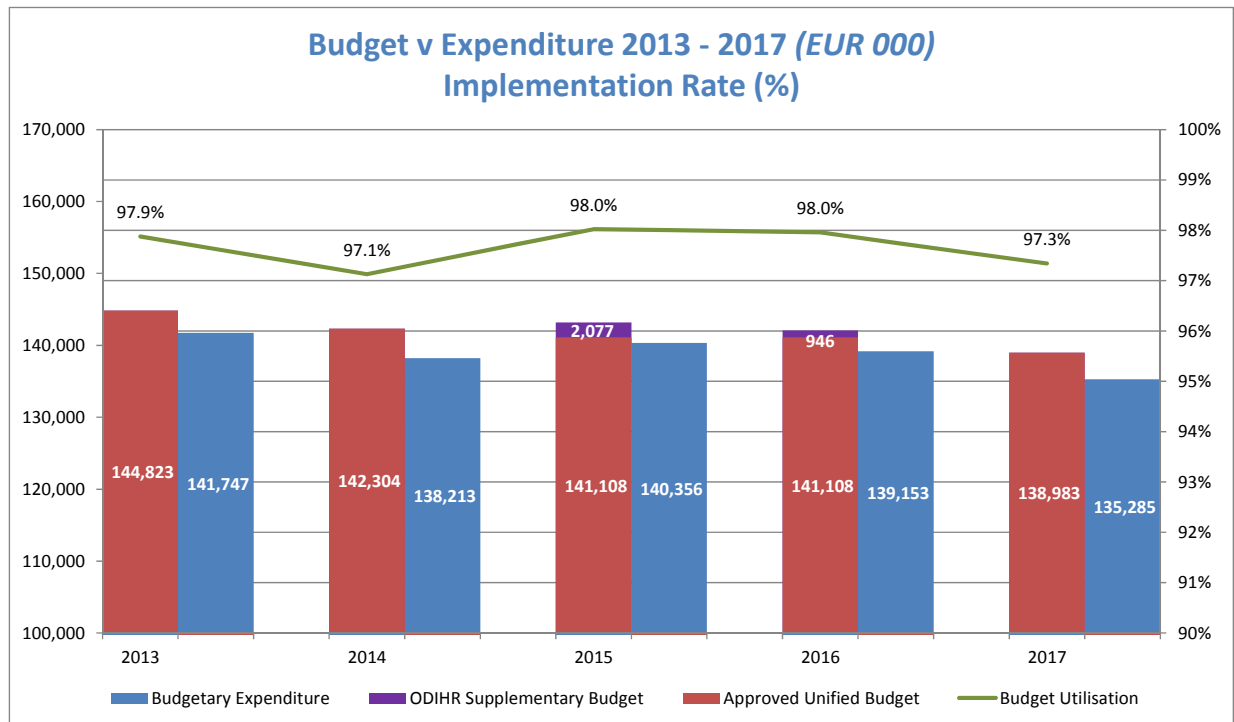


31. More detail and analysis of gender across the Organization's Unified Budget posts is available in the *Annual Progress Report on the Implementation of the OSCE 2004 Action Plan on the Promotion of Gender Equality*.

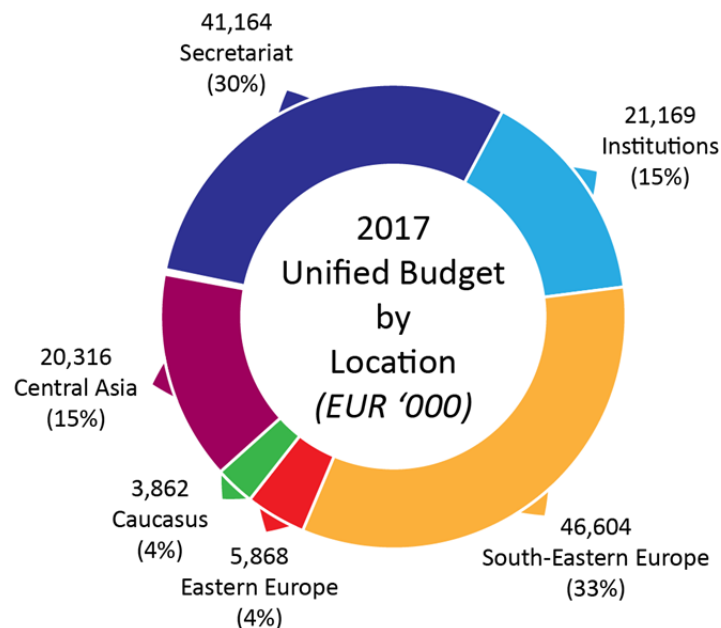
UNIFIED BUDGET ANALYSIS

32. The Unified Budget and budgetary expenditure are recorded on a modified cash basis, which records them in the moment when they incur; whereas expense as shown in the Statement of Financial Performance is recognized under the IPSAS accrual basis i.e. in the period in which the goods or services are delivered. The Statement of Comparison of Budget and Actual Amounts (Statement V), and Note 8 to the Financial Statements provide information that facilitates a comparison between the Unified Budget and IPSAS amounts.
33. The approved 2017 Unified Budget amounted to EUR 138,983 thousand (PC.DEC/1252/Corr. 1 of 1 June 2017). Of the total available of EUR 138,983 thousand, total expenditure was EUR 135,285 thousand and resulted in a year-end unspent balance of EUR 3,698 thousand which is included in the 2017 Cash Surplus.

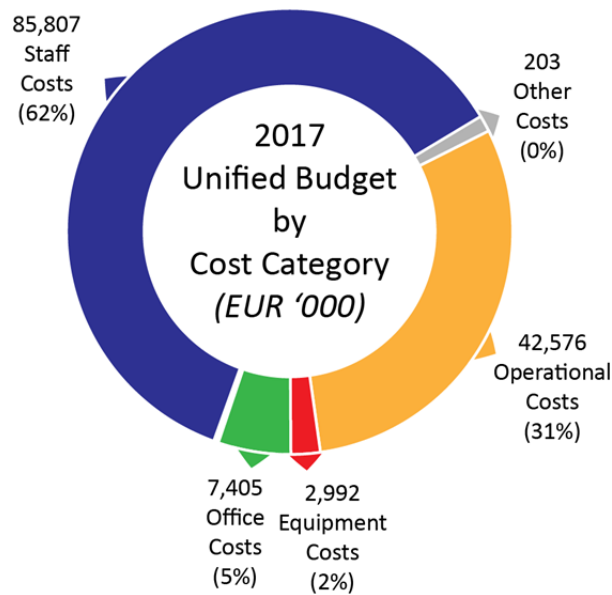
34. In terms of budgetary expenditure, there has been a gradual downward trend over the last few years, in line with decreases in the Unified Budget. As can be seen below, the Unified Budget decreased from EUR 144,823 thousand in 2013 to EUR 138,983 thousand in 2017, without accounting for any inflation adjustment. The implementation rate of 97.3% was influenced by the record-late approval of the Unified Budget of 1 June 2017 which caused difficulties in programme implementation with a corresponding decline in the implementation rate. Other factors in the budget implementation were the closure of the Office in Yerevan in August 2017 and changes to the mandates in Dushanbe and Bishkek, and to delays in approval of projects. The approved Unified Budget and actual expenditure for the periods 2013 to 2017 are shown in the chart below:



35. Of the 2017 approved Unified Budget, Field Operations represent EUR 81,209 thousand or 58% and Secretariat and Institutions represent EUR 57,774 thousand or 42% of the total. The geographical distribution of the budget is shown below:



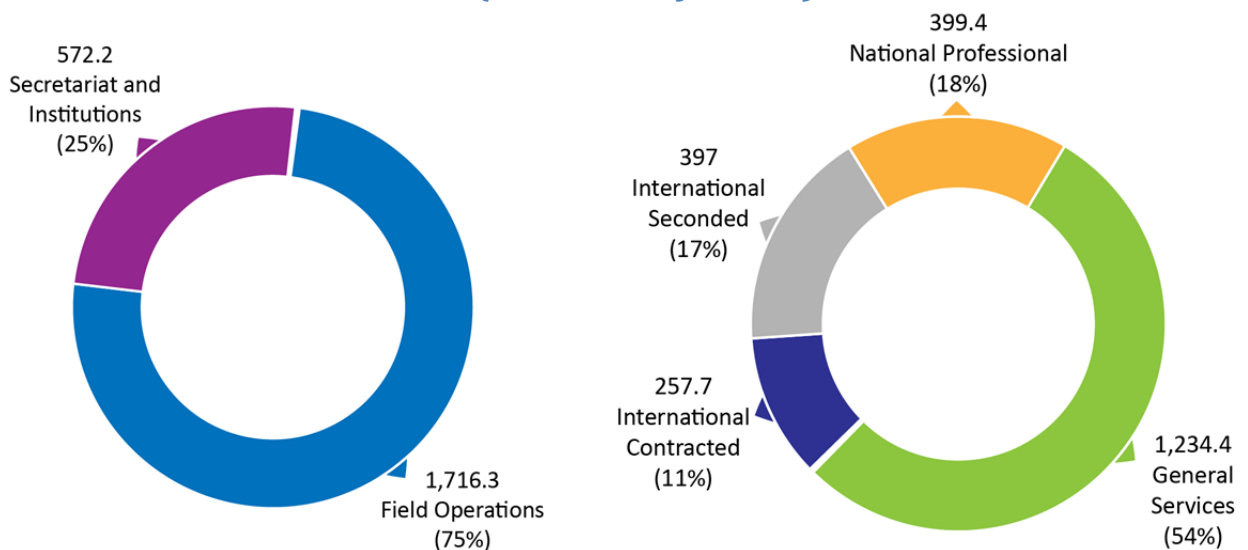
36. As is to be expected, the distribution of the budget by main cost category in the chart below shows that staff costs continue to represent the largest share with 62% of the total (61% in 2016) and operational costs are the second largest category with 31% of the total (32% in 2016).



37. Although staff costs account for the most significant share of the budget, the OSCE continues to operate with lower budgets for staff than required. For the 2017 Budget, a vacancy rate was utilised. This rate is based on the assumption that a post would remain empty for a defined period of time over the fiscal year; this duration varies across the organization.

38. The distribution of Unified Budget posts and staff in post by fund is shown in Chapter II. The following chart indicates the number of Unified Budget posts by post category in 2017.

2017 Budgeted Posts (Number of Posts)

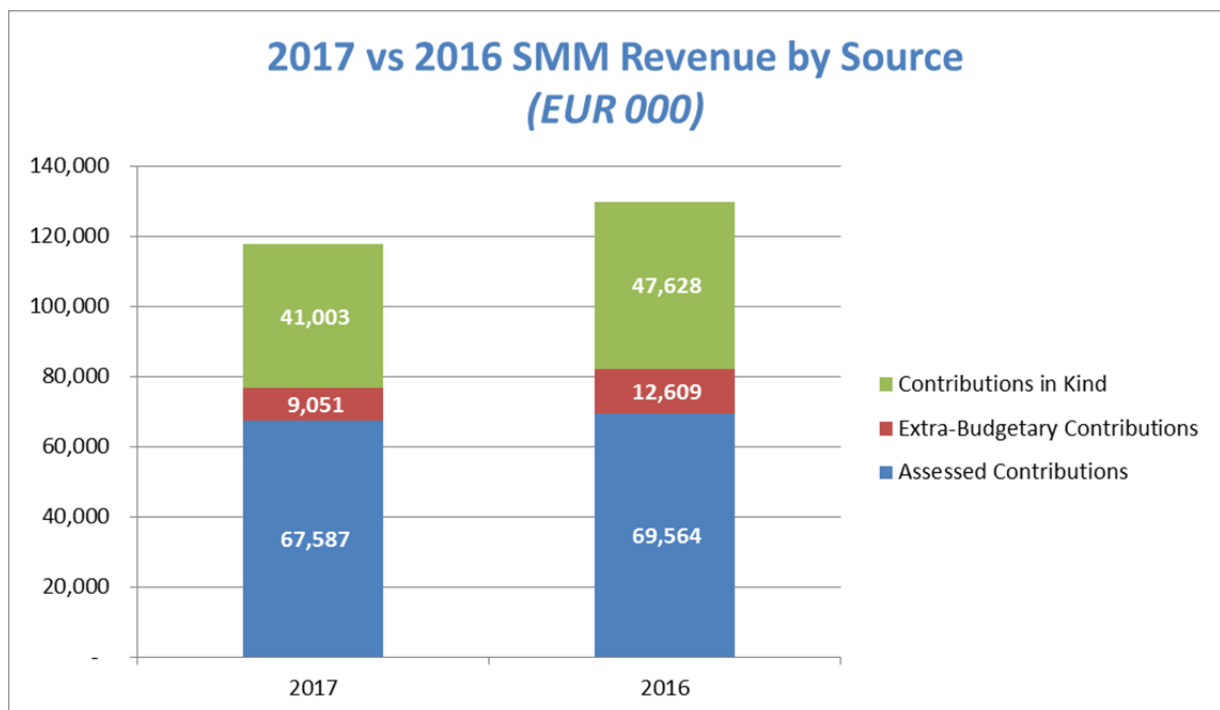


39. The above charts show that 54% of the total Unified Budget posts are at the General Services level and 75% are in the Field Operations. Furthermore, 25% are seconded posts for which the Organization does not pay a salary, but only a board and lodging allowance. In other words, if it weren't for these

seconded posts, 154% more International Contracted posts would need to be included in the Unified Budget to maintain the current level of activities.

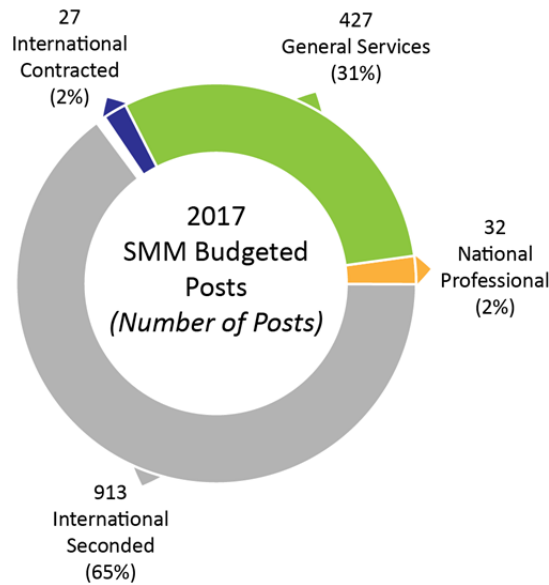
SPECIAL MONITORING MISSION TO UKRAINE

40. The Special Monitoring Mission (SMM) to Ukraine was originally established pursuant to PC.DEC/1117 of 21 March 2014 for a period of six months. The mandate was subsequently extended by Permanent Council Decisions PC.DEC/1129 of 22 July 2014, PC.DEC/1162 of 12 March 2015, PC.DEC/1199 of 18 February 2016, and PC.DEC/1246 of 16 March 2017 and now runs until 31 March 2018.
41. The successive mandates of the Special Monitoring Mission to Ukraine in 2017 did not correspond to the calendar year. The mandate under PC.DEC/1199 ended on 31 March 2017, while the mandate under PC.DEC/1246 lasts until 31 March 2018. The figures reported in the financial statements and in this report represent an apportionment of the two mandates to the financial and calendar year 2017, i.e. revenue and expenses were reported on an accrual basis as incurred in 2017.
42. As can be seen in Statement VI.2.G Segment Reporting, assessed contributions amounted to EUR 67,587 thousand in 2017 (69,564 in 2016) and contributions in kind to EUR 41,003 thousand (EUR 46,728 thousand in 2016), underlining the critical importance of seconded staff to the work of the Special Monitoring Mission to Ukraine. The remaining budget is financed through extra-budgetary contributions which amounted to EUR 9,051 thousand in 2017 as can be seen in the Statement VI.2.H Segment Reporting (EUR 12,609 thousand in 2016). Of note is the decreasing proportion of extra-budgetary financing, which fell from 25% of the budget in the 2015-16 mandate to 20% in the two succeeding mandates, as well as the fact that less extra-budgetary funding was pledged. The following chart shows the revenue sources of the SMM in 2016 and 2017, calculated on an IPSAS basis net of savings. It can be seen that all three major revenue categories have reduced since 2016.

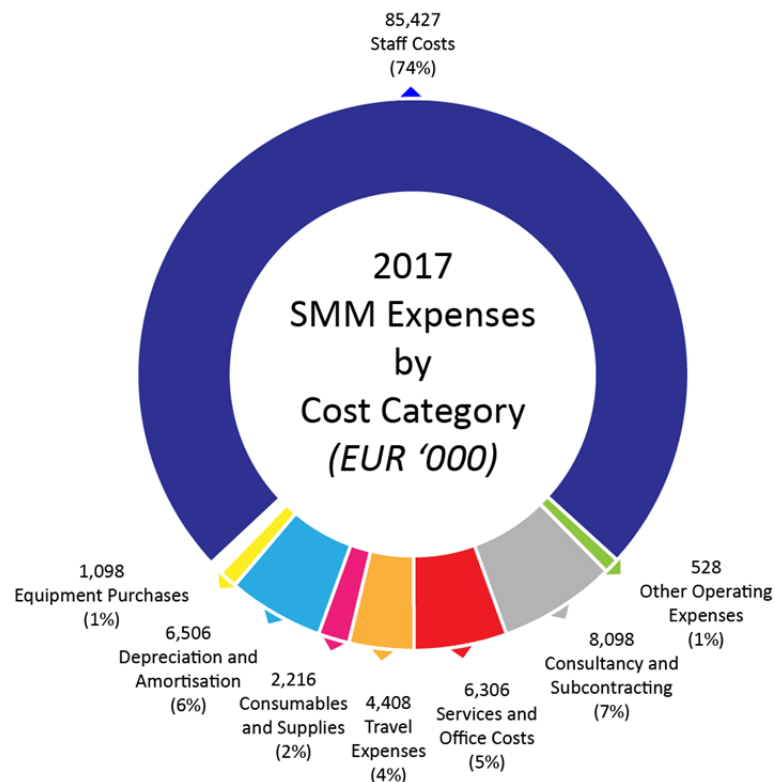


43. As at 31 December 2017 there are 1,399 budgeted posts for the Special Monitoring Mission to Ukraine (800 in monitoring activities, and 599 other staff), compared to 2,288.5 posts for the Unified Budget, further demonstrating the magnitude of the Special Monitoring Mission to Ukraine as compared to the rest of the Organization. It should be noted that 65% of Special Monitoring Mission to Ukraine budgeted posts are seconded posts (913 seconded posts), further demonstrating the Mission's high

reliance on voluntary resources. In 2017 the value of in-kind contributions of staff services for the Special Monitoring Mission to Ukraine amounted to EUR 40,652 thousand.



44. Total expenses for the Special Monitoring Mission to Ukraine amounted to EUR 114,587 thousand (EUR 124,850 thousand in 2016). Staff costs, including the value of seconded staff, represent the highest share amounting to EUR 85,427 thousand or 74% of total expenses, followed by consultancy and subcontracting of EUR 8,098 thousand or 7%, mainly for paramedical services. Expenses are reported on an accrual basis, which requires the capitalization, rather than expensing, of purchases of property, plant and equipment. The EUR 1,098 thousand expenses for equipment purchases refer only to equipment below the capitalization threshold of EUR 1 thousand. The net book value of capitalized tangible assets (property, plant and equipment) decreased to EUR 17,687 thousand in 2017 compared to EUR 20,642 in 2016, due to depreciation charges outstripping asset acquisitions, in part as a result of delays to equipment purchases for operational reasons. The chart below details Special Monitoring Mission to Ukraine 2017 expenses by cost category.



INTERNAL CONTROLS

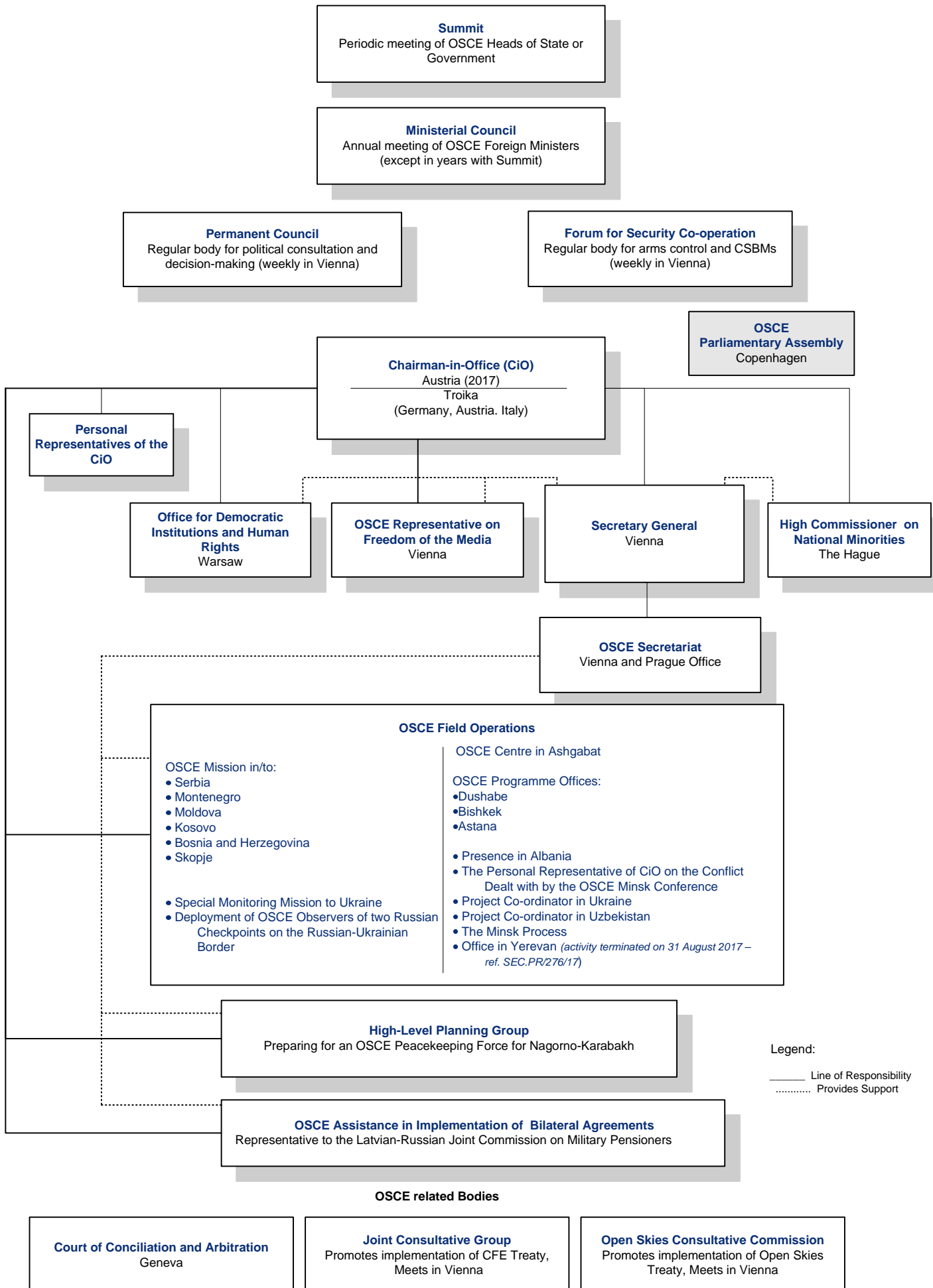
45. The OSCE issued for the first time a Statement on Internal Control (SIC) along with the Financial Statements for the year ending 31 December 2012. The SIC is the means by which the Secretary General declares his approach to, and responsibility for, risk management, internal control and corporate governance. Please refer to Chapter V - Statement on Internal Control.
46. The Statement on Internal Control highlights significant matters pertaining to 2017. The significant matters reported in the previous years in the Statement on Internal Control which continue to be monitored and worked on include the increased number of complaints and appeals cases submitted in 2017 by current or former OSCE officials. The Office of Legal Affairs (OLA), in a joint effort with Department of Human Resources (DHR), has embarked on a review of the OSCE internal justice system with a view to proposing enhancements and other modifications to the current legal framework and fostering dispute prevention. The approval of the reform, including the necessary related changes to the Common Regulatory Management System (CRMS) and budgetary approval for required additional human resources, will be pursued in the course of 2018. Another item which continues to be closely monitored relates to further strengthening project co-ordination across the Field Operations and the Secretariat, improving accountability and reporting on results and impact.
47. The 2017 Statement on Internal Control acknowledges the organizations' unique decentralised structure and independent administrative operation of the executive structures, which continues to affect the effectiveness of the system of internal controls. The Department of Management and Finance has taken note of the need to review the system of internal controls to ensure enhanced effectiveness and efficiency in making the OSCE more 'fit for purpose' in support of participating States.

RESPONSIBILITY

48. Pursuant to the Financial Regulation 7.04, I am pleased to submit the following financial statements. These financial statements have been prepared in accordance with International Public Sector Accounting Standards and OSCE's Financial Regulations.
49. I certify that to the best of my knowledge and information, all transactions during the period have been properly entered in the accounting records and that these transactions together with the following financial statements and notes, details of which form part of this document, truly and fairly present the financial position of the OSCE as at 31 December 2017 and its performance for the year ended 31 December 2017.

Statement I	Statement of Financial Position
Statement II	Statement of Financial Performance
Statement III	Cash Flow Statement
Statement IV	Statement of Changes in Net Assets
Statement V	Statement of Comparison of Budget and Actual Amounts
Statement VI	Segment Reporting
Notes to the Financial Statements	

OSCE Structures and Institutions As at 31 December 2017



Chapter II – Budget and Expenditure Report
and
Staffing Overview

Budget and Expenditure Report

Unified Budget

As at 31 December 2017

Fund	Approved Budget ¹	Transfers Fin. Reg. 3.02(b)	Revised Budget after Revisions ²	Expenditure	Utiliz. Rate %
Main Programme					
Programme					
EUR '000					
I. FUNDS RELATED TO SECRETARIAT AND INSTITUTIONS					
The Secretariat					
Secretary General and Central Services					
Executive Management	1,201	114	1,315	1,314	100
Security Management	540	8	548	548	100
External Co-operation	759	8	766	766	100
Legal Services	611	(1)	610	610	100
Communications and Media Relations Section	1,403	0	1,403	1,403	100
Conference and Language Services	5,400	(105)	5,295	5,295	100
Records Management	324	(4)	320	320	100
The OSCE Documentation Centre in Prague	383	(25)	358	358	100
Gender Issues	437	5	442	442	100
TOTAL	11,058	-	11,058	11,056	100
Chairperson-in-Office					
Short-Term Mission/Visits of CiO and PR of the CiO	550	-	550	550	100
Advisory Committee on Management and Finance (ACMF)	15	-	15	15	99
Panel of Adjudicators	39	-	39	10	25
Audit Committee	49	-	49	26	52
External Auditors	100	-	100	72	72
TOTAL	753	-	753	673	89
Internal Oversight					
Internal Oversight	1,697	-	1,697	1,697	100
TOTAL	1,697	-	1,697	1,697	100
Office of the Special Representative/Co-ordinator for Combating Trafficking in Human Beings					
Office of the Special Representative/Co-ordinator for Combating Trafficking in Human Beings	1,021	-	1,021	1,021	100
TOTAL	1,021	-	1,021	1,021	100
Addressing Transnational Threats					
Co-ordination of TNT Activities	618	10	627	627	100
Strategic Police Matters Unit	745	(3)	742	738	99
Action Against Terrorism	848	(4)	845	840	99
Border Security and Management	770	(3)	767	764	100
TOTAL	2,981	-	2,981	2,969	100

Budget and Expenditure Report

Unified Budget

As at 31 December 2017

Fund	Approved Budget ¹	Transfers Fin. Reg. 3.02(b)	Revised Budget after Revisions ²	Expenditure	Utiliz. Rate %
Main Programme					
Programme					
EUR '000					
Activities Related to the Economic and Environmental Aspects of Security					
Co-ordinator of OSCE Economic and Environmental Activities	1,907	2	1,909	1,909	100
Economic and Environmental Forum	400	(2)	398	398	100
TOTAL	2,307	-	2,307	2,307	100
Conflict Prevention					
CPC Direction and Management	460	(4)	457	457	100
Policy Support Service	1,365	3	1,368	1,368	100
Operations Service	943	(15)	928	928	100
Programming and Evaluation Support Unit	519	(4)	515	515	100
FSC Chairmanship	42	(2)	40	40	100
FSC Support	723	(35)	688	688	100
Communications Network	598	57	655	654	100
TOTAL	4,651	-	4,651	4,650	100
Human Resources Management					
HR Direction and Management	478	(12)	465	465	100
HR Services	1,306	10	1,315	1,312	100
Talent Management	1,800	3	1,803	1,801	100
TOTAL	3,584	-	3,584	3,579	100
Department of Management and Finance					
Management and Co-ordination	624	(2)	622	622	100
Budget and Finance Services	1,507	12	1,519	1,519	100
Information and Communication Technology Services	4,270	57	4,327	4,325	100
Mission Support Services	2,388	(67)	2,321	2,321	100
TOTAL	8,789	-	8,789	8,787	100
TOTAL FOR THE SECRETARIAT	36,840	-	36,840	36,738	100

Budget and Expenditure Report

Unified Budget

As at 31 December 2017

Fund	Approved Budget ¹	Transfers Fin. Reg. 3.02(b)	Revised Budget after Revisions ²	Expenditure	Utiliz. Rate %
Main Programme					
Programme					
EUR '000					
Office for Democratic Institutions and Human Rights					
Direction and Policy	1,312	-	1,312	1,311	100
Fund Administration Unit	2,951	27	2,978	2,967	100
Human Dimension Meetings	589	-	589	572	97
Democratization	1,526	25	1,551	1,538	99
Human Rights	1,232	-	1,232	1,226	99
Elections	6,480	(25)	6,455	6,283	97
Tolerance and Non-Discrimination	1,431	(27)	1,404	1,379	98
Roma and Sinti Issues	524	-	524	512	98
TOTAL	16,045	-	16,045	15,787	98
High Commissioner on National Minorities					
Fund Administration Unit	584	25	609	588	97
Office of the High Commissioner	2,824	(25)	2,799	2,790	100
TOTAL	3,408	-	3,408	3,377	99
Representative on Freedom of the Media					
Freedom of the Media	1,482	-	1,482	1,387	94
TOTAL	1,482	-	1,482	1,387	94
TOTAL FOR FUNDS RELATED TO THE SECRETARIAT AND INSTITUTIONS	57,774	-	57,774	57,290	99
II. FUNDS RELATED TO OSCE FIELD OPERATIONS					
AUGMENTATIONS					
Secretariat Augmentations					
Communication and Media Relations Section	281	1	282	282	100
Internal Oversight	12	(1)	11	8	71
Policy Support Service	371	1	372	372	100
Operations Service	198	(1)	198	198	100
Management and Co-ordination	105	0	105	105	100
HR Services	311	-	311	310	100
Talent Management	302	-	302	300	99

Budget and Expenditure Report

Unified Budget

As at 31 December 2017

Fund	Approved Budget ¹	Transfers Fin. Reg. 3.02(b)	Revised Budget after Revisions ²	Expenditure	Utiliz. Rate %
Main Programme					
Programme					
EUR '000					
Budget and Finance Services	601	(0)	600	600	100
Information and Communication Technology Services	1,069	(1)	1,068	1,068	100
Mission Support Service	1,075	1	1,076	1,076	100
TOTAL	4,324	-	4,324	4,319	100
ODIHR Augmentations					
ODIHR Democratization	234	-	234	226	97
TOTAL	234	-	234	226	97
TOTAL FOR AUGMENTATIONS	4,559	-	4,559	4,545	100
SOUTH-EASTERN EUROPE					
Mission in Kosovo					
Office of Head of Mission	2,835	11	2,845	2,838	100
Fund Administration Unit	5,658	131	5,789	5,784	100
Security and Public Safety	1,501	(35)	1,466	1,463	100
Democratization	2,027	(28)	1,999	1,993	100
Human Rights and Communities	5,489	(79)	5,411	5,402	100
TOTAL	17,511	-	17,511	17,480	100
Mission to Bosnia and Herzegovina					
Office of Head of Mission	2,165	21	2,186	2,164	99
Fund Administration Unit	3,993	36	4,028	3,999	99
Shared Service Centre, ICT Help Desk	130	(2)	128	127	100
Human Dimension	5,086	(54)	5,032	5,020	100
TOTAL	11,374	-	11,374	11,311	99
Mission to Serbia					
Office of Head of Mission	982	(6)	976	976	100
Fund Administration Unit	1,696	19	1,715	1,713	100
Police Affairs	930	(1)	929	929	100
Democratization	1,154	(13)	1,141	1,141	100
Media	419	17	437	437	100
Rule of Law and Human Rights	1,057	(16)	1,041	1,041	100
TOTAL	6,238	-	6,238	6,236	100

Budget and Expenditure Report

Unified Budget

As at 31 December 2017

Fund	Approved Budget ¹	Transfers Fin. Reg. 3.02(b)	Revised Budget after Revisions ²	Expenditure	Utiliz. Rate %
Main Programme					
Programme					
EUR '000					
Presence in Albania					
Office of Head of Mission	481	(2)	479	470	98
Fund Administration Unit	1,004	25	1,029	1,026	100
Security Co-operation	341	14	354	345	97
Governance in Economic and Environmental Issues	295	(8)	288	277	96
Democratization	434	(2)	432	426	99
Rule of Law and Human Rights	338	(27)	311	309	99
TOTAL	2,893	-	2,893	2,852	99
Mission to Skopje					
Office of Head of Mission	1,001	(5)	995	994	100
Fund Administration Unit	1,927	16	1,942	1,940	100
Public Safety and Community Outreach	1,791	(3)	1,789	1,785	100
Human Dimension	1,724	(8)	1,716	1,715	100
TOTAL	6,443	-	6,443	6,434	100
Mission to Montenegro					
Office of Head of Mission	320	-	320	278	87
Fund Administration Unit	661	-	661	618	94
Security Co-operation	341	-	341	327	96
Democratization	393	-	393	344	87
Media	191	-	191	179	94
Rule of Law and Human Rights	240	-	240	184	77
TOTAL	2,146	-	2,146	1,931	90
TOTAL FOR SOUTH-EASTERN EUROPE	46,604	-	46,604	46,243	99
EASTERN EUROPE					
Mission to Moldova					
Office of Head of Mission	415	-	415	389	94
Fund Administration Unit	858	-	858	841	98
Conflict Prevention/Resolution	434	-	434	412	95
Human Rights Monitoring/Democratization	296	-	296	276	93
Anti-Trafficking/Gender	261	-	261	232	89
TOTAL	2,264	-	2,264	2,149	95

Budget and Expenditure Report

Unified Budget

As at 31 December 2017

Fund	Approved Budget ¹	Transfers Fin. Reg. 3.02(b)	Revised Budget after Revisions ²	Expenditure	Utiliz. Rate %
Main Programme					
Programme					
EUR '000					
Project Co-ordinator in Ukraine					
Office of Head of Mission	299	(6)	293	261	89
Fund Administration Unit	890	(35)	855	802	94
Democratization and Good Governance	484	(8)	476	462	97
Rule of Law and Human Rights	804	-	804	770	96
Human Security	569	-	569	545	96
Economic, Environmental and Politico-Military Projects	554	49	603	576	96
TOTAL	3,599	-	3,599	3,418	95
Representative to the Latvian-Russian Joint Commission on Military Pensioners					
Office of Head of Mission	6	-	6	5	94
TOTAL	6	-	6	5	94
TOTAL FOR EASTERN EUROPE	5,868	-	5,868	5,572	95
CAUCASUS					
Office in Yerevan					
Office of Head of Mission	180	-	180	178	99
Fund Administration Unit	726	-	726	487	67
Politico-Military Activities	105	-	105	100	95
Economic and Environmental Activities	155	-	155	135	87
Democratization	115	-	115	107	93
Human Rights	76	-	76	72	95
Good Governance	95	-	95	90	95
TOTAL	1,451	-	1,451	1,169	81
High-Level Planning Group					
Office of Head of Mission	264	-	264	235	89
TOTAL	264	-	264	235	89
The Minsk Process					
Office of Head of Mission	911	-	911	358	39
TOTAL	911	-	911	358	39

Budget and Expenditure Report

Unified Budget

As at 31 December 2017

Fund	Approved Budget ¹	Transfers Fin. Reg. 3.02(b)	Revised Budget after Revisions ²	Expenditure	Utiliz. Rate %
Main Programme					
Programme					
EUR '000					
Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference					
Office of Head of Mission	472	-	472	418	89
Fund Administration Unit	764	-	764	714	94
TOTAL	1,236	-	1,236	1,132	92
TOTAL FOR CAUCASUS	3,862	-	3,862	2,895	75
CENTRAL ASIA					
Programme Office in Astana					
Office of Head of Mission	210	5	215	202	94
Fund Administration Unit	623	12	635	625	98
Politico-Military Activities	437	(5)	432	427	99
Economic and Environmental Activities	459	1	460	456	99
Human Dimension Activities	445	(13)	432	420	97
TOTAL	2,175	-	2,175	2,130	98
Centre in Ashgabat					
Office of Head of Mission	382	1	383	380	99
Fund Administration Unit	500	(14)	486	484	100
Conflict Prevention and Confidence and Security Building	248	13	261	259	99
Economic and Environmental Activities	247	11	257	256	100
Human Dimension Activities	279	(11)	269	268	100
TOTAL	1,655	-	1,655	1,646	99
Centre in Bishkek					
Office of Head of Mission	1,280	-	1,280	1,198	94
Fund Administration Unit	1,460	-	1,460	1,422	97
Politico-Military Activities	1,676	-	1,676	1,257	75
Economic and Environmental Activities	1,335	-	1,335	1,143	86
Human Dimension Activities	1,047	-	1,047	866	83
TOTAL	6,797	-	6,797	5,886	87

Budget and Expenditure Report

Unified Budget

As at 31 December 2017

Fund	Approved Budget ¹	Transfers Fin. Reg. 3.02(b)	Revised Budget after Revisions ²	Expenditure	Utiliz. Rate %
Main Programme					
Programme					
EUR '000					
Project Co-ordinator in Uzbekistan					
Office of Head of Mission	257	(1)	256	256	100
Fund Administration Unit	417	2	419	419	100
Politico-Military Activities	415	(1)	414	403	97
Economic and Environmental Activities	553	7	560	560	100
Human Dimension Activities	492	(7)	485	483	100
TOTAL	2,134	-	2,134	2,120	99
Office in Tajikistan					
Office of Head of Mission	1,598	-	1,598	1,510	95
Fund Administration Unit	2,020	-	2,020	1,927	95
Political and Military Aspects of Security	1,856	-	1,856	1,682	91
Economic and Environmental Activities	1,012	-	1,012	834	82
Human Dimension Activities	1,069	-	1,069	1,004	94
TOTAL	7,555	-	7,555	6,958	92
TOTAL FOR CENTRAL ASIA	20,316	-	20,316	18,740	92
TOTAL FOR FUNDS RELATED TO THE OSCE FIELD OPERATIONS	81,209	-	81,209	77,995	96
TOTAL OSCE UNIFIED BUDGET	138,983	-	138,983	135,286	97

¹ PC.DEC/1252/Corr.1 dated 1 June 2017, Approval of the 2017 Unified Budget

² As set out in PC.DEC/1281 dated 30 November 2017, Revision of the Unified Budget

Staffing Overview - Budget and Actual Staff Positions
Unified Budget
as at 31 December 2017

Fund number of positions	International Staff						Local Staff						Grand Total	
	Contracted		Seconded		Sub-Total		Professional		General Services		Sub-Total			
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
The Secretariat	142	133	57	40	199	173	0	0	188.7	179.1	188.7	179.1	387.7	352.1
Office for Democratic Institutions and Human Rights High Commissioner on National Minorities Representative on Freedom of the Media	63	56	19	13	82	69	0	0	56	54	56	54	138	123
	16	15	5	4	21	19	0	0	9.5	9.5	9.5	9.5	30.5	28.5
	7	6	6	5	13	11	0	0	3	3.0	3	3.0	16	14
Secretariat and Institutions	228	210	87	62	315	272	0	0	257.2	245.6	257.2	245.6	572.2	517.6
Mission in Kosovo	6	6	110	76	116	82	106	101	281	266	387	367	503	449
Tasks in Bosnia and Herzegovina	5	5	28	25	33	30	130	127	157	152	287	279	320	309
Mission to Serbia	1	1	22	17	23	18	34	34	70	69	104	103	127	121
Presence in Albania	1	1	19	16	20	17	17	15	45.5	41.5	62.5	56.5	82.5	73.5
Mission to Skopje	2	2	40	32	42	34	19	19	89.5	88.5	108.5	107.5	150.5	141.5
Mission to Montenegro	1	1	8	8	9	9	9	8	24	20	33	28	42	37
South-Eastern Europe	16	16	227	174	243	190	315	304	667	637	982	941	1,225	1,131
Mission to Moldova	1	1	12	8	13	9	9	9	30	30	39	39	52	48
Project Co-ordinator in Ukraine	1	0	2	2	3	2	24	23	23	23	47	46	50	48
Eastern Europe	2	1	14	10	16	11	33	32	53	53	86	85	102	96
Office in Yerevan	0.7	0	4.2	0	4.9	0	8.4	0	20.3	0	28.7	0	33.6	0
High-Level Planning Group	0	0	8	6	8	6	0	0	1	1	1	1	9	7
Personal Representative of the CiO on the Conflict	1	1	5	5	6	6	0	0	11	10	11	10	17	16
Caucasus	1.7	1	17.2	11	18.9	12	8.4	0	32.3	11	40.7	11	59.6	23
Programme Office in Astana	1	1	5	5	6	6	4	4	18	18	22	22	28	28
Centre in Ashgabat	1	1	5	5	6	6	2	2	17	17	19	19	25	25
Centre in Bishkek	4	1	18.8	13	22.8	14	14	9.5	80.9	49	94.9	58.5	117.7	72.5
Project Co-ordinator in Uzbekistan	0	0	3	3	3	3	5	5	18	18	23	23	26	26
Office in Tajikistan	4	3	20	14	24	17	18	17	91	82	109	99	133	116
Central Asia	10	6	51.8	40	61.8	46	43	37.5	261	184	267.9	221.5	329.7	267.5
Total for Funds Related to OSCE Field Operations	29.7	24	310	235	339.7	259	399.4	373.5	977.2	885	1,376.60	1,258.50	1,716.30	1,517.50
Total OSCE 2017 Unified Budget Post Table	257.7	234	397	297	654.7	531	399.4	373.5	1,234.40	1,130.60	1,633.80	1,504.10	2,288.50	2,035.10

Staffing Overview - Budget and Actual Staff Positions
Special Purpose Funds
as at 31 December 2017

Fund number of positions as per PC DECs in 2017	Contracted		International Staff				Professional		Local Staff		Sub-Total		Grand Total	
	Budget	Actual	Seconded		Sub-Total		Budget	Actual	General Services		Sub-Total		Budget	Actual
			Budget	Actual	Budget	Actual			Budget	Actual	Budget	Actual		
Special Monitoring Mission to Ukraine	27	17	913	768	940	785	32	27	427	348	459	375	1,399	1,160
Observer Mission at the two Russian Checkpoints	0	0	22	22	22	22	0	0	3	0	3	0	25	22
Total Special Purpose Funds	27	17	935	790	962	807	32	27	430	348	462	375	1,424	1,182

Chapter III – Financial Statements

I. Statement of Financial Position

Total OSCE

As at 31 December 2017

EUR '000		TOTAL OSCE	
	Note	2017	2016
ASSETS			
Current Assets			
Cash and Cash Equivalents	3.1	103,224	28,038
Investments	3.2	14,853	57,841
Contributions Receivable	3.3	17,661	14,467
Accounts Receivable	3.4	3,118	3,000
Prepayments	3.5	4,407	4,525
Inventory	3.6	1,250	751
Other Current Assets	3.7	25	35
		144,538	108,657
Non-Current Assets			
Property, Plant and Equipment	3.8	25,046	28,368
Intangible Assets	3.9	3,900	4,465
Other Non-Current Assets	3.7	20	20
		28,966	32,853
Total Assets		173,504	141,510
LIABILITIES			
Current Liabilities			
Accounts Payable	4.1	6,260	4,125
Accruals	4.2	7,185	8,674
Deferred Revenue	4.3	67,930	49,007
Funds Held for Third Parties	4.4	12,391	10,248
Employee Benefits Current	4.5	3,828	5,625
Cash Surplus Current	4.7	671	1,515
Provisions	4.8	5,331	7,349
Other Current Liabilities	4.9	975	847
		104,571	87,390
Non-Current Liabilities			
Employee Benefits Non-Current	4.5	3,668	3,952
Cash Surplus Non-Current	4.7	2,949	148
Other Non-Current Liabilities	4.9	20	165
		6,637	4,265
Total Liabilities		111,208	91,655
NET ASSETS			
Cash Surplus Withheld	5.1	252	252
Revolving Fund	5.2	2,710	2,710
Contingency Fund	5.2	2,180	2,180
Other Reserves	5.3	(2,176)	(2,261)
Accumulated Surplus/(Deficit)	5.4	59,330	46,974
Total Net Assets		62,296	49,855

The accompanying Notes are an integral part of these Statements

II. Statement of Financial Performance

Total OSCE

For the Year Ended 31 December 2017

EUR '000		TOTAL OSCE	
	Note	2017	2016
REVENUE			<i>(Restated)</i>
Assessed Contributions	6.1	206,570	207,778
Extra-Budgetary Contributions	6.2	39,512	26,364
Finance Revenue	6.3	121	91
Contributions In-Kind	6.4	69,084	79,299
Revenue from Exchange Transactions	6.5	53	94
Foreign Exchange Gains/(Losses)	6.6	(1,538)	223
Other Revenue	6.7	3,332	2,560
Total Revenue		317,134	316,409
EXPENSES			
Staff Costs	7.1	195,806	209,257
Consultancy and Subcontracting	7.2	28,547	28,659
Travel Expenses	7.3	21,689	22,095
Services and Office Costs	7.4	34,034	33,225
Consumables and Supplies	7.5	5,235	5,427
Depreciation and Amortisation	7.6	9,725	8,226
Equipment Expenses	7.7	4,077	3,757
Other Operating Expenses	7.8	2,348	7,548
Total Expenses		301,461	318,194
Surplus/(Deficit) for the Period	8.1	15,673	(1,785)

III. Cash Flow Statement

Total OSCE

For the Year Ended 31 December 2017

EUR '000		TOTAL OSCE	
	Note	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus/(Deficit) for the Period	8.1	15,673	(1,785)
Non-Cash Movements			
Deduction of Unrealized Foreign Exchange Gains/Losses on Cash and Cash Equivalents	6.5	333	(16)
Deduction of Depreciation, Amortisation and Impairments	7.6,3.10	9,771	8,226
Deduction of Loss on Disposal of PP&E	6.4	375	310
Deduction of Non-Cash Changes in Net Assets	5.3	85	(573)
(Increase) / Decrease in Contributions Receivable	3.3	(3,194)	(11,115)
(Increase) / Decrease in Accounts Receivable	3.4	(119)	(403)
(Increase) / Decrease in Prepayments	3.5	118	(501)
(Increase) / Decrease in Inventory	3.6	(499)	(725)
(Increase) / Decrease in Other Current/Non-Current Assets	3.7	10	512
Increase /(Decrease) in Accounts Payable	4.1	2,134	181
Increase /(Decrease) in Accruals	4.2	(1,489)	3,099
Increase /(Decrease) in Deferred Revenue	4.3	18,923	18,079
Increase /(Decrease) in Funds Held for Third Parties	4.4	2,143	4,754
Increase /(Decrease) in Employee Benefits	4.5	(2,081)	856
Increase /(Decrease) in Cash Surplus Payable	4.7	1,956	(1,311)
Increase /(Decrease) in Provisions	4.8	(2,018)	4,800
Increase /(Decrease) in Other Liabilities	4.9	(16)	(42)
Net Cash Flows from Operating Activities		42,107	24,348
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase) / Sale of Investments	3.2	42,988	(6,225)
(Addition) / Disposal of PP&E and Intangibles	3.8,3.9	(6,259)	(11,716)
Net Cash Flows from Investing Activities		36,729	(17,941)
CASH FLOWS FROM FINANCING ACTIVITIES			
Credits for Cash Surplus Withheld	5.1	0	(2)
Allocation of Current Year Cash Surplus	4.7	(2,949)	(148)
Credit of ERP Fund Remaining Balance		0	(671)
Refund of Unspent Extra-budgetary Contributions	5.4	(368)	(338)
Net Cash Flows from Financing Activities		(3,317)	(1,160)
Net Increase/(Decrease) in Cash and Cash Equivalents	3.1	75,519	5,248
Cash and Cash Equivalents at Beginning of Period	3.1	28,038	22,774
Foreign Exchange Gains/(Losses) on Cash and Cash Equivalents	6.5	(333)	16
Cash and Cash Equivalents at End of Period		103,225	28,038

The accompanying Notes are an integral part of these Statements

IV. Statement of Changes in Net Assets

Total OSCE

For the Year Ended 31 December 2017

EUR '000	Note	Cash Surplus Withheld	Revolving Fund	Contingency Fund	Other Reserves	Accumulated Surplus/(Deficit)	Total Net Assets
Balance as at 31 December 2016		252	2,710	2,180	(2,261)	46,974	49,855
Changes in Net Assets for 2017							
Increase in Cash Surplus Withheld	5.1						0
Allocation of Current Year Cash Surplus	4.7					(2,949)	(2,949)
Actuarial Gains/(Losses)	4.5				85		85
Refund of Unspent Extrabudgetary Contributions	5.4					(368)	(368)
Surplus/(Deficit) for the Period	8.1					15,673	15,673
Balance as at 31 December 2017		252	2,710	2,180	(2,176)	59,330	62,296

V. Statement of Comparison of Budget and Actual Amounts

Total PC Approved Budgets ¹

For the Year Ended 31 December 2017

EUR '000	Note	Approved Budget	PC Authorized Transfers	Revised Budget	Actuals	Variance
Unified Budget Funds						
The Secretariat		36,840	0	36,840	36,738	102
Office for Democratic Institutions and Human Rights		16,045	0	16,045	15,788	257
High Commissioner on National Minorities		3,408	0	3,408	3,377	31
Representative on Freedom of the Media		1,482	0	1,482	1,387	95
Total Secretariat and Institutions		57,774	0	57,774	57,290	484
Augmentations						
South-Eastern Europe		46,604	0	46,604	46,243	361
Eastern Europe		5,868	0	5,868	5,572	296
Caucasus		3,862	0	3,862	2,895	967
Central Asia		20,316	0	20,316	18,740	1,576
Total Field Operations		81,209	0	81,209	77,995	3,214
Total Unified Budget	8.2.1	138,983	0	138,983	135,285	3,698
Special Purpose Funds						
Special Monitoring Mission to Ukraine		83,074	0	83,074	60,123	22,951
Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border		1,404	0	1,404	1,220	184
Information Security Enhancement		295	0	295	215	80
Total Special Purpose Funds	8.2.2	84,774	0	84,774	61,558	23,216
Total PC Approved Budgets		223,756	0	223,756	196,843	26,914

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

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

As at 31 December 2017

EUR '000		Total Secretariat and Institutions		Total Field Operations		Total Unified Budget		Total Special Purpose Funds		Total Extra-Budgetary Funds		TOTAL OSCE	
1000	Note	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
ASSETS													
Current Assets													
Cash and Cash Equivalents	3.1	91,423	25,027	1,855	1,770	93,277	26,796	714	1,242	9,233	0	103,224	28,038
Investments	3.2	10,000	21,890	0	0	10,000	21,890	0	0	4,853	35,950	14,853	57,841
Contributions Receivable	3.3	420	96	218	30	638	126	0	28	17,023	14,314	17,661	14,467
Accounts Receivable	3.4	1,765	1,554	822	1,094	2,587	2,649	532	351	0	0	3,118	3,000
Prepayments	3.5	2,509	3,367	1,509	1,047	4,018	4,413	389	112	0	0	4,407	4,525
Inventory	3.6	3	1	113	18	116	19	966	653	167	80	1,250	751
Inter-Fund Balances	3.1	(71,668)	(26,453)	6,153	4,212	(65,515)	(22,241)	24,778	10,956	40,737	11,285	0	0
Other Current Assets	3.7	25	35	0	0	25	35	0	0	0	0	25	35
		34,476	25,516	10,670	8,171	45,146	33,687	27,379	13,342	72,014	61,629	144,538	108,657
Non-Current Assets													
Property, Plant and Equipment	3.8	3,071	3,156	3,846	3,823	6,916	6,979	11,421	13,228	6,708	8,161	25,046	28,368
Intangible Assets	3.9	2,846	3,191	178	236	3,024	3,426	580	694	296	344	3,900	4,465
Other Non-Current Assets	3.7	20	20	0	0	20	20	0	0	0	0	20	20
		5,936	6,367	4,024	4,059	9,960	10,426	12,001	13,922	7,004	8,505	28,966	32,853
Total Assets		40,412	31,883	14,694	12,230	55,106	44,113	39,380	27,264	79,018	70,134	173,504	141,510
LIABILITIES													
Current Liabilities													
Accounts Payable	4.1	4,336	2,083	1,588	1,901	5,924	3,983	336	142	0	0	6,260	4,125
Accruals	4.2	1,794	3,862	2,484	1,776	4,278	5,639	1,602	1,593	1,306	1,442	7,185	8,674
Deferred Revenue	4.3	7,890	2,898	0	0	7,890	2,898	5,327	23	54,713	46,086	67,930	49,007
Funds Held for Third Parties	4.4	12,362	10,223	28	25	12,391	10,248	0	0	0	0	12,391	10,248
Employee Benefits Current	4.5	1,645	2,031	1,641	2,935	3,286	4,967	416	495	127	163	3,828	5,625
Cash Surplus Current	4.7	371	(426)	300	1,942	671	1,515	0	0	0	0	671	1,515
Provisions	4.8	0	0	0	0	0	0	0	0	5,331	7,349	5,331	7,349
Other Current Liabilities	4.9	573	724	230	62	803	787	7	3	165	57	975	847
		28,971	21,395	6,271	8,641	35,243	30,037	7,688	2,257	61,642	55,097	104,571	87,390
Non-Current Liabilities													
Employee Benefits Non-Current	4.5	2,946	3,267	297	355	3,242	3,622	281	210	145	121	3,668	3,952
Cash Surplus Non-Current	4.7	41	3	2,907	145	2,949	148	0	0	0	0	2,949	148
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0	20	165	20	165
		2,987	3,270	3,204	500	6,191	3,770	281	210	165	285	6,637	4,265
Total Liabilities		31,958	24,665	9,475	9,142	41,433	33,806	7,969	2,466	61,807	55,383	111,208	91,655
NET ASSETS													
Cash Surplus Withheld	5.1	192	192	60	60	252	252	0	0	0	0	252	252
Revolving Fund	5.2	2,710	2,710	0	0	2,710	2,710	0	0	0	0	2,710	2,710
Contingency Fund	5.2	2,180	2,180	0	0	2,180	2,180	0	0	0	0	2,180	2,180
Other Reserves	5.3	(2,273)	(2,331)	387	351	(1,885)	(1,980)	(86)	(80)	(205)	(201)	(2,176)	(2,261)
Accumulated Surplus/(Deficit)	5.4	5,644	4,467	4,772	2,677	10,416	7,144	31,497	24,878	17,416	14,951	59,330	46,974
Total Net Assets		8,454	7,218	5,219	3,088	13,673	10,306	31,411	24,798	17,212	14,751	62,296	49,855

The accompanying Notes are an integral part of these Statements

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

For the Year Ended 31 December 2017

EUR '000	1000	Note	Total Secretariat and Institutions		Total Field Operations		Total Unified Budget		Total Special Purpose Funds		Total Extra-Budgetary Funds		Total OSCE	
			2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
REVENUE				<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>
Assessed Contributions		6.1	57,774	56,824	81,209	81,391	138,983	138,215	67,587	69,564	0	0	206,570	207,778
Extra-Budgetary Contributions		6.2	0	0	0	0	0	0	0	0	39,512	26,364	39,512	26,364
Finance Revenue		6.3	119	88	1	2	120	91	0	0	0	0	121	91
Contributions In-Kind		6.4	11,028	10,364	15,625	19,653	26,653	30,017	42,191	48,900	240	382	69,084	79,299
Revenue from Exchange Transactions		6.5	(6)	(27)	200	337	193	310	(11)	(47)	(129)	(169)	53	94
Foreign Exchange Gains/(Losses)		6.6	(121)	(48)	(293)	2	(414)	(46)	(31)	(9)	(1,093)	278	(1,538)	223
Other Revenue		6.7	1,180	3,255	56	(724)	1,236	2,531	2,083	44	13	(15)	3,332	2,560
Total Revenue			69,974	70,456	96,797	100,661	166,771	171,117	111,819	118,452	38,543	26,840	317,134	316,409
EXPENSES														
Staff Costs		7.1	41,739	40,693	61,513	68,754	103,253	109,447	79,600	85,870	12,953	13,940	195,806	209,257
Consultancy and Subcontracting		7.2	5,507	7,270	6,003	7,105	11,511	14,375	7,636	6,171	9,400	8,113	28,547	28,659
Travel Expenses		7.3	4,401	4,902	7,935	8,244	12,336	13,146	4,431	4,805	4,923	4,144	21,689	22,095
Services and Office Costs		7.4	14,120	13,452	10,744	11,400	24,864	24,852	6,131	4,684	3,040	3,689	34,034	33,225
Consumables and Supplies		7.5	713	711	2,018	2,151	2,731	2,863	1,998	2,105	507	459	5,235	5,427
Depreciation and Amortisation		7.6	1,388	1,257	1,647	1,523	3,035	2,780	3,977	2,879	2,713	2,568	9,725	8,226
Equipment Expenses		7.7	203	812	1,450	1,302	1,654	2,114	877	1,162	1,546	481	4,077	3,757
Other Operating Expenses		7.8	685	742	484	525	1,168	1,267	552	4,219	628	2,061	2,348	7,548
Total Expenses			68,756	69,839	91,794	101,004	160,551	170,843	105,200	111,895	35,710	35,456	301,461	318,194
Surplus/(Deficit) for the Period		8.1	1,218	617	5,002	(343)	6,220	274	6,619	6,557	2,833	(8,616)	15,673	(1,785)

The accompanying Notes are an integral part of these Statements

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

For the Year Ended 31 December 2017

EUR '000		Total Secretariat and Institutions		Total Field Operations		Total Unified Budget		Total Special Purpose Funds		Total Extra-Budgetary Funds		Total OSCE		
	1000	Note	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES														
Surplus/(Deficit) for the Period		8.1	1,218	617	5,002	(343)	6,220	274	6,619	6,557	2,833	(8,616)	15,673	(1,785)
Non-Cash Movements														
Deduction of Unrealized Foreign Exchange Gains/Losses on Cash and Cash Equivalents		6.5	11	(11)	29	(6)	40	(16)	55	1	238	0	333	(16)
Deduction of Depreciation, Amortisation and Impairments		7.6,3.10	1,388	1,257	1,647	1,523	3,035	2,780	3,978	2,879	2,758	2,568	9,771	8,226
Deduction of Loss on Disposal of PP&E		6.4	(22)	(2,118)	169	829	146	(1,289)	103	1,414	126	185	375	310
Deduction of Non-Cash Changes in Net Assets		5.3	59	(446)	36	(47)	95	(493)	(6)	5	(4)	(84)	85	(573)
(Increase) / Decrease in Contributions Receivable		3.3	(324)	31	(188)	23	(512)	54	28	3,145	(2,710)	(14,314)	(3,194)	(11,115)
(Increase) / Decrease in Accounts Receivable		3.4	(211)	(143)	273	(220)	62	(363)	(180)	(39)	0	0	(119)	(403)
(Increase) / Decrease in Prepayments		3.5	858	(1,342)	(463)	530	395	(812)	(277)	311	0	0	118	(501)
(Increase) / Decrease in Inventory		3.6	(2)	(1)	(96)	1	(98)	0	(314)	(653)	(88)	(72)	(499)	(725)
(Increase) / Decrease in Other Current/Non-Current Assets		3.7	10	389	0	8	10	396	0	116	0	0	10	512
Increase /(Decrease) in Accounts Payable		4.1	2,254	(320)	(313)	498	1,941	178	193	3	0	0	2,134	181
Increase /(Decrease) in Accruals		4.2	(2,069)	2,693	708	(290)	(1,361)	2,403	9	1,067	(137)	(371)	(1,489)	3,099
Increase /(Decrease) in Deferred Revenue		4.3	4,992	132	0	0	4,992	132	5,304	(2,776)	8,627	20,724	18,923	18,079
Increase /(Decrease) in Funds Held for Third Parties		4.4	2,139	4,754	3	0	2,143	4,754	0	0	0	0	2,143	4,754
Increase /(Decrease) in Employee Benefits		4.5	(708)	596	(1,353)	29	(2,061)	625	(8)	216	(12)	15	(2,081)	856
Increase /(Decrease) in Cash Surplus Payable		4.7	836	(1,756)	1,120	445	1,956	(1,311)	0	0	0	0	1,956	(1,311)
Increase /(Decrease) in Provisions		4.8	0	0	0	0	0	0	0	0	(2,018)	4,800	(2,018)	4,800
Increase /(Decrease) in Other Liabilities		4.9	(151)	(7)	168	(68)	17	(75)	4	(18)	(37)	51	(16)	(42)
Increase /(Decrease) in Inter-Fund Balances			45,215	13,480	(1,941)	278	43,274	13,758	(13,822)	(4,274)	(29,452)	(9,484)	0	0
Net Cash Flows from Operating Activities			55,493	17,806	4,802	3,190	60,295	20,996	1,686	7,951	(19,875)	(4,598)	42,107	24,348
CASH FLOWS FROM INVESTING ACTIVITIES														
(Purchase) / Sale of Investments		3.2	11,890	(12,000)	0	0	11,890	(12,000)	0	0	31,097	5,775	42,988	(6,225)
(Addition) / Disposal of PP&E and Intangibles		3.8,3.9	(935)	(1,649)	(1,781)	(2,502)	(2,716)	(4,151)	(2,160)	(6,726)	(1,383)	(839)	(6,259)	(11,716)
Net Cash Flows from Investing Activities			10,955	(13,649)	(1,781)	(2,502)	9,174	(16,151)	(2,160)	(6,726)	29,715	4,936	36,729	(17,941)
CASH FLOWS FROM FINANCING ACTIVITIES														
Credits for Cash Surplus Withheld		5.1	0	(2)	0	0	0	(2)	0	0	0	0	0	(2)
Allocation of Current Year Cash Surplus		4.7	(41)	(3)	(2,907)	(145)	(2,949)	(148)	0	0	0	0	(2,949)	(148)
Credit of ERP Fund Remaining Balance			0	0	0	0	0	0	0	(671)	0	0	0	(671)
Refund of Unspent Extra-budgetary Contributions		5.4	0	0	0	0	0	0	0	0	(368)	(338)	(368)	(338)
Net Cash Flows from Financing Activities			(41)	(5)	(2,907)	(145)	(2,949)	(150)	0	(671)	(368)	(338)	(3,317)	(1,160)
Net Increase/(Decrease) in Cash and Cash Equivalents		3.1	66,407	4,152	114	543	66,521	4,695	(473)	554	9,472	0	75,519	5,248
Cash and Cash Equivalents at Beginning of Period		3.1	25,027	20,864	1,770	1,221	26,796	22,085	1,242	689	0	0	28,038	22,774
Foreign Exchange Gains/(Losses) on Cash and Cash Equivalents		6.5	(11)	11	(29)	6	(40)	16	(55)	(1)	(238)	0	(333)	16
Cash and Cash Equivalents at End of Period			91,423	25,027	1,855	1,770	93,277	26,796	714	1,242	9,233	0	103,225	28,038

The accompanying Notes are an integral part of these Statements

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

As at 31 December 2017

EUR '000		The Secretariat		Office for Democratic Institutions and Human Rights		High Commissioner on National Minorities		Representative on Freedom of the Media		Total Institutions		
	1000	Note	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
ASSETS												
Current Assets												
Cash and Cash Equivalents		3.1	90,686	24,305	450	644	286	78	0	0	91,423	25,027
Investments		3.2	10,000	21,890	0	0	0	0	0	0	10,000	21,890
Contributions Receivable		3.3	267	61	118	27	25	6	11	2	420	96
Accounts Receivable		3.4	1,605	1,233	94	175	66	146	0	0	1,765	1,554
Prepayments		3.5	1,939	2,548	392	664	169	155	9	0	2,509	3,367
Inventory		3.6	3	1	0	0	0	0	0	0	3	1
Inter-Fund Balances		3.1	(72,998)	(27,678)	1,362	1,248	(158)	(66)	125	42	(71,668)	(26,453)
Other Current Assets		3.7	6	26	8	1	10	8	0	0	25	35
			31,508	22,386	2,425	2,759	399	326	144	45	34,476	25,516
Non-Current Assets												
Property, Plant and Equipment		3.8	2,869	2,980	171	142	26	32	4	2	3,071	3,156
Intangible Assets		3.9	2,750	3,077	92	111	4	3	0	0	2,846	3,191
Other Non-Current Assets		3.7	20	20	0	0	0	0	0	0	20	20
			5,638	6,077	263	253	30	35	4	2	5,936	6,367
Total Assets			37,146	28,463	2,688	3,012	429	361	149	47	40,412	31,883
LIABILITIES												
Current Liabilities												
Accounts Payable		4.1	4,033	1,586	297	494	8	2	(2)	(0)	4,336	2,083
Accruals		4.2	1,176	2,120	492	1,593	107	127	19	22	1,794	3,862
Deferred Revenue		4.3	7,041	2,898	849	0	0	0	0	0	7,890	2,898
Funds Held for Third Parties		4.4	12,188	9,990	174	233	0	0	0	0	12,362	10,223
Employee Benefits Current		4.5	1,104	1,353	323	448	170	154	48	77	1,645	2,031
Cash Surplus Current		4.7	358	(571)	10	117	3	22	0	6	371	(426)
Provisions		4.8	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities		4.9	508	624	2	(0)	64	101	0	0	573	724
			26,410	18,000	2,146	2,885	351	406	65	104	28,971	21,395
Non-Current Liabilities												
Employee Benefits Non-Current		4.5	1,780	2,004	813	888	223	225	130	150	2,946	3,267
Cash Surplus Non-Current		4.7	(103)	43	64	(25)	(1)	(10)	80	(5)	41	3
Other Non-Current Liabilities		4.9	0	0	0	0	0	0	0	0	0	0
			1,677	2,047	877	863	222	215	210	145	2,987	3,270
Total Liabilities			28,087	20,047	3,023	3,748	573	621	275	249	31,958	24,665
NET ASSETS												
Cash Surplus Withheld		5.1	178	178	9	9	4	4	1	1	192	192
Revolving Fund		5.2	2,710	2,710	0	0	0	0	0	0	2,710	2,710
Contingency Fund		5.2	2,180	2,180	0	0	0	0	0	0	2,180	2,180
Other Reserves		5.3	(1,275)	(1,368)	(852)	(765)	(93)	(135)	(52)	(63)	(2,273)	(2,331)
Accumulated Surplus/(Deficit)		5.4	5,267	4,716	509	21	(56)	(130)	(76)	(140)	5,644	4,467
Total Net Assets			9,059	8,416	(334)	(735)	(145)	(261)	(127)	(202)	8,454	7,218

The accompanying Notes are an integral part of these Statements

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

For the Year Ended 31 December 2017

EUR '000		The Secretariat		Office for Democratic Institutions and Human Rights		High Commissioner on National Minorities		Representative on Freedom of the Media		Total Institutions	
1000	Note	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
REVENUE			<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>
Assessed Contributions	6.1	36,840	35,947	16,045	16,043	3,408	3,384	1,482	1,449	57,774	56,824
Extra-Budgetary Contributions	6.2	0	0	0	0	0	0	0	0	0	0
Finance Revenue	6.3	118	87	1	1	0	(0)	0	0	119	88
Contributions In-Kind	6.4	8,130	7,536	2,073	1,938	407	508	419	382	11,028	10,364
Revenue from Exchange Transactions	6.5	17	19	(23)	(46)	1	0	0	(0)	(6)	(27)
Foreign Exchange Gains/(Losses)	6.6	(68)	(41)	(54)	(6)	1	(0)	(0)	(1)	(121)	(48)
Other Revenue	6.7	1,177	2,286	3	968	(0)	0	0	1	1,180	3,255
Total Revenue		46,214	45,835	18,045	18,899	3,816	3,892	1,900	1,831	69,974	70,456
EXPENSES											
Staff Costs	7.1	28,827	27,736	8,601	8,584	2,813	2,840	1,499	1,533	41,739	40,693
Consultancy and Subcontracting	7.2	1,328	1,188	3,883	5,733	250	327	47	22	5,507	7,270
Travel Expenses	7.3	2,366	2,443	1,584	1,893	315	368	136	198	4,401	4,902
Services and Office Costs	7.4	11,107	10,149	2,699	2,948	268	288	45	66	14,120	13,452
Consumables and Supplies	7.5	392	323	282	352	28	28	12	8	713	711
Depreciation and Amortisation	7.6	1,232	1,124	143	122	12	11	1	1	1,388	1,257
Equipment Expenses	7.7	(55)	567	224	230	32	10	2	4	203	812
Other Operating Expenses	7.8	568	608	78	87	25	29	15	17	685	742
Total Expenses		45,766	44,138	17,492	19,949	3,742	3,901	1,756	1,851	68,756	69,839
Surplus/(Deficit) for the Period	8.1	448	1,697	553	(1,051)	73	(9)	144	(19)	1,218	617

The accompanying Notes are an integral part of these Statements

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

As at 31 December 2017

EUR '000		Augmentations		South-Eastern Europe		Eastern Europe		Caucasus		Central Asia		Total Regions		Closed Funds		Total Field Operations		
1000	Note	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	
ASSETS																		
Current Assets																		
Cash and Cash Equivalents	3.1	0	0	614	733	631	225	63	183	547	629	1,855	1,770	0	0	1,855	1,770	
Investments	3.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Contributions Receivable	3.3	12	2	121	15	15	2	14	2	53	7	216	28	2	2	218	30	
Accounts Receivable	3.4	0	0	412	740	274	129	0	0	135	225	822	1,094	0	0	822	1,094	
Prepayments	3.5	0	0	756	610	277	274	3	18	473	145	1,509	1,047	0	0	1,509	1,047	
Inventory	3.6	0	0	22	18	18	0	0	0	73	0	113	18	0	0	113	18	
Inter-Fund Balances	3.1	(23)	(12)	1,547	2,235	(429)	(204)	1,093	229	3,920	1,773	6,108	4,021	45	191	6,153	4,212	
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		(11)	(10)	3,472	4,351	788	427	1,173	432	5,200	2,779	10,623	7,978	48	193	10,670	8,171	
Non-Current Assets																		
Property, Plant and Equipment	3.8	0	0	2,433	2,044	424	357	184	285	803	1,136	3,846	3,823	0	0	3,846	3,823	
Intangible Assets	3.9	0	0	118	130	13	19	0	35	47	51	178	236	0	0	178	236	
Other Non-Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		0	0	2,552	2,174	438	376	184	321	850	1,188	4,024	4,059	0	0	4,024	4,059	
Total Assets		(11)	(10)	6,024	6,525	1,225	803	1,358	752	6,051	3,967	14,647	12,037	48	193	14,694	12,230	
LIABILITIES																		
Current Liabilities																		
Accounts Payable	4.1	0	0	394	450	222	329	4	19	968	1,103	1,588	1,901	0	0	1,588	1,901	
Accruals	4.2	28	5	1,184	999	173	124	24	57	1,075	592	2,484	1,776	0	0	2,484	1,776	
Deferred Revenue	4.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Funds Held for Third Parties	4.4	0	0	28	25	0	0	0	0	0	0	28	25	0	0	28	25	
Employee Benefits Current	4.5	189	251	1,098	2,054	77	125	18	105	259	401	1,641	2,935	0	0	1,641	2,935	
Cash Surplus Current	4.7	(3)	17	109	937	2	(59)	97	229	56	646	261	1,770	39	172	300	1,942	
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	76	61	1	0	0	0	153	2	230	62	0	0	230	62	
		214	272	2,889	4,526	476	519	142	410	2,511	2,742	6,232	8,470	39	172	6,271	8,641	
Non-Current Liabilities																		
Employee Benefits Non-Current	4.5	190	235	72	77	4	6	3	5	29	32	297	355	0	0	297	355	
Cash Surplus Non-Current	4.7	0	(1)	(17)	263	282	(69)	987	17	1,648	(84)	2,900	125	8	20	2,907	145	
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		190	233	55	341	286	(63)	989	21	1,676	(52)	3,197	480	8	20	3,204	500	
Total Liabilities		404	506	2,944	4,866	762	456	1,131	432	4,187	2,690	9,429	8,950	46	192	9,475	9,142	
NET ASSETS																		
Cash Surplus Withheld	5.1	0	0	27	27	2	2	9	9	5	5	43	43	17	17	60	60	
Revolving Fund	5.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Contingency Func	5.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Other Reserves	5.3	205	175	316	308	(3)	(4)	(6)	(5)	(119)	(118)	393	357	(6)	(6)	387	351	
Accumulated Surplus/(Deficit)	5.4	(620)	(691)	2,737	1,323	465	349	224	317	1,977	1,390	4,782	2,687	(10)	(11)	4,772	2,677	
Total Net Assets		(415)	(516)	3,080	1,659	463	347	226	320	1,863	1,277	5,218	3,087	1	1	5,219	3,088	

The accompanying Notes are an integral part of these Statements

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

For the Year Ended 31 December 2017

EUR '000		Augmentations		South-Eastern Europe		Eastern Europe		Caucasus		Central Asia		Total Regions		Closed Funds		Total Field Operations	
1000	Note	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
REVENUE					<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>				<i>(Restated)</i>
Assessed Contributions	6.1	4,559	4,714	46,604	46,803	5,868	5,654	3,862	4,700	20,316	19,521	81,209	81,391	0	0	81,209	81,391
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	2	1	1	0	0	0	0	1	2	0	0	1	2
Contributions In-Kind	6.4	0	0	10,478	13,514	895	1,055	1,079	1,165	3,172	3,919	15,625	19,653	0	0	15,625	19,653
Revenue from Exchange Transactions	6.5	0	0	237	316	18	12	23	12	(79)	(3)	200	337	0	0	200	337
Foreign Exchange Gains/(Losses)	6.6	0	0	(311)	199	(27)	(83)	(10)	2	55	(116)	(293)	2	0	0	(293)	2
Other Revenue	6.7	0	(821)	125	52	9	1	(92)	(0)	14	45	56	(724)	0	0	56	(724)
Total Revenue		4,559	3,893	57,133	60,885	6,764	6,639	4,863	5,879	23,479	23,366	96,797	100,661	0	0	96,797	100,661
EXPENSES																	
Staff Costs	7.1	4,334	4,596	41,471	46,259	3,096	3,442	2,706	3,063	9,906	11,393	61,513	68,754	0	0	61,513	68,754
Consultancy and Subcontracting	7.2	56	22	2,270	2,187	756	846	1	625	2,921	3,425	6,003	7,105	0	0	6,003	7,105
Travel Expenses	7.3	73	118	3,150	3,095	889	751	513	873	3,310	3,407	7,935	8,244	0	0	7,935	8,244
Services and Office Costs	7.4	19	18	6,013	6,102	1,097	1,118	390	833	3,224	3,329	10,744	11,400	0	0	10,744	11,400
Consumables and Supplies	7.5	1	1	1,075	1,019	249	178	90	133	603	820	2,018	2,151	0	0	2,018	2,151
Depreciation and Amortisation	7.6	0	0	954	800	138	111	79	106	477	506	1,647	1,523	0	0	1,647	1,523
Equipment Expenses	7.7	0	0	629	510	97	99	111	91	614	601	1,450	1,302	0	0	1,450	1,302
Other Operating Expenses	7.8	4	4	175	223	44	39	79	70	190	196	492	532	(8)	(8)	484	525
Total Expenses		4,488	4,759	55,737	60,196	6,365	6,585	3,969	5,795	21,244	23,676	91,802	101,011	(8)	(8)	91,794	101,004
Surplus/(Deficit) for the Period	8.1	71	(867)	1,396	690	399	54	894	84	2,235	(311)	4,994	(350)	8	8	5,002	(343)

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

As at 31 December 2017

EUR '000	1000	Note	Mission in Kosovo		Mission to Bosnia and Herzegovina		Mission to Serbia		Presence in Albania		Mission to Skopje		Mission to Montenegro		Total South-Eastern Europe	
			2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
ASSETS																
Current Assets																
Cash and Cash Equivalents	3.1	140	58	75	44	124	314	92	117	109	133	74	68	614	733	
Investments	3.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Contributions Receivable	3.3	46	6	29	3	17	2	8	1	17	2	6	1	121	15	
Accounts Receivable	3.4	20	20	234	599	0	0	59	37	101	84	(2)	0	412	740	
Prepayments	3.5	130	64	66	0	314	389	11	11	54	40	181	106	756	610	
Inventory	3.6	0	1	0	0	0	1	0	0	22	16	0	0	22	18	
Inter-Fund Balances	3.1	1,013	1,989	(245)	135	167	(243)	165	133	243	194	204	27	1,547	2,235	
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		1,349	2,137	159	781	621	464	335	298	545	470	462	201	3,472	4,351	
Non-Current Assets																
Property, Plant and Equipment	3.8	1,362	971	425	427	119	234	104	100	335	255	88	58	2,433	2,044	
Intangible Assets	3.9	59	67	21	25	14	8	1	1	23	29	1	0	118	130	
Other Non-Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		1,421	1,038	446	452	133	242	105	101	358	283	88	58	2,552	2,174	
Total Assets		2,770	3,175	605	1,233	755	705	440	399	903	753	551	259	6,024	6,525	
LIABILITIES																
Current Liabilities																
Accounts Payable	4.1	103	254	21	34	69	63	77	45	99	33	25	21	394	450	
Accruals	4.2	342	284	100	78	388	279	82	82	213	203	59	72	1,184	999	
Deferred Revenue	4.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Funds Held for Third Parties	4.4	0	0	12	11	0	0	0	0	15	14	0	0	28	25	
Employee Benefits Current	4.5	428	976	322	518	139	217	47	70	126	209	37	65	1,098	2,054	
Cash Surplus Current	4.7	17	476	2	161	55	96	9	106	10	52	16	46	109	937	
Provisions	4.8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Other Current Liabilities	4.9	61	60	3	1	0	(0)	(0)	(0)	(0)	(1)	12	0	76	61	
		951	2,050	460	803	651	656	215	303	463	509	149	205	2,889	4,526	
Non-Current Liabilities																
Employee Benefits Non-Current	4.5	35	40	9	11	8	7	6	7	11	11	4	2	72	77	
Cash Surplus Non-Current	4.7	(2)	19	(240)	254	(28)	(46)	42	15	(10)	5	221	15	(17)	263	
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		33	59	(231)	265	(21)	(39)	48	22	1	16	225	17	55	341	
Total Liabilities		984	2,108	229	1,068	630	617	263	325	464	525	374	222	2,944	4,866	
NET ASSETS																
Cash Surplus Withheld	5.1	20	20	7	7	2	2	4	4	(6)	(6)	0	0	27	27	
Revolving Fund	5.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Contingency Fund	5.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Other Reserves	5.3	232	224	32	31	28	29	11	10	15	15	(2)	0	316	308	
Accumulated Surplus/(Deficit)	5.4	1,534	822	337	127	95	58	162	59	431	219	179	37	2,737	1,323	
Total Net Assets		1,787	1,066	376	165	124	89	177	74	439	228	177	37	3,080	1,659	

The accompanying Notes are an integral part of these Statements

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

For the Year Ended 31 December 2017

EUR '000		Note	Mission in Kosovo		Mission to Bosnia and Herzegovina		Mission to Serbia		Presence in Albania		Mission to Skopje		Mission to Montenegro		Total South-Eastern Europe	
			2017	2016 <i>(Restated)</i>	2017	2016 <i>(Restated)</i>	2017	2016 <i>(Restated)</i>	2017	2016 <i>(Restated)</i>	2017	2016 <i>(Restated)</i>	2017	2016 <i>(Restated)</i>	2017	2016 <i>(Restated)</i>
	1000															
	REVENUE															
	Assessed Contributions	6.1	17,511	17,786	11,374	11,375	6,238	6,356	2,893	2,893	6,443	6,323	2,146	2,070	46,604	46,803
	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	2	0	0	0	0	2
	Contributions In-Kind	6.4	4,129	6,394	1,566	1,867	1,282	1,365	1,134	1,184	1,906	2,205	461	499	10,478	13,514
	Revenue from Exchange Transactions	6.5	136	233	23	41	9	16	(1)	16	58	(5)	13	16	237	316
	Foreign Exchange Gains/(Losses)	6.6	0	0	(300)	236	(13)	(44)	7	10	(6)	(2)	0	0	(311)	199
	Other Revenue	6.7	16	18	27	16	(2)	4	20	5	64	8	0	0	125	52
	Total Revenue		21,792	24,430	12,690	13,535	7,514	7,697	4,053	4,108	8,465	8,530	2,620	2,585	57,133	60,885
	EXPENSES															
	Staff Costs	7.1	16,434	19,922	9,608	10,143	5,077	5,301	2,918	2,965	5,881	6,243	1,553	1,684	41,471	46,259
	Consultancy and Subcontracting	7.2	639	563	363	341	535	585	120	201	489	390	124	106	2,270	2,187
	Travel Expenses	7.3	796	662	913	948	622	618	227	215	411	401	180	252	3,150	3,095
	Services and Office Costs	7.4	2,006	2,082	1,314	1,282	946	957	449	457	984	921	315	402	6,013	6,102
	Consumables and Supplies	7.5	409	304	286	275	74	96	85	90	191	212	31	43	1,075	1,019
	Depreciation and Amortisation	7.6	463	365	195	198	114	98	45	26	107	92	30	21	954	800
	Equipment Expenses	7.7	315	231	19	26	88	75	52	34	144	113	10	31	629	510
	Other Operating Expenses	7.8	20	28	22	17	50	56	14	35	56	64	13	22	175	223
	Total Expenses		21,082	24,158	12,721	13,230	7,505	7,786	3,909	4,023	8,263	8,436	2,256	2,562	55,737	60,196
	Surplus/(Deficit) for the Period	8.1	710	273	(31)	305	8	(89)	144	85	202	94	363	23	1,396	690

The accompanying Notes are an integral part of these Statements

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

As at 31 December 2017

EUR '000		Mission to Moldova		Project Co-ordinator in Ukraine		Representative on the Latvian-Russian Joint Commission on Military Pensioners		Total Eastern Europe	
1000	Note	2017	2016	2017	2016	2017	2016	2017	2016
ASSETS									
Current Assets									
Cash and Cash Equivalents	3.1	72	18	559	207	0	0	631	225
Investments	3.2	0	0	0	0	0	0	0	0
Contributions Receivable	3.3	6	1	9	1	0	0	15	2
Accounts Receivable	3.4	26	25	248	105	0	0	274	129
Prepayments	3.5	11	3	266	272	0	0	277	274
Inventory	3.6	0	0	18	0	0	0	18	0
Inter-Fund Balances	3.1	151	118	(580)	(322)	0	0	(429)	(204)
Other Current Assets	3.7	0	0	0	0	0	0	0	0
		267	164	521	263	0	0	788	427
Non-Current Assets									
Property, Plant and Equipment	3.8	276	287	148	70	0	0	424	357
Intangible Assets	3.9	9	12	4	7	0	0	13	19
Other Non-Current Assets	3.7	0	0	0	0	0	0	0	0
		286	299	152	77	0	0	438	376
Total Assets		552	463	673	339	0	0	1,225	803
LIABILITIES									
Current Liabilities									
Accounts Payable	4.1	18	7	205	322	0	0	222	329
Accruals	4.2	57	57	116	67	0	0	173	124
Deferred Revenue	4.3	0	0	0	0	0	0	0	0
Funds Held for Third Parties	4.4	0	0	0	0	0	0	0	0
Employee Benefits Current	4.5	26	35	51	90	0	0	77	125
Cash Surplus Current	4.7	1	47	2	(106)	0	0	2	(59)
Provisions	4.8	0	0	0	0	0	0	0	0
Other Current Liabilities	4.9	0	0	1	0	0	0	1	0
		102	146	374	373	0	0	476	519
Non-Current Liabilities									
Employee Benefits Non-Current	4.5	3	5	1	1	0	0	4	6
Cash Surplus Non-Current	4.7	117	4	165	(74)	0	0	282	(69)
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0
		120	9	166	(72)	0	0	286	(63)
Total Liabilities		222	155	540	301	0	0	762	456
NET ASSETS									
Cash Surplus Withheld	5.1	1	1	1	1	0	0	2	2
Revolving Fund	5.2	0	0	0	0	0	0	0	0
Contingency Fund	5.2	0	0	0	0	0	0	0	0
Other Reserves	5.3	(5)	(6)	2	2	0	0	(3)	(4)
Accumulated Surplus/(Deficit)	5.4	335	314	130	35	0	0	465	349
Total Net Assets		331	309	133	38	0	0	463	347

The accompanying Notes are an integral part of these Statements

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

For the Year Ended 31 December 2017

EUR '000			Mission to Moldova		Project Co-ordinator in Ukraine		Representative on the Latvian-Russian Joint Commission on Military Pensioners		Total Eastern Europe	
	1000	Note	2017	2016 <i>(Restated)</i>	2017	2016 <i>(Restated)</i>	2017	2016 <i>(Restated)</i>	2017	2016 <i>(Restated)</i>
REVENUE										
Assessed Contributions		6.1	2,264	2,174	3,599	3,475	6	5	5,868	5,654
Extra-Budgetary Contributions		6.2	0	0	0	0	0	0	0	0
Finance Revenue		6.3	0	0	1	1	0	0	1	1
Contributions In-Kind		6.4	642	818	197	175	57	62	895	1,055
Revenue from Exchange Transactions		6.5	2	7	16	5	0	0	18	12
Foreign Exchange Gains/(Losses)		6.6	(5)	(4)	(23)	(79)	0	0	(27)	(83)
Other Revenue		6.7	9	0	0	0	0	0	9	1
Total Revenue			2,912	2,996	3,790	3,576	62	67	6,764	6,639
EXPENSES										
Staff Costs		7.1	1,599	1,865	1,440	1,516	57	62	3,096	3,442
Consultancy and Subcontracting		7.2	158	174	598	672	0	0	756	846
Travel Expenses		7.3	234	217	650	529	5	4	889	751
Services and Office Costs		7.4	479	438	618	681	0	0	1,097	1,118
Consumables and Supplies		7.5	111	79	139	99	0	0	249	178
Depreciation and Amortisation		7.6	106	87	31	24	0	0	138	111
Equipment Expenses		7.7	61	48	35	51	0	0	97	99
Other Operating Expenses		7.8	25	25	19	14	0	0	44	39
Total Expenses			2,774	2,933	3,530	3,586	62	67	6,365	6,585
Surplus/(Deficit) for the Period		8.1	138	63	260	(9)	0	0	399	54

The accompanying Notes are an integral part of these Statements

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

As at 31 December 2017

EUR '000		Office in Yerevan		Project Co-ordinator in Baku		High-Level Planning Group		The Minsk Process		Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference		Total Caucasus		
	1000	Note	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
ASSETS														
Current Assets														
Cash and Cash Equivalents		3.1	0	48	0	0	0	0	0	0	63	134	63	183
Investments		3.2	0	0	0	0	0	0	0	0	0	0	0	0
Contributions Receivable		3.3	8	1	0	0	1	0	2	0	3	0	14	2
Accounts Receivable		3.4	0	0	0	0	0	0	0	0	0	0	0	0
Prepayments		3.5	0	18	0	0	1	0	0	0	2	0	3	18
Inventory		3.6	0	0	0	0	0	0	0	0	0	0	0	0
Inter-Fund Balances		3.1	321	120	12	12	87	40	486	(52)	188	109	1,093	229
Other Current Assets		3.7	0	0	0	0	0	0	0	0	0	0	0	0
			328	187	12	12	89	40	488	(51)	256	244	1,173	432
Non-Current Assets														
Property, Plant and Equipment		3.8	0	126	0	0	0	0	0	0	184	160	184	285
Intangible Assets		3.9	0	35	0	0	0	0	0	0	0	0	0	35
Other Non-Current Assets		3.7	0	0	0	0	0	0	0	0	0	0	0	0
			0	161	0	0	0	0	0	0	184	160	184	321
Total Assets			328	348	12	12	89	40	488	(51)	441	404	1,358	752
LIABILITIES														
Current Liabilities														
Accounts Payable		4.1	(0)	14	0	0	0	0	0	0	4	5	4	19
Accruals		4.2	6	44	0	0	1	1	3	3	14	9	24	57
Deferred Revenue		4.3	0	0	0	0	0	0	0	0	0	0	0	0
Funds Held for Third Parties		4.4	0	0	0	0	0	0	0	0	0	0	0	0
Employee Benefits Current		4.5	0	78	0	0	5	5	0	0	13	22	18	105
Cash Surplus Current		4.7	2	57	0	0	0	3	94	106	0	63	97	229
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	0	0	0	0	0	0
			8	193	0	0	6	9	97	110	31	99	142	410
Non-Current Liabilities														
Employee Benefits Non-Current		4.5	0	2	0	0	0	0	0	0	3	3	3	5
Cash Surplus Non-Current		4.7	314	7	0	0	28	0	551	0	93	9	987	17
Other Non-Current Liabilities		4.9	0	0	0	0	0	0	0	0	0	0	0	0
			314	9	0	0	28	0	551	0	96	12	989	21
Total Liabilities			322	202	0	0	34	9	648	110	127	111	1,131	432
NET ASSETS														
Cash Surplus Withheld		5.1	1	1	0	0	1	1	5	5	2	2	9	9
Revolving Fund		5.2	0	0	0	0	0	0	0	0	0	0	0	0
Contingency Fund		5.2	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserves		5.3	(2)	(2)	0	0	0	0	0	0	(4)	(4)	(6)	(5)
Accumulated Surplus/(Deficit)		5.4	7	146	12	12	53	30	(164)	(166)	316	295	224	317
Total Net Assets			6	146	12	12	54	31	(159)	(161)	314	293	226	320

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

For the Year Ended 31 December 2017

EUR '000		Note	Office in Yerevan		Project Co-ordinator in Baku		High-Level Planning Group		The Minsk Process		Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference		Total Caucasus	
			1000	2017	2016 <i>(Restated)</i>	2017	2016	2017	2016 <i>(Restated)</i>	2017	2016	2017	2016 <i>(Restated)</i>	2017
REVENUE														
	Assessed Contributions	6.1	1,451	2,956	0	0	264	201	911	410	1,236	1,134	3,862	4,700
	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	249	395	0	0	523	432	0	0	307	338	1,079	1,165
	Revenue from Exchange Transactions	6.5	24	8	0	0	0	0	0	0	(1)	4	23	12
	Foreign Exchange Gains/(Losses)	6.6	(3)	3	0	0	0	0	0	0	(7)	(1)	(10)	2
	Other Revenue	6.7	(95)	(0)	0	(0)	0	0	0	0	3	(0)	(92)	(0)
	Total Revenue		1,627	3,362	0	(0)	787	633	911	410	1,538	1,474	4,863	5,879
EXPENSES														
	Staff Costs	7.1	1,101	1,526	0	(10)	606	513	0	0	999	1,033	2,706	3,063
	Consultancy and Subcontracting	7.2	(1)	622	0	0	0	0	0	0	2	2	1	625
	Travel Expenses	7.3	40	372	0	(0)	41	28	341	385	92	89	513	873
	Services and Office Costs	7.4	123	547	0	(1)	75	87	6	8	185	192	390	833
	Consumables and Supplies	7.5	19	75	0	0	10	2	0	0	61	56	90	133
	Depreciation and Amortisation	7.6	29	52	0	0	0	0	0	0	50	54	79	106
	Equipment Expenses	7.7	82	89	0	0	3	0	0	0	25	2	111	91
	Other Operating Expenses	7.8	58	47	0	(1)	0	0	11	15	9	9	79	70
	Total Expenses		1,452	3,330	0	(12)	736	630	358	409	1,423	1,437	3,969	5,795
	Surplus/(Deficit) for the Period	8.1	175	32	0	12	51	2	553	0	115	37	894	84

The accompanying Notes are an integral part of these Statements

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

As at 31 December 2017

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	
1000	Note	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
ASSETS													
Current Assets													
Cash and Cash Equivalents	3.1	96	104	60	71	309	260	79	111	2	83	547	629
Investments	3.2	0	0	0	0	0	0	0	0	0	0	0	0
Contributions Receivable	3.3	6	1	4	1	18	3	5	1	20	3	53	7
Accounts Receivable	3.4	0	(1)	0	0	76	126	0	13	59	86	135	225
Prepayments	3.5	20	22	4	4	279	11	85	91	85	16	473	145
Inventory	3.6	0	0	0	0	16	0	0	0	57	0	73	0
Inter-Fund Balances	3.1	66	48	115	136	1,123	56	74	252	2,542	1,282	3,920	1,773
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0
		188	174	183	212	1,821	455	243	468	2,766	1,470	5,200	2,779
Non-Current Assets													
Property, Plant and Equipment	3.8	35	46	60	54	68	375	169	153	471	507	803	1,136
Intangible Assets	3.9	3	4	2	3	35	41	6	2	1	0	47	51
Other Non-Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0
		38	50	62	57	103	416	176	156	471	508	850	1,188
Total Assets		226	225	246	270	1,924	872	418	623	3,237	1,978	6,051	3,967
LIABILITIES													
Current Liabilities													
Accounts Payable	4.1	14	1	18	27	31	112	4	40	902	922	968	1,103
Accruals	4.2	58	36	49	14	400	120	194	217	374	204	1,075	592
Deferred Revenue	4.3	0	0	0	0	0	0	0	0	0	0	0	0
Funds Held for Third Parties	4.4	0	0	0	0	0	0	0	0	0	0	0	0
Employee Benefits Current	4.5	72	97	25	36	47	86	21	32	93	150	259	401
Cash Surplus Current	4.7	21	100	3	116	18	196	6	57	7	176	56	646
Provisions	4.8	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	4.9	1	1	(0)	0	1	0	0	0	151	0	153	2
		166	236	94	194	498	514	225	346	1,527	1,452	2,511	2,742
Non-Current Liabilities													
Employee Benefits Non-Current	4.5	4	1	4	3	8	9	2	3	11	16	29	32
Cash Surplus Non-Current	4.7	32	(11)	0	1	887	(62)	(16)	2	744	(15)	1,648	(84)
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0	0	0	0	0
		36	(9)	4	4	895	(52)	(14)	4	755	1	1,676	(52)
Total Liabilities		203	226	98	198	1,393	462	211	351	2,283	1,453	4,187	2,690
NET ASSETS													
Cash Surplus Withheld	5.1	1	1	1	1	0	0	1	1	2	2	5	5
Revolving Fund	5.2	0	0	0	0	0	0	0	0	0	0	0	0
Contingency Fund	5.2	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserves	5.3	(17)	(15)	(1)	(1)	(51)	(46)	(8)	(9)	(43)	(47)	(119)	(118)
Accumulated Surplus/(Deficit)	5.4	39	13	147	72	581	456	214	281	995	569	1,977	1,390
Total Net Assets		23	(2)	147	72	531	410	207	273	954	525	1,863	1,277

The accompanying Notes are an integral part of these Statements

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

For the Year Ended 31 December 2017

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			
		1000	Note	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	REVENUE			<i>(Restated)</i>	<i>(Restated)</i>	<i>(Restated)</i>	<i>(Restated)</i>	<i>(Restated)</i>	<i>(Restated)</i>	<i>(Restated)</i>	<i>(Restated)</i>	<i>(Restated)</i>	<i>(Restated)</i>	<i>(Restated)</i>	
	Assessed Contributions		6.1	2,175	2,135	1,655	1,585	6,797	6,626	2,134	2,097	7,555	7,078	20,316	19,521
	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	404	442	297	350	966	1,358	228	159	1,277	1,611	3,172	3,919
	Revenue from Exchange Transactions		6.5	0	0	0	0	(118)	(1)	(0)	(15)	39	13	(79)	(3)
	Foreign Exchange Gains/(Losses)		6.6	(6)	(10)	(4)	2	(4)	(61)	(14)	2	85	(48)	55	(116)
	Other Revenue		6.7	2	5	(0)	(0)	0	5	(13)	0	25	33	14	45
	Total Revenue			2,574	2,572	1,948	1,937	7,642	7,926	2,334	2,243	8,980	8,687	23,479	23,366
	EXPENSES														
	Staff Costs		7.1	1,191	1,343	977	1,048	2,795	3,712	874	737	4,069	4,553	9,906	11,393
	Consultancy and Subcontracting		7.2	265	309	194	234	1,308	1,646	259	255	895	982	2,921	3,425
	Travel Expenses		7.3	419	417	280	245	967	1,089	634	520	1,010	1,137	3,310	3,407
	Services and Office Costs		7.4	522	448	277	272	943	1,096	362	386	1,121	1,126	3,224	3,329
	Consumables and Supplies		7.5	40	35	42	47	178	255	67	63	276	420	603	820
	Depreciation and Amortisation		7.6	17	22	39	32	139	204	71	62	211	186	477	506
	Equipment Expenses		7.7	29	3	33	33	258	177	106	87	189	301	614	601
	Other Operating Expenses		7.8	33	36	29	20	43	20	44	38	40	83	190	196
	Total Expenses			2,515	2,613	1,872	1,930	6,629	8,198	2,417	2,148	7,811	8,787	21,244	23,676
	Surplus/(Deficit) for the Period		8.1	59	(41)	76	7	1,013	(273)	(82)	95	1,169	(99)	2,235	(311)

The accompanying Notes are an integral part of these Statements

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

As at 31 December 2017

EUR '000		ERP Upgrade Fund		Information Security Enhancement		Special Monitoring Mission to Ukraine		Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border		Total Special Purpose Funds	
1000	Note	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
ASSETS											
Current Assets											
Cash and Cash Equivalents	3.1	0	0	0	0	673	1,179	41	63	714	1,242
Investments	3.2	0	0	0	0	0	0	0	0	0	0
Contributions Receivable	3.3	0	0	0	0	0	28	0	0	0	28
Accounts Receivable	3.4	0	0	0	0	532	351	0	0	532	351
Prepayments	3.5	0	0	0	0	385	102	3	10	389	112
Inventory	3.6	0	0	0	0	966	653	0	0	966	653
Inter-Fund Balances	3.1	0	0	719	0	23,817	10,737	242	220	24,778	10,956
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0
		0	0	719	0	26,373	13,049	286	293	27,379	13,342
Non-Current Assets											
Property, Plant and Equipment	3.8	0	0	0	0	11,386	13,169	35	59	11,421	13,228
Intangible Assets	3.9	0	0	0	0	580	694	0	0	580	694
Other Non-Current Assets	3.7	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	11,966	13,863	35	59	12,001	13,922
Total Assets		0	0	719	0	38,339	26,912	321	352	39,380	27,264
LIABILITIES											
Current Liabilities											
Accounts Payable	4.1	0	0	0	0	336	140	(1)	3	336	142
Accruals	4.2	0	0	134	0	1,461	1,586	8	7	1,602	1,593
Deferred Revenue	4.3	0	0	0	0	5,327	23	0	0	5,327	23
Funds Held for Third Parties	4.4	0	0	0	0	0	0	0	0	0	0
Employee Benefits Current	4.5	0	0	0	0	409	490	7	5	416	495
Cash Surplus Current	4.7	0	0	0	0	0	0	0	0	0	0
Provisions	4.8	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	4.9	0	0	0	0	9	3	(2)	0	7	3
		0	0	134	0	7,542	2,241	12	16	7,688	2,257
Non-Current Liabilities											
Employee Benefits Non-Current	4.5	0	0	0	0	272	202	8	7	281	210
Cash Surplus Non-Current	4.7	0	0	0	0	0	0	0	0	0	0
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	272	202	8	7	281	210
Total Liabilities		0	0	134	0	7,815	2,443	20	23	7,969	2,466
NET ASSETS											
Cash Surplus Withheld	5.1	0	0	0	0	0	0	0	0	0	0
Revolving Fund	5.2	0	0	0	0	0	0	0	0	0	0
Contingency Fund	5.2	0	0	0	0	0	0	0	0	0	0
Other Reserves	5.3	0	0	0	0	(82)	(74)	(4)	(6)	(86)	(80)
Accumulated Surplus/(Deficit)	5.4	0	0	585	0	30,606	24,543	305	335	31,497	24,878
Total Net Assets		0	0	585	0	30,525	24,469	301	329	31,411	24,798

The accompanying Notes are an integral part of these Statements

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

For the Year Ended 31 December 2017

EUR '000		Note	ERP Upgrade Fund		Information Security Enhancement		Special Monitoring Mission to Ukraine		Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border		Total Special Purpose Funds	
			2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	1000											
	REVENUE											
	Assessed Contributions	6.1	0	0	0	0	67,587	69,564	0	0	67,587	69,564
	Extra-Budgetary Contributions	6.2	0	0	0	0	0	0	0	0	0	0
	Finance Revenue	6.3	0	0	0	0	0	0	0	0	0	0
	Contributions In-Kind	6.4	0	0	0	0	41,003	47,628	1,188	1,272	42,191	48,900
	Revenue from Exchange Transactions	6.5	0	0	0	0	(11)	(47)	0	0	(11)	(47)
	Foreign Exchange Gains/(Losses)	6.6	0	0	0	0	(31)	(9)	(0)	0	(31)	(9)
	Other Revenue	6.7	0	(1,353)	800	0	65	212	1,218	1,184	2,083	44
	Total Revenue		0	(1,353)	800	0	108,613	117,349	2,406	2,456	111,819	118,452
	EXPENSES											
	Staff Costs	7.1	0	0	12	0	77,244	83,443	2,344	2,427	79,600	85,870
	Consultancy and Subcontracting	7.2	0	0	202	0	7,434	6,174	0	(3)	7,636	6,171
	Travel Expenses	7.3	0	0	0	0	4,408	4,768	22	37	4,431	4,805
	Services and Office Costs	7.4	0	0	0	0	6,104	4,661	27	24	6,131	4,684
	Consumables and Supplies	7.5	0	0	0	0	1,982	2,091	16	14	1,998	2,105
	Depreciation and Amortisation	7.6	0	0	0	0	3,953	2,855	24	24	3,977	2,879
	Equipment Expenses	7.7	0	0	0	0	877	1,162	0	1	877	1,162
	Other Operating Expenses	7.8	0	0	0	0	549	4,214	3	5	552	4,219
	Total Expenses		0	0	215	0	102,550	109,367	2,436	2,528	105,200	111,895
	Surplus/(Deficit) for the Period	8.1	0	(1,353)	585	0	6,063	7,981	(29)	(71)	6,619	6,557

The accompanying Notes are an integral part of these Statements

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

As at 31 December 2017

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		Total Extra-Budgetary Funds		
	1000	Note	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
ASSETS														
Current Assets														
Cash and Cash Equivalents		3.1	0	0	0	0	0	0	9,233	0	0	0	9,233	0
Investments		3.2	0	0	0	0	0	0	4,853	7,950	0	28,000	4,853	35,950
Contributions Receivable		3.3	523	389	153	250	1,169	4,000	0	0	15,178	9,675	17,023	14,314
Accounts Receivable		3.4	0	0	0	0	0	0	0	0	0	0	0	0
Prepayments		3.5	0	0	0	0	0	0	0	0	0	0	0	0
Inventory		3.6	2	0	0	0	0	0	0	0	166	80	167	80
Inter-Fund Balances		3.1	2,114	1,678	1,076	1,068	5,967	4,342	(6,379)	429	37,959	3,768	40,737	11,285
Other Current Assets		3.7	0	0	0	0	0	0	0	0	0	0	0	0
			2,639	2,066	1,229	1,318	7,136	8,342	7,707	8,379	53,304	41,524	72,014	61,629
Non-Current Assets														
Property, Plant and Equipment		3.8	0	0	34	2	6,301	7,473	0	0	374	686	6,708	8,161
Intangible Assets		3.9	0	0	0	0	155	149	91	128	50	66	296	344
Other Non-Current Assets		3.7	0	0	0	0	0	0	0	0	0	0	0	0
			0	0	34	2	6,455	7,623	91	128	425	752	7,004	8,505
Total Assets			2,639	2,066	1,262	1,320	13,592	15,964	7,797	8,508	53,728	42,276	79,018	70,134
LIABILITIES														
Current Liabilities														
Accounts Payable		4.1	0	0	0	0	0	0	0	0	0	0	0	0
Accruals		4.2	32	0	28	26	36	66	42	0	1,168	1,350	1,306	1,442
Deferred Revenue		4.3	1,361	1,241	740	(116)	6,978	6,409	6,891	5,919	38,743	32,632	54,713	46,086
Funds Held for Third Parties		4.4	0	0	0	0	0	0	0	0	0	0	0	0
Employee Benefits Current		4.5	10	8	2	17	0	0	0	0	115	138	127	163
Cash Surplus Current		4.7	0	0	0	0	0	0	0	0	0	0	0	0
Provisions		4.8	55	100	247	199	122	59	62	81	4,845	6,911	5,331	7,349
Other Current Liabilities		4.9	0	0	0	0	0	0	0	0	165	57	165	57
			1,458	1,350	1,017	125	7,136	6,534	6,995	6,000	45,036	41,089	61,642	55,097
Non-Current Liabilities														
Employee Benefits Non-Current		4.5	1	1	0	7	0	0	0	0	144	113	145	121
Cash Surplus Non-Current		4.7	0	0	0	0	0	0	0	0	0	0	0	0
Other Non-Current Liabilities		4.9	0	0	0	0	0	0	0	0	20	165	20	165
			1	1	0	7	0	0	0	0	164	278	165	285
Total Liabilities			1,459	1,351	1,017	131	7,136	6,534	6,995	6,000	45,199	41,367	61,807	55,383
NET ASSETS														
Cash Surplus Withheld		5.1	0	0	0	0	0	0	0	0	0	0	0	0
Revolving Fund		5.2	0	0	0	0	0	0	0	0	0	0	0	0
Contingency Fund		5.2	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserves		5.3	1	1	8	(1)	(3)	(1)	0	0	(210)	(199)	(205)	(201)
Accumulated Surplus/(Deficit)		5.4	1,179	715	237	1,189	6,459	9,431	803	2,508	8,739	1,109	17,416	14,951
Total Net Assets			1,180	716	245	1,188	6,455	9,430	803	2,508	8,529	909	17,212	14,751

The accompanying Notes are an integral part of these Statements

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

For the Year Ended 31 December 2017

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		Total Extra-Budgetary Funds	
	1000	Note	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
REVENUE														
Assessed Contributions		6.1	0	0	0	0	0	0	0	0	0	0	0	0
Extra-Budgetary Contributions		6.2	1,146	822	(224)	578	9,051	12,609	139	226	29,401	12,128	39,512	26,364
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	0	96	240	286	240	382
Revenue from Exchange Transactions		6.5	0	(148)	0	0	(1)	(4)	0	0	(127)	(17)	(129)	(169)
Foreign Exchange Gains/(Losses)		6.6	(11)	0	0	0	(0)	(0)	(1,127)	274	45	4	(1,093)	278
Other Revenue		6.7	0	0	0	0	16	(19)	0	19	(3)	(15)	13	(15)
Total Revenue			1,136	674	(224)	578	9,065	12,587	(988)	615	29,554	12,386	38,543	26,840
EXPENSES														
Staff Costs		7.1	348	284	148	253	8,183	9,487	12	123	4,262	3,794	12,953	13,940
Consultancy and Subcontracting		7.2	57	58	300	271	664	1,944	70	25	8,310	5,815	9,400	8,113
Travel Expenses		7.3	98	110	153	108	0	0	154	153	4,517	3,774	4,923	4,144
Services and Office Costs		7.4	143	528	93	29	202	36	440	28	2,163	3,068	3,040	3,689
Consumables and Supplies		7.5	8	26	4	3	234	44	2	0	258	386	507	459
Depreciation and Amortisation		7.6	0	33	4	1	2,553	2,339	38	35	118	160	2,713	2,568
Equipment Expenses		7.7	0	70	20	10	221	10	0	0	1,304	391	1,546	481
Other Operating Expenses		7.8	18	1	4	0	(21)	1,624	1	0	625	436	628	2,061
Total Expenses			672	1,110	727	675	12,037	15,483	717	365	21,557	17,824	35,710	35,456
Surplus/(Deficit) for the Period		8.1	464	(436)	(951)	(97)	(2,972)	(2,896)	(1,705)	251	7,997	(5,437)	2,833	(8,616)

The accompanying Notes are an integral part of these Statements

Chapter IV – Notes to the Financial Statements

Notes to the Financial Statements

NOTE 1: REPORTING STRUCTURE

1.1 – Reporting Entity

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

The OSCE operates in three dimensions:

- Politico-military dimension – includes mechanisms for conflict prevention and resolution, and military confidence-building measures.
- Economic and environmental dimension – activities aimed at counteracting threats and challenges to security and stability caused by economic and environmental factors.
- Human dimension – set of norms and activities related to human rights and the rule of law.

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

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

1.2 - Fund Accounting and Segment Reporting

The basic financial governing document of OSCE is the Financial Regulations approved by the Permanent Council on 27 June 1996 (DOC.PC/1/96) and subsequently revised. The latest revision is PC.DEC/1272 dated 23 November 2017. In accordance with these Regulations, the OSCE operates a system of fund accounting and the Financial Statements present the financial results of Budgetary Funds approved under PC.DEC/1252/Corr.1 dated 1 June 2017 and subsequent budget revisions, as well as Special Purpose Funds and Extra-Budgetary Funds.

For purposes of the presentation and approval of the 2017 Unified Budget, Funds were grouped under Secretariat and Institutions and Field Operations, with the latter, in turn, being grouped into Regions. This presentation is also followed in the segment reports of the 2017 Financial Statements. In addition, the segment information is presented based on the main sources of financing of the Organization (Unified Budget Funds, Special Purpose Funds, Extra-Budgetary Funds and other Extra-Budgetary projects undertaken in accordance with Article IX of the Financial Regulations and not specifically approved by the Permanent Council).

The Funds listed below were operational in 2017. The letters indicated in brackets correspond to the Segment Reporting.

Secretariat and Institutions (A)

These Funds are financed through the Standard Scale of Contributions for 2016-2017 (PC.DEC/1196 dated 17 December 2015):

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

Field Operations (B)

The following Funds are financed through the Field Operations Scale of Contributions for 2016-2017 (PC.DEC/1196 dated 17 December 2015):

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

Closed Funds (B)

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

<ul style="list-style-type: none"> - Action Against Terrorism - Assistance Group to Chechnya - Mission to Croatia - Office in Zagreb - Mission to Estonia - Representative to the Estonian Commission on Military Pensioners - Mission to Georgia - End of Mandate Procedure Mission to Georgia - Project Co-ordinator in Baku 	<ul style="list-style-type: none"> - Mission to Latvia - Representative to the Joint Committee on the Skrunda Radar Station - Missions of Long Duration to Kosovo, Sandjak and Vojvodina - Sanctions Assistance Missions - Office in Minsk - Expert Mission to Ukraine - Office in Yerevan⁴
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¹ The Augmentations Fund, including posts based in the Secretariat and in the Office for Democratic Institutions and Human Rights, was established on a provisional basis under PC.DEC/827 dated 21 December 2007 and is financed on the basis of the Field Operations Scale.

² The former Centre in Bishkek was transformed into the Programme Office in Bishkek with effect from 1 May 2017 under PC.DEC/1250 dated 27 April 2017.

³ The former Office in Tajikistan was transformed into the Programme Office in Dushanbe with effect from 1 July 2017 under PC.DEC/1251 dated 1 June 2017.

⁴ The OSCE participating States were unable to reach consensus on extending the mandate of the Office in Yerevan. Consequently, the Office discontinued operations and closed on 31 August 2017.

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 will cover an implementation period extending to 24 months, with the balance carried forward from one year to the next.
- The Special Monitoring Mission to Ukraine, originally established pursuant to PC.DEC/1117 dated 21 March 2014, is financed through assessed contributions on the basis of the Field Operations Scale of Contributions prevailing at the time of billing and through extra-budgetary contributions. Its mandate does not correspond with the calendar year; therefore the figures reported in the 2017 Financial Statements represent part of the mandate ending 31 March 2017 under PC.DEC/1199, and part of the mandate ending 31 March 2018 under PC.DEC/1246.
- The Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border, established by PC.DEC/1130 dated 24 July 2014, deploys observers to the two Russian checkpoints of Donetsk and Gukovo. The Border Observer Mission has a three-month mandate which can be extended by the Permanent Council. The figures reported in the 2017 Financial Statements represent part of the mandate ending 31 January 2017 under PC.DEC/1221, the whole of the mandates under PC.DEC/1239, PC.DEC/1249 and PC.DEC/1264, and part of the mandate ending 31 January 2017 under PC.DEC/1268. During 2017 the Mission was financed from the 2014, 2015 and 2016 surpluses.

Extra-Budgetary Funds (H)

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

- The Fund to support OSCE Action for Peace, Democracy and Stability in Bosnia and Herzegovina (PC.DEC/101 dated 11 January 1996);
- The Fund for Activities Related to Economic Aspects of Security (PC.DEC/150 dated 19 December 1996);
- The Funds for Activities Related to Special Monitoring Mission to Ukraine (PC.DEC/1117 dated 21 March 2014).

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

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

Extra-budgetary contributions that do not fall under any of the above listed Funds are classified under a separate Extra-Budgetary grouping of projects called Other Activities and Special Projects.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

2.1 – Basis of Presentation

These Financial Statements are prepared on an accrual basis, in accordance with the requirements of International Public Sector Accounting Standards (IPSAS) and the OSCE Financial Regulations. IPSAS adoption was formally approved by participating States with PC.DEC/1040 dated 10 May 2012 and completed with the submission of the 2013 Financial Statements.

The Financial Statements are presented in euro which is also the functional currency of the Organization. The figures are presented rounded to the nearest euro thousand and to the nearest one-tenth of a percent, which may result in totals that differ slightly. These Financial Statements cover the calendar year ended 31 December 2017. The reporting period coincides with the calendar year.

In view of the materiality of the amounts involved, the notional value of contributions in-kind in the form of personnel seconded by participating States and certain other services in-kind has been recognized for the first time. To present the prior-year figures on a comparable basis, the 2016 Financial Statements are restated. The effect of this on the Statement of Financial Performance has been to increase both Revenue and Expenses by EUR 64,063 thousand for a neutral net effect on the reported surplus for 2017. There was no effect on the Cash Flow Statement. Further details may be found in Note 6.4.

2.2 – Financial Instruments

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

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

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

2.3 - 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 2017, 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 2017. 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 2017 and only made short-term deposits for fixed durations and fixed interest rates. Fluctuations in interest rates only affect the interest revenue from short-term deposits to be concluded in the future;

however, the OSCE is not dependent on interest revenue for the continuation of its activities. In 2017, interest revenue represented less than 0.1% of total revenue.

- (d) Market risk – is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. None of the OSCE’s financial instruments in 2017 were affected by changes in market prices.
- (e) Credit risk – is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The largest exposures to such risk for the OSCE are Assessed Contributions Receivable and bank risk. The Treasury Unit monitors the creditworthiness of its banks on a regular basis and has strict guidelines to limit the amount deposited with each approved bank. The table below shows the amounts deposited with banks according to their credit rating. At the end of the reporting period, 98.5% 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, 96.6% of the total cash was held in bank accounts administered by the Treasury Unit. The remaining 3.4% was held in bank accounts throughout OSCE locations for daily operational purposes.

EUR '000	Rating	Total as of 31 December 2017	%	Total as of 31 December 2016	%
High Grade	AA- to AA+	74	0.1%	0	0.0%
Upper Medium Grade	A- to A+	67,511	57.3%	14,064	16.5%
Lower Medium Grade	BBB- to BBB+	48,417	41.1%	68,977	80.7%
Non-Investment Grade	BB- to BB+	1,123	1.0%	1,317	1.5%
Highly Speculative	B- to B+	0	0.0%	0	0.0%
Unrated	N/A	631	0.5%	1,095	1.3%
Total Bank Balances		117,755	100%	85,453	100%

- (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.

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 29 - Financial Instruments: Recognition and Measurement*, to bring the balance of Assessed Contributions Receivable in line with its fair value. The allowance is calculated as 100% of the outstanding receivables from participating States whose arrears equalled or exceeded the amount of contributions due for the preceding two full years.

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

2.5 - Inventories

Inventories consist of two kinds:

- 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 a capitalization threshold of EUR 50 thousand. 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. 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 established at EUR 1 thousand. Subsequent costs that are included in asset's carrying amount include freight and installation. Repairs and maintenance costs are charged to the Statement of Financial Performance during the period in which they are incurred. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset, and are included in the Statement of Financial Performance. Depreciation is charged using the straight-line method and the residual values are estimated at zero.

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

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

2.6.1 – Leasehold Improvements

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

2.6.2 – Buildings

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

- The Secretariat, Wallnerstrasse 6-6a, 1010 Vienna, Austria (including a part of Wallnerstrasse 8);
- The Secretariat (Prague Office), Pod Kastany 529, Praha 6 Bubeneč, 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. All purchases of software licenses are capitalized.

Intangible assets 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. The capitalization threshold for intangible assets under development is EUR 50 thousand.

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

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, together with the ERP system and other internally-developed software. The useful lives for the different asset classes are as follows.

Asset Class	Useful Life (Years)
Externally Purchased Software	5
Internally-Developed Software	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 2017 there were no intangible assets or items of property, plant and equipment which met this definition, therefore all assets were classified as non-cash-generating and *IPSAS 21 - Impairment of Non-Cash-Generating Assets* was applied to the reporting of impairments.

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

2.9 - Operating Leases

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

2.10 - Employee Benefits

2.10.1 - Employee Benefits Current

Current employee benefits are expected to be settled within 12 months of the reporting date and include payroll and allowances, assignment grants, education grants, annual leave, home leave and rest and recuperation for employees in certain Field Missions. 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 4.5 – Employee Benefits, based on personnel data and past experience, and are as follows:

- Annual leave – in accordance with OSCE’s Staff Regulations, upon separation, contracted OSCE officials shall receive payment for unused leave days up to a maximum of fifteen days. Annual leave is considered as a current benefit and hence is not subject to actuarial valuation. The liability for annual leave is calculated by multiplying the number of unused leave days as of 31 December 2017 up to a maximum of fifteen days by the basis of the monthly net salary, including post adjustment, if applicable.
- Home leave and rest and recuperation leave - Heads of Mission and other fixed-term international Mission members, both contracted and seconded, are entitled to home leave once every twelve months. In addition, for those staff serving in duty stations designated as hazardous or hardship, there is an additional entitlement to rest and recuperation leave once every twelve months. For international fixed-term contracted staff members, including the Secretary General and Heads of Institutions, the entitlement for home leave is once every two years. The OSCE also covers the travel expenses of spouse and dependent children who reside at the duty station with the staff member. The liabilities for home leave and rest and recuperation are calculated by using estimates of travel expenses based on historical average costs.

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

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

- Programme Office in Astana
- Centre in Ashgabat
- Programme Office in Bishkek
- Project Co-ordinator in Uzbekistan
- Programme Office in Dushanbe
- Office in Yerevan (until its closure on 31 August 2017)
- Special Monitoring Mission to Ukraine (only in the locations of Luhansk and Donetsk)

2.10.2 - Employee Benefits Non-Current

Non-current employee benefits relate to post-employment benefits, including repatriation benefits such as:

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

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

2.11 - Cash Surplus or Deficit

At the end of each financial year, the cash surplus or deficit for Unified Budget Funds is determined by calculating the excess of Budget revenue actually received over budgetary expenditure or the excess of budgetary expenditure over Budget revenue received. Unless otherwise decided 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 deferred in cases where the State is in arrears for the year to which the surplus relates and until such time as these arrears are paid in full (Financial Regulation 7.07).

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

2.12 - Deferred Revenue

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

Extra-budgetary contributions which are subject to conditions are classified as Deferred Revenue until such conditions are satisfied.

2.13 - Provisions

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

2.14 - Contingent Liabilities and Contingent Assets

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

2.15 - Revenue from Non-Exchange Transactions

Revenue from assessed contributions from participating States is recorded on an accrual basis, independent from when the cash is received. It reflects the approved Unified Budget for the year, including the year-end revision and any other revisions if applicable; together with any approved Special Purpose Funds that are financed by assessed contributions, also including any applicable revisions.

Revenue from extra-budgetary contributions is measured based on the increase in net assets recognized. Where the criteria for recognition of an asset under a non-exchange agreement are not fulfilled, a contingent asset may be disclosed. Extra-budgetary contributions that have conditions on their utilization are initially recognized as deferred revenue in the Statement of Financial Position and subsequently recognized as revenue in the Statement of Financial Performance when the conditions are satisfied.

2.16 – Contributions In-Kind

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

Contributions in-kind of services include seconded staff and certain ancillary services related to premises provided free of rent (security, maintenance, utilities etc.) and are measured at fair value and recorded as contributions in-kind in the Statement of Financial Performance.

2.17 - Revenue from Exchange Transactions

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

2.18 - Expenses

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

2.19 - 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. Cash and cash equivalents as at 31 December 2017 amounted to EUR 103,224 thousand (including Special Monitoring Mission to Ukraine and the Observation Mission to Two Russian Checkpoints on the Russian-Ukrainian Border). EUR 93,277 thousand of this amount is in respect of Unified Budget Funds, EUR 9,233 thousand in respect of Extra-Budgetary Funds and EUR 714 thousand in respect of Special Purpose Funds.

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

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

EUR '000	As at 31 December 2017				As at 31 December 2016
	Unified Budget	Special Purpose Funds	Extra- Budgetary	Total	
Cash	176	146	0	322	426
Bank	93,101	568	0	93,669	27,612
Short-term Deposits	0	0	9,233	9,233	0
Total	93,277	714	9,233	103,224	28,038

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 14,853 thousand (EUR 57,841 thousand in 2016) of which EUR 10,000 thousand was in respect of Unified Budget Funds and EUR 4,853 thousand for Extra-Budgetary Funds.

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	2017	2016
Unified Budget Assessed Contributions Receivable	6,511	5,754
Special Monitoring Mission Assessed Contributions Receivable	218	198
Extra-budgetary Contributions Receivable	17,023	14,313
Total Contributions Receivable	23,752	20,265
Allowance for Doubtful Debts	(6,091)	(5,798)
Total Net Contributions Receivable	17,661	14,467

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

EUR '000	2017	2016
Unified Budget Assessed Contributions Receivable	6,511	5,754
Allowance for Doubtful Debts	(5,873)	(5,628)
Net Unified Budget Assessed Contributions Receivable	638	126
Special Monitoring Mission Assessed Contributions Receivable	218	198
Allowance for Doubtful Debts	(218)	(170)
Net Special Purpose Funds Assessed Contributions Receivable	0	28
Total Net Assessed Contributions Receivable	638	154

3.3.1 - Unified Budget Assessed Contributions Receivable

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

EUR '000 Participating State	Outstanding for 2015 and Prior Years	2016	2017	Outstanding Balance as at 31 December 2017
Kyrgyzstan	985.7	45.4	43.0	1,074.1
Romania	0	0	444.3	444.3
Sweden	0	0	193.0	193.0
Turkmenistan	0	0	0.7	0.7
Uzbekistan	4,314.1	242.4	242.4	4,798.9
Total	5,299.8	287.8	923.4	6,511.0

The allowance for doubtful debts for 2017 and its change compared to 2016 are as follows:

EUR '000 Participating State	Outstandin g Balance as at 1 January 2017	Payment s of Arrears Received in 2017	Assessments / Credits for 2017	Outstandin g Balance as at 31 December 2017	2017 Allowanc e	Change in Allowance from 2016
Kyrgyzstan	1,071.2	(40.1)	43.0	1,074.1	1,074.1	2.9
Uzbekistan	4,556.5		242.4	4,798.9	4,798.9	242.4
Total	5,627.7	(40.1)	285.4	5,873.0	5,873.0	245.3

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.

EUR '000 Participating State	2015	2016	2017	Outstanding Balance as at 31 December 2017
Azerbaijan	12.8	13.9	13.5	40.2
Kyrgyzstan	12.8	13.9	13.5	40.2
Turkmenistan	9.7	13.9	13.5	37.1
Uzbekistan	31.8	34.8	33.8	100.4
Total	67.1	76.5	74.3	217.9

The allowance for doubtful debts for 2017 and its change compared to 2016 are as follows:

EUR '000 Participating State	Outstanding Balance as at 1 January 2017	Payments of Arrears Received in 2017	Assessments/ Credits for 2017	Outstanding Balance as at 31 December 2017	2017 Allowance	Change in Allowance from 2016
Azerbaijan	26.6	0	13.5	40.2	40.2	13.5
Kyrgyzstan	26.6	0	13.54	40.2	40.2	13.5
Tajikistan	26.6	(40.1)	13.54	0	0	(26.6)
Turkmenistan	23.7	0	13.54	37.1	37.1	13.5
Uzbekistan	66.6	0	33.8	100.4	100.4	33.8
Total	170.1	(40.1)	87.9	217.9	217.9	47.7

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. At the end of the reporting period the outstanding receivables amounted to EUR 17,023 thousand for the following funds:

EUR' 000	2017	2016
Fund to Support OSCE Action for Peace, Democracy and Stability in Bosnia and Herzegovina	523	389
Fund for Activities Relating to Economic and Environmental Aspects of Security	153	250
Fund for Activities Related to Special Monitoring Mission to Ukraine	1,169	4,000
Other Activities and Special Projects	15,178	9,675
Total	17,023	14,314

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 VAT and other receivables.

EUR '000	2017	2016
Tax Receivable from Governments	1,603	1,505
Receivable from Customers	584	755
Other Receivables	918	718
Accrued Interest Receivable	14	23
Allowance for Doubtful Debts	(1)	(1)
Total	3,118	3,000

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	2017	2016
Prepayments to Suppliers	2,765	3,016
Prepayments to Implementing Partners	1,060	1,067
Prepayments to Staff	302	385
Other Prepayments	280	57
Total	4,407	4,525

Prepayments to Suppliers also includes estimated prepaid balances for health insurance premium for 2016 and 2017 in an amount of EUR 685 thousand.

3.6 – Inventory

Inventory recognized in the Statement of Financial Position consists of project assets held for distribution to beneficiaries, and vehicle spare parts held by Special Monitoring Mission to Ukraine. The total amount of inventories recognized as an expense during 2017 was EUR 1,617 thousand (EUR 690 thousand in 2016). Total value of inventory in 2017 was EUR 1,250 thousand (EUR 751 thousand in 2016):

EUR '000	2017	2016
Project assets held for distribution to beneficiaries	284	99
Special Monitoring Mission to Ukraine vehicle spare parts	966	652
Total	1,250	751

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

3.7 – Other Current and Non-Current Assets

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

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.

2017

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 2017</i>	8,422	39,037	5,367	1,921	4,381	478	59,606
Additions	1,489	3,090	815	895	0	43	6,332
Disposals	(1,363)	(2,096)	(592)	(519)	0	(88)	(4,658)
<i>Cost as at 31 December 2017</i>	<i>8,548</i>	<i>40,031</i>	<i>5,590</i>	<i>2,297</i>	<i>4,381</i>	<i>433</i>	<i>61,280</i>
<i>Accumulated Depreciation as at 1 January 2017</i>	6,497	16,816	4,375	1,222	1,962	366	31,238
Depreciation	869	6,897	357	208	225	23	8,579
Disposals	(1,232)	(1,754)	(486)	(124)	0	(33)	(3,629)
Impairments	1	44	0	0	0	1	46
<i>Accumulated Depreciation and Impairment Losses as at 31 December 2017</i>	<i>6,135</i>	<i>22,003</i>	<i>4,246</i>	<i>1,306</i>	<i>2,187</i>	<i>357</i>	<i>36,234</i>
Net Carrying Amount as at 31 December 2017	2,413	18,028	1,344	991	2,194	76	25,046

2016

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 2016</i>	8,244	32,885	5,445	1,485	4,381	526	52,967
Additions	847	8,518	577	480	0	39	10,461
Disposals	(669)	(2,366)	(655)	(44)	0	(87)	(3,822)
<i>Cost as at 31 December 2016</i>	8,422	39,037	5,367	1,921	4,381	478	59,607
<i>Accumulated Depreciation as at 1 January 2016</i>	6,221	13,375	4,617	1,090	1,738	358	27,399
Depreciation	752	5,735	322	145	224	31	7,209
Disposals	(476)	(2,294)	(564)	(13)	0	(23)	(3,370)
Impairments	0	0	0	0	0	0	0
<i>Accumulated Depreciation and Impairment Losses as at 31 December 2016</i>	6,497	16,816	4,375	1,222	1,962	366	31,238
Net Carrying Amount as at 31 December 2016	1,925	22,221	992	699	2,419	112	28,368

The Property, Plant and Equipment total cost as at 31 December 2017 of EUR 61,280 thousand includes fully depreciated assets still in use to the amount of EUR 14,702 thousand (EUR 15,818 thousand in 2016).

3.9 – Intangible Assets

Intangible assets consist of software licenses and costs incurred to make the software operational. These costs include salaries and professional fees. All acquired software licenses are recognized as intangible assets irrespective of their value.

2017

EUR'000	Software Licenses Purchased	Internally Developed Software	Intangible Assets under Development	Total Intangible Assets
<i>Cost as at 1 January 2017</i>	2,852	3,609	200	6,661
Additions	334	290	46	670
Disposals	(100)	0	0	(100)
Assets under Construction Capitalized	0	246	(246)	0
<i>Cost as at 31 December 2017</i>	3,086	4,145	0	7,231
<i>Accumulated Amortization as at 1 January 2017</i>	895	1,301	0	2,196
Amortization	592	554	0	1,146
Disposals	(11)	0	0	(11)
Impairments	0	0	0	0
<i>Accumulated Amortization and Impairment Losses as at 31 December 2017</i>	1,476	1,855	0	3,331
Net Carrying Amount as at 31 December 2017	1,610	2,290	0	3,900

2016

EUR'000	Software Licenses Purchased	Internally Developed Software	Intangible Assets under Development	Total Intangible Assets
<i>Cost as at 1 January 2016</i>	1,809	3,522	0	5,331
Additions	1,202	87	200	1,488
Disposals	(159)	0	0	(159)
Assets under Construction Capitalized	0	0	0	0
<i>Cost as at 31 December 2016</i>	2,852	3,609	200	6,661
<i>Accumulated Amortization as at 1 January 2016</i>	449	797	0	1,246
Amortization	513	504	0	1,017
Disposals	(67)	0	0	(67)
Impairments	0	0	0	0
<i>Accumulated Amortization and Impairment Losses as at 31 December 2016</i>	895	1,301	0	2,196
Net Carrying Amount as at 31 December 2016	1,957	2,308	200	4,465

3.10 - Impairment of Assets

Impairment losses of EUR 46 thousand were recorded in 2017, in recognition of damage to a vehicle and other ancillary equipment deployed in the Special Monitoring Mission to Ukraine. No reversals of impairment took place in 2017. No impairment losses were recorded in 2016.

NOTE 4: LIABILITIES

4.1 – Accounts Payable

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

EUR '000	2017	2016
Payables to Suppliers	5,979	3,910
Payables to Implementing Partners	23	28
Amounts Owed to Staff	258	187
Total	6,260	4,125

4.2 – Accruals

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

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

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

4.3 – Deferred Revenue

The Unified Budget deferred revenue consists of credits to participating States to be applied against the next available bill to decrease participating States' assessed contributions for the following year, unless otherwise decided by the Permanent Council, and other deferred funds which will be used as determined by the Permanent Council.

Unified Budget 2017 was approved on 1 June 2017 (PC.DEC/1252) resulting in a decrease of EUR 2,126 thousand compared to the provisionally billed assessed contributions to participating States which together with advance payments in an amount of EUR 3,047 thousand will be credited against the next available bill.

In accordance with Permanent Council decisions, available credit from the UB Year End Revision 2016 was used to establish the Information Security Enhancement Fund and partly finance the extension of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border (which was predominantly financed through use of cash surplus for 2014, 2015 and 2016 as stated in the Note 4.7.1 - Cash Surplus Current below) leaving the outstanding deferred balance of EUR 1,868 thousand at 31 December 2017 as following:

EUR '000	2017
<i>Year End UB Revision 2016 as at 1 January 2017</i>	<i>2,893</i>
PC.DEC/1247 – Establishment of Information Security Enhancement Fund	(800)
PC.DEC/1268 – Extension of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border until 31 January 2018	(225)
Year End Revision 2016 as at 31 December 2017	1,868

Further, 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). The deferred amount should be used to establish a special fund in 2018 for the purpose of carrying out observation of local elections in certain areas of the Donetsk and Luhansk regions of Ukraine for the duration required to carry out the activities.

The Special Funds deferred revenue consists of advance payments in the amount of EUR 3,815 thousand by participating States to be applied against the next available bill and deferred savings of the Special Monitoring Mission to Ukraine. The deferred savings in an amount of EUR 1,512 thousand from unspent amounts for long-range UAVs will be used in the next mandate in accordance with the Permanent Council decision (PC.DEC/1288).

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.

Total deferred revenue in an amount of EUR 67,930 thousand is summarized by source of funds in the table below:

EUR '000	2017	2016
Credits against future Assessed Contributions	2,126	0
Advance payments by participating States	3,047	5
Year End UB Revision for 2016	1,868	2,893
Deferred funds per PC.DEC/1288	849	0
Total Unified Budget Deferred Revenue	7,890	2,898
Advance Non UB payments by participating States	3,815	23
Deferred savings to be used in next mandate	1,512	0
Total Special Purpose Funds Deferred Revenue	5,327	23
Extra-Budgetary Contributions Subject to Conditions	54,713	46,086
Total Extra-Budgetary Deferred Revenue	54,713	46,086
Total Deferred Revenue	67,930	49,007

4.4 – Funds Held for Third Parties

Funds held for Third Party Funds consists almost entirely of funds received from participating States for payment of salaries to seconded staff on their behalf, whereas a number of participating States do not pay seconded staff a salary and others pay the staff directly. In 2017 there were five participating States on whose behalf the salary is paid directly by OSCE. The services of these staff, about two-thirds of whom serve with Special Monitoring Mission to Ukraine, are donated by participating States. The personnel concerned are paid by the OSCE from the third-party funds held in its accounts for this purpose. Due to the mismatch between the financial year and the Special Monitoring Mission to Ukraine mandate period, large sums may be held at the end of the reporting period pending disbursement during the remainder of the mandate period. Also included is a bank account belonging to the Environmental Security Initiative (ENVSEC) which is held in trust by the OSCE, operating as the Trust Fund Manager.

4.5 – Employee Benefits

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

- Discount rate of 0.00% (0.06% in 2016) derived in reference to market yields of high quality corporate bonds - iBoxx Euro Corporates AA, with a duration of 1.70 years, which approximates the maturity terms of the related liabilities;
- Present value of future benefits based on salary projections;
- Increase in salary of 2.5% per year;
- No increase in shipment costs;
- No increase in travel costs; and
- Estimated years of service based on OSCE's historical averages.

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

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

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

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

The following table provides more details regarding how the different types of benefits have changed in 2017:

EUR'000	Defined Benefit Obligation as at 1 January 2017	Current and Past Service Cost	Interest Cost	Actual Payments	Actuarial (Gains)/ Losses	Defined Benefit Obligation as at 31 December 2017
Home leave and rest and recuperation	391	763	0	(798)	0	357
Annual leave	4,521	(1,051)	0	(523)	0	2,947
<i>Total annual leave, home leave and rest and recuperation</i>	<i>4,912</i>	<i>(288)</i>	<i>0</i>	<i>(1,321)</i>	<i>0</i>	<i>3,304</i>
Repatriation grant	2,776	591	1	(669)	(273)	2,427
Repatriation shipment	814	219	0	(355)	158	836
Repatriation travel	362	124	0	(112)	30	405
<i>Total repatriation benefits</i>	<i>3,952</i>	<i>934</i>	<i>1</i>	<i>(1,136)</i>	<i>(85)</i>	<i>3,668</i>
Total	8,864	646	1	(2,457)	(85)	6,972

Liabilities for current employee benefits also include payroll-related accruals in the amount of EUR 524 thousand, for total current liabilities of EUR 3,828 thousand.

4.5.1 - 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 Generali Guernsey 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 2017 was EUR 105,857 thousand.

The Provident Fund is administered by Generali Guernsey in accordance with the contract. The OSCE obtains the Financial Statements of Generali Guernsey on an annual basis. The latest available Financial Statements were in respect of the year ended 31 December 2016 and were audited by Ernst & Young LLP, Chartered Accountants, who gave an unqualified opinion on the Financial Statements.

The Provident Fund summary statement for the year ending 31 December 2017 is shown in the Appendix.

4.6 – Related Party Disclosures

4.6.1 - Governing Bodies

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

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

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

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

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

4.6.2 - Key Management Personnel

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

The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment, entitlements such as allowances, grants and subsidies, and employer provident fund and health insurance contributions. 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 2017	Outstanding Advances Against Entitlements
SG and Heads of Institutions	8	4	609	197	94	901	6.5
Secretariat's Directors	11	8	948	172	161	1,281	-
Heads of Mission and Personal Representative	20	17	66	791	2	859	2.0
Key Management Personnel	39	29	1,623	1,160	257	3,041	8.5

One close family member of a member of the key management personnel is employed by the Organization. Emoluments were determined by normal OSCE procedures for staff remuneration and entitlements. The family member commenced employment before the appointment of the key member.

EUR'000	Number of Individuals	Number of Posts	Remuneration and Post Adjustment	Entitlements	Provident Fund and Health Plan	Total Remuneration 2017	Outstanding Advances Against Entitlements
Close Family Member	1	1	45	0	8	53	0

4.7 – Cash Surplus or Deficit

4.7.1 - Cash Surplus Current

Unless otherwise determined by the Permanent Council, the cash surplus is credited against assessed contributions of the participating States in the year following the year in which the financial statements are accepted by the Permanent Council.

The 2017 current cash surplus was made up of both the current cash surplus as at 1 January 2017, and the non-current cash surplus as at 1 January 2017 which moved to current during 2017.

EUR '000	Institutions	Field Operations	Total
<i>Cash Surpluses as at 1 January 2017</i>			
Cash Surplus 2014	204	248	452
Cash Surplus 2015	164	228	392
ERP Fund	671	-	671
<i>Current Cash Surplus as at 1 January 2017</i>	<i>1,039</i>	<i>476</i>	<i>1,515</i>
Cash Surplus 2016	3	145	148
<i>Non-Current Cash Surplus as at 1 January 2017</i>	<i>3</i>	<i>145</i>	<i>148</i>
Disbursement of Cash Surplus (see table below)	(371)	(621)	(992)
Total Current Cash Surplus as at 31 December 2017	671	0	671

In accordance with applicable Permanent Council decisions, the remaining balances from the cash surplus from 2014, and cash surpluses from 2015 and 2016, were utilized for funding the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border, as detailed in the following table:

EUR '000	Institutions	Field Operations	Total
<i>Cash Surplus 2014 as at 1 January 2017</i>			
PC.DEC/1239 – Extension of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border until 30 April 2017	(143)	(175)	(318)
PC.DEC/1249 – Extension of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border until 31 July 2017	(61)	(73)	(134)
<i>Cash Surplus 2015 as at 1 January 2017</i>	<i>164</i>	<i>228</i>	<i>392</i>
PC.DEC/1249 – Extension of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border until 31 July 2017	(70)	(97)	(167)
PC.DEC/1264 – Extension of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border until 31 October 2017	(94)	(131)	(225)
<i>Cash Surplus 2016 as at 1 January 2017</i>	<i>3</i>	<i>145</i>	<i>148</i>
PC.DEC/1264 – Extension of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border until 31 October 2017	(1)	(65)	(66)
PC.DEC/1268 – Extension of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border until 31 January 2018	(2)	(80)	(82)
Remaining Cash Surplus as at 31 December 2017	0	0	0

Cash surplus for the ERP Fund in the amount of EUR 671 thousand was retained at the end of the reporting period.

4.7.2 - Cash Surplus Non-Current

The cash surplus for 2017 is not due for settlement until 2019, and it is therefore classified as a non-current liability. The total cash surplus for 2017 is calculated as shown in the table below.

EUR '000	Institutions	Field Operations	Total
Budgetary Surplus/(Deficit)	578	3,128	3,706
Add: Assessed Contributions Receivable at Beginning of Period	3,597	2,157	5,754
Less: Assessed Contributions Receivable at End of Period	(4,133)	(2,378)	(6,511)
Cash Surplus for 2017	42	2,907	2,949

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

4.8 – Provisions

The provision for pending refunds to extra-budgetary donors for pledges with an end date on 31 December 2017 amounts to EUR 5,331 thousand.

EUR '000	2017	2016
Provision for Pending Refunds to Donors	5,331	7,349

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.

NOTE 5: RESERVES

5.1 - Cash Surplus Withheld

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

Cash surplus withheld does not meet the definition of liability and is therefore included in reserves. The table below is a summary of the cash surplus withheld by participating State and by year. There were no cash surplus distributions related to 2014, 2015 or 2016, and therefore none was retained for those years. The longest outstanding cash surplus withheld is from 1999.

EUR '000	2015 and Prior Years	2016	2017	Total
Kyrgyzstan	49	0	0	49
Uzbekistan	203	0	0	203
Total Cash Surplus Withheld	252	0	0	252

5.2 – Revolving and Contingency Funds

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

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

5.3 – Other Reserves

Other Reserves consists of actuarial losses related to employee benefits amounting to EUR 2,176 thousand (EUR 2,261 thousand in 2016).

5.4 – Accumulated Surplus/(Deficit)

Changes that affected Accumulated Surplus/Deficit during 2017 (shown in Statement IV) include the allocation of the Cash Surplus for 2017 in amount of EUR 2,949 thousand (see Note 4.7.2 - Cash Surplus Non-Current), surplus for the period in amount of EUR 15,673 thousand (see Note 8.1- Reconciliation of Surplus/(Deficit) for the Period) and the refund of unspent extra-budgetary contributions to donors, as shown in the following table:

EUR' 000	2017	2016
Fund to Support OSCE Action for Peace, Democracy and Stability in Bosnia and Herzegovina	46	0
Fund for Activities Relating to Economic and Environmental Aspects of Security	39	99
Fund for Activities Related to Special Monitoring Mission to Ukraine	0	92
Partnership Fund	0	35
Other PC Established Funds	62	0
Other Activities and Special Projects	3,151	1,752
Total Cash Refunds	3,298	1,978
Provision for Pending Refunds to Donors	(2,930)	(1,640)
Refund of Unspent Extra-Budgetary Contributions	368	338

NOTE 6: REVENUE

6.1 – Assessed Contributions

Accrued revenue from assessed contributions amounted to EUR 206,570 thousand (EUR 207,778 thousand in 2016). It includes the original 2017 Unified Budget and its revisions, as well as revenue from assessed contributions for the Special Monitoring Mission to Ukraine amounting to EUR 67,587 thousand (EUR 69,563 thousand in 2016).

EUR '000	2017
PC.DEC/1252 - Approval of the 2017 Unified Budget	138,983
Total Unified Budget Revenue from Assessed Contributions	138,983
PC.DEC/1199 – Extension of the mandate of the OSCE Special Monitoring Mission to Ukraine – Second Bill	21,786
PC.DEC/1246 – Extension of the mandate of the OSCE Special Monitoring Mission to Ukraine – First Bill	45,801
Total Special Purpose Funds Revenue from Assessed Contributions	67,587
Total Revenue from Assessed Contributions	206,570

6.2 – Extra-Budgetary Contributions

Revenue from extra-budgetary contributions includes revenue received in 2017, as well as revenue from conditional agreements previously recorded as deferred revenue, for which conditions were satisfied in 2017.

EUR '000	2017	2016
Revenue from Extra-Budgetary Contributions	46,771	52,900
Revenue from Conditional Agreements Recognized/(Deferred) during the period	(9,069)	(27,163)
Reallocation of Project Funds	1,810	627
Total	39,512	26,364

The reallocation of project funds resulted in a net inflow of EUR 1,810 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	2017	2016
Interest received from banks	129	82
Accrual adjustments	(8)	9
Total	121	91

6.4 – Contributions In-Kind

Revenue from contributions in-kind in total amount of EUR 69,084 thousand (EUR 79,299 thousand in 2016 – restated) consists of contributions in-kind from seconded staff, ancillary services and donated goods as shown in the table below:

EUR '000	2017	2016 (Restated)
Seconded Staff	63,342	72,969
Ancillary Services	721	773
Goods In-Kind	5,021	5,557
Total Contributions In-Kind	69,084	79,299

The total value of contributions in-kind of the services of seconded staff in 2017 was EUR 63,342 thousand (EUR 72,969 thousand in 2016- restated) and recorded as Contributions In-Kind in the Statement of Financial Performance. An improved method of calculating the value of these services has resulted in changes to the amounts disclosed in Note 6.7 to the 2016 Financial Statements. The reduction between 2016 and 2017 is attributable to a temporary reduction in the number of Monitors deployed by SMM following the fatal incident of 23 April 2017.

EUR '000	2017	2016 (Restated)
Unified Budget and Extra-Budgetary Funds Seconded Staff	21,502	24,969
Special Purpose Funds Seconded Staff	41,840	48,000
Total Contributions In-Kind of Seconded Staff Services	63,342	72,969

In addition, certain ancillary services, such as security, maintenance and utilities, were provided in respect of premises provided free of charge in amount of EUR 721 thousand.

EUR '000	2017	2016 (Restated)
Ancillary Services	721	773
Total Contributions In-Kind of Ancillary Services	721	773

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	2017	2016
<i>Supplies</i>	<i>102</i>	<i>22</i>
Building Household Office Equipment	1	-
Communication Equipment	1	1
IT Hardware	2	-
Security and Safety Equipment	120	-
Vehicles	-	687
<i>Donated Property, Plant and Equipment</i>	<i>124</i>	<i>688</i>
Premises	4,675	4,657
Equipment	120	190
<i>Premises and Equipment provided rent-free</i>	<i>4,795</i>	<i>4,847</i>
Total Revenue from Goods In-Kind	5,021	5,557

6.5 – Revenue from Exchange Transactions

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

6.6 – Foreign Exchange Gains/(Losses)

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

EUR '000	2017	2016
Realized Gains/(Losses)	(83)	(293)
Unrealized Gains/(Losses)	(1,455)	516
Total	(1,538)	223

6.7 – Other Revenue

Revenue Reallocated from Internal Sources represents funds reallocated from Cash Surplus to finance the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border and establishment of Information Security Enhancement Fund. Other revenue includes, inter alia, revenue from certain shared conference services, insurance claims and discounts taken.

EUR '000	2017	2016 (Restated)
Revenue Reallocated from Internal Sources	2,017	2,130
Other Revenue	1,315	430
Total	3,332	2,560

NOTE 7: EXPENSES

7.1 – Staff Costs

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

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

Other employee benefits include education grant, child and spouse allowance, assignment grant, rental subsidy and service cost for employee benefits (see Note 2.10 - Employee Benefits). Other staff costs include hazard pay, personal income tax, appointment travel, overtime and training costs. Insurance refers to health, life and accident insurance.

<i>EUR '000</i>	2017	2016 (restated)
Salaries	64,812	63,629
BLA for seconded staff	43,904	47,118
Provident fund	8,994	8,866
Other staff costs	5,695	6,083
BLA for international Staff	2,409	2,387
Insurance	1,701	2,351
Other employee benefits	4,949	5,855
In-kind seconded staff costs	63,342	72,969
Total	195,806	209,257

The 2017 charge for insurance is offset by a credit in the sum of EUR 476 thousand relating to an excess payment in 2016. These credits will be used to offset future premium increases.

The in-kind services costs for seconded staff are recognized in financial statements resulting in EUR 63,342 thousand in 2017 (EUR 72,969 thousand in 2016 – restated). The 2016 amount differs from that disclosed in Note 6.7 to the Financial Statements of that year as a result of an improved method of estimating the value of these services.

7.2 – Consultancy and Subcontracting

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

<i>EUR '000</i>	2017	2016 (restated)
Special Services Agreements	10,898	11,673
Implementing Partner costs	5,565	5,484
Paramedical services	6,886	4,178
Other contractual services	5,198	7,324
Total	28,547	28,659

7.3 – Travel Expenses

Duty travel represents travel ticket costs, daily subsistence allowance, local transportation and terminal allowances for OSCE staff. Travel of non-OSCE officials is related mainly to conferences and seminars.

EUR '000	2017	2016
Travel of non-OSCE officials	9,165	8,839
Duty travel	11,669	12,234
Travel for training	855	1,022
Total	21,689	22,095

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. The 2016 comparative figures are restated to reflect the recognition of certain services ancillary to office costs that were provided in-kind.

EUR '000	2017	2016 (restated)
Rental and maintenance of buildings	14,883	15,474
Conferences, seminars, workshops	6,393	6,034
Communication services	2,154	2,336
Interpreters, translators and typing services	2,201	2,026
IT services	3,318	2,647
Printing and copying services	965	897
Other office costs	1,366	987
Freight and transportation	370	378
Insurance other than staff	916	946
Bank charges	746	727
Ancillary services in-kind	721	773
Total	34,034	33,225

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	2017	2016
Fuel and lubricants	1,020	1,001
Other supplies	1,699	1,437
Communication and IT supplies	933	903
Publications, newspapers and printed materials	342	420
Spare parts	837	1,208
Building/Household Supplies	404	459
Total	5,235	5,427

7.6 – Depreciation and Amortization

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

EUR '000	2017	2016
Amortization	1,147	1,017
Depreciation	8,579	7,209
Total	9,725	8,226

7.7 – Equipment Expense

Equipment expenses include costs related to the acquisition of equipment which would otherwise meet the definition of Property, plant and equipment but are below the capitalization threshold of EUR 1 thousand, both those purchased by OSCE and those donated to the Organization. Also included is the estimated value of equipment loaned by donors on cost-free rentals.

EUR '000	2017	2016
Equipment Purchased	3,851	3,545
Equipment Donated	106	22
Equipment Provided Rent-Free	120	190
Total Equipment Expenses	4,077	3,757

7.8 – Other Operating Expenses

EUR '000	2017	2016 (restated)
Unmanned Aerial Vehicle Services*	0	4,374
Other Expenses	717	1,659
Representation Costs	437	612
Project Costs	855	529
Impairment of Assets	45	0
Change in Allowance for Doubtful Debts	294	374
Total	2,348	7,548

* Contract terminated in 2017 and new contract planned for 2018

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 2017 ex gratia payments totalling EUR 76 thousand were approved by the Secretary General. The list of Funds concerned is as follows:

EUR '000	2017
The Secretariat	1
Office in Yerevan	53
Special Monitoring Mission to Ukraine	4
Programme Office in Bishkek	18
Total	76

7.8.2 – Cash and Other Losses and Write-Offs

During 2017, the Office of Internal Oversight (OIO) finalized its investigation into a case of involving significant discrepancies in the area of fuel management in one executive structure. This case was first mentioned in the Report of the External Auditor for the year ended 31 December 2015 and was disclosed in Note 7.8.2 to the Financial Statements for the year ended 31 December 2016. OIO concluded that the case involved both over-pricing by contractors, estimated to have cost around EUR 65 thousand, and fictitious/inflated receiving by some mission members of the OSCE, for an estimated value of between EUR 265 thousand and 325 thousand, and that both the over-pricing and the fraud took place over the period January 2010 to August 2016. In line with the Organization's zero-tolerance approach to fraud, the Secretary General convened a Survey Board which will advise the Secretariat Fund Materials Management Committee on the degree of responsibility of those found to be involved in the loss incurred by the OSCE, including through failure to fulfil their professional obligations. The Survey Board will advise on corresponding levels of financial liability of relevant current and former mission members, and the amount of reimbursement to be sought in this relation. Additional controls have been implemented to guard against any repeats in this area, lessons learned have been circulated to all Executive Structures and the applicable regulatory framework is being modified to strengthen mandatory controls. A second fraud case disclosed in 2016 involving the purchase of consumables by an executive structure was investigated by OIO in 2017. The investigation could not find evidence of significant financial losses and a final report on this case is expected in the first half of 2018.

In 2017, OIO began and completed an investigation into the fraudulent acquisition of mobile telecommunications equipment and services in the amount of EUR 43 thousand which also outlined concealment by some mission members. These losses have been partially mitigated by the payment by a mission member of EUR 16 thousand to the service provider. As a result of this investigation relevant mission members have been dismissed and the OSCE received the remaining funds during the course of 2018.

The contract of the Special Monitoring Mission to Ukraine for Donetsk Park Inn Hotel services was suspended due to *force majeure* as of 15 March 2017 and a new arrangement was entered into with effect from 1 March 2017. Given that both arrangements were effective in the period 1 March to 14 March 2017, the Special Monitoring Mission to Ukraine was obliged to pay for the accommodation services pursuant to both the original contract and the new arrangement, leading to a double payment in local currency in an equivalent EUR 73 thousand which was written off.

The State Fiscal Service of Ukraine declined reimbursement EUR 1 thousand for the Project Coordinator in Ukraine in 2017 resulting in a respective increase in an allowance for doubtful debt and expense in 2017.

NOTE 8: RECONCILIATIONS OF BUDGETS TO FINANCIAL STATEMENTS

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

The Financial Statements are prepared on an accrual basis, while the budget is prepared on a modified cash basis. The following table shows a reconciliation of the excess/shortfall of income over expenditure on a budgetary basis, used to calculate the Cash Surplus, and the Surplus/(Deficit) for the Period as reported in the Statement of Financial Performance. The differences are due to IPSAS adjustments affecting revenue and expenses.

EUR '000	UB Funds	Special Purpose Funds	Extra-Budgetary Funds	Total OSCE
Budgetary Excess of Income over Expenditure	3,706	8,188	13,301	25,195
IPSAS Adjustments:				
Revenue				
Accrued Interest	(8)	0	0	(8)
Revenue from Conditional Funding Agreements	0	0	(9,069)	(9,069)
Contributions In-Kind	26,653	42,191	240	69,084
Revenue from Exchange Transactions	(199)	(61)	(139)	(399)
Other Revenue	45	(57)	13	0
Subtotal Revenue	26,490	42,073	(8,955)	59,608
Expense				
Allowances for Doubtful Debts	(246)	(48)	0	(294)
Unliquidated Obligations	3,303	0	0	3,303
Employee Benefits	1,777	15	16	1,808
Contributions In-Kind Expense	(26,653)	(42,070)	(240)	(68,963)
Insurance Adjustment	612	74	0	685
Inventory Adjustments	(374)	314	(1,077)	(1,137)
Property, plant and equipment Adjustments	(2,034)	(1,812)	(223)	(4,069)
Intangibles Adjustments	(361)	(114)	11	(464)
Subtotal Expense	(23,976)	(43,643)	(1,513)	(69,131)
Total IPSAS Adjustments	2,514	(1,569)	(10,468)	(9,522)
IPSAS Surplus/(Deficit) for the Period	6,220	6,619	2,833	15,673

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

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

EUR'000	Operating Activities	Investing Activities	Financing Activities	Total
Actual Amount on Comparable Basis	26,914	0	0	26,914
Presentation Differences	30,192	11,890	(2,949)	39,133
Basis Differences	4,876	(4,876)	0	0
Timing Differences	0	0	0	0
Entity Differences	(19,875)	29,715	(368)	9,472
Actual Amount in the Cash Flow Statement	42,107	36,729	(3,317)	75,519

The reconciliation also requires that any differences be separately identified:

- *Presentation differences* - differences in the content and classification used in the Statement of Cash Flow versus the Statement of Comparison of Budget and Actual Amounts; for example, revenue that is not included in the Statement of Comparison of Budget and Actual Amounts is shown as a presentation difference;
- *Basis differences* - in order to reconcile the Budget results to the Cash Flow Statement, non-cash elements such as unliquidated obligations and depreciation need to be considered as basis differences;
- *Timing differences* - occur in such cases when the budget cycle differs from the financial reporting cycle. For Unified Budget Funds there are no timing differences, since both cycles coincide. For Special Funds, the mandates of the Special Monitoring Mission to Ukraine, the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border and the Information Security Enhancement Fund do not correspond to the calendar year, however, the budgets have been prorated to cover the full year 2017 and therefore any timing differences have been removed.
- *Entity differences* - the Statement of Comparison of Budget and Actual Amounts refers to Unified Budget and Special Purpose Funds, whereas the Cash Flow Statement includes also Extra-Budgetary Funds. Extra-Budgetary Funds are excluded from Statement V because budgets under extra-budgetary activities are not subject to approval by the Permanent Council.

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

The original budget of EUR 138,983 thousand was approved by the Permanent Council on 1 June 2017 with PC.DEC/1252. The difference between the approved budget and the actual amounts totals to EUR 3,697 thousand.

The Unified Budget is calculated on a cash basis and covers the period from 1 January 2017 to 31 December 2017; therefore it is in line with the period covered by the Financial Statements. These are prepared on an accrual basis, which differs from the budget basis. For the purpose of preparing the comparison of budget and actuals in the Statement of Comparison of Budget and Actual Amounts, actuals are calculated on a cash basis comparable with the budget. These adjustments are shown in the table above under basis differences.

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

The mandate of the Special Monitoring Mission to Ukraine, does not correspond with the calendar year, therefore the budget shown in the Statement of Comparison of Budget and Actual Amounts is a proration of the budget under PC.DEC/1199 based on the number of days of the mandate that fell in 2017, from 1 January to 31 March 2017, as well as the prorated budget for the period from 1 April 2017 to 31 December 2017 under PC.DEC/1246. Actuals differ by EUR 22,951 thousand from the prorated budget of EUR 83,074 thousand mainly because the current mandate had not ended on 31 December 2017 and a contract for Long Range Unmanned Aerial Vehicles is planned for first quarter of 2018.

The successive mandates of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border during 2017 did not match the calendar year. The figures reported in the Statement of Comparison of Budget and Actual Amounts represent part of the budget for the mandate ending 31 January 2017 under PC.DEC/1221, the whole budget under PC.DEC/1239, PC.DEC/1249 and PC.DEC/1264, and part of the budget for the mandate ending 31 January 2018 under PC.DEC/1268. Actuals differ by EUR 184 thousand from the prorated budget of EUR 1,404 thousand mainly due to the cumulative effect of savings in the successive mandates which were used to reduce the financial contributions of participating States to each succeeding mandate.

There was no material differences between the approved budget and the actual amount of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border.

The Information Security Enhancement Fund was established by PC.DEC/1247 on 6 April 2017 to strengthen the security of the OSCE's ICT systems and to enhance its defences against sophisticated information security threats. The Information Security Enhancement Fund will cover an implementation period extending to 24 months with the balance carried forward from one year to the next, therefore the Statement of Comparison of Budget and Actuals shows the prorated budget of EUR 295 thousand from 6

April 2017 to 31 December 2017. There was no material difference between the prorated and the actual amount of the Information Security Enhancement Fund

NOTE 9: OTHER DISCLOSURES

9.1 – Contingent Assets and Contingent Liabilities

The OSCE has no contingent assets.

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

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

In addition, the Mission in Kosovo received a claim in 2016 for a former antenna site vacated by the Mission in May 2016. A settlement has been agreed with two of the three parties to the claim and the likelihood of the final third being pursued is considered remote.

9.2 – Leases and Contractual Obligations

Lease agreements in the Secretariat, Institutions and Field Offices refer to lease 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 2017 amounted to EUR 7,382 thousand (EUR 7,087 thousand in 2016).

Future minimum lease payments include payments for such rented premises (EUR 1,454 thousand) and equipment (EUR 1 thousand) that would be required until the earliest possible termination date under the respective agreements. 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	1,233	222	0	1,455

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

9.3 – Events After the Reporting Date

The Financial Statements were authorized for issuance by the Secretary General and were submitted to the External Auditors on 29 March 2018.

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

9.3.1 - Adjusting Events

On 15 February 2018 the Permanent Council decided (PC.DEC/1288) to establish a special fund in an amount of EUR 849 thousand for the purpose of carrying out observation of local elections in certain areas of the Donetsk and Luhansk regions of Ukraine that shall be set up for the duration required to carry out the activities. The fund shall be financed from deferred funds set aside for this purpose, carried forward through the Permanent Council Decision No. 1240 of 27 January 2017 and originally approved through a supplementary budget (PC.DEC/1177).

9.3.2 - Non-Adjusting Events

In accordance with PC.DEC/1289 dated 22 March 2018, the mandate of the Special Monitoring Mission to Ukraine was extended until 31 March 2019. This extension is funded by assessed contributions in the sum of EUR 84,794 thousand, and through extra-budgetary contributions.

In addition, PC.DEC/1286 dated 25 January 2018 extended the mandate of the deployment of OSCE observers to the two Russian border checkpoints of Donetsk and Gukovo on the Russian-Ukrainian border until 31 May 2018. This extension is funded from the 2016 Cash Surplus by an amount of EUR 420 thousand.

On 15 February 2018, the Permanent Council decided (PC.DEC/1287) to establish a special fund for strengthening the infrastructure of the OSCE and authorised the use of EUR 507 thousand from the 2016 surplus funds for this purpose.

Chapter V – Statement on Internal Control



Organization for Security and Co-operation in Europe

Statement on Internal Control for 2017

29 March 2018

Scope of responsibility

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

Purpose of the system of internal control

Internal control is designed to reduce and manage the risk of failure and capitalization on opportunities to achieve an organization's aims, objectives and related policies. Therefore, it can only provide a reasonable assurance of effectiveness. It is based on an ongoing process designed to identify the principal risks, evaluate the nature and extent of those risks and manage them efficiently, effectively and economically.

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

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

My current statement on OSCE's internal control process, as described above, applies for the year ended 31 December 2017, and up to the date of approval of the OSCE's financial statements.

Risk management and control framework

The OSCE established a risk management framework that sets out an integrated risk concept that covers both major risks that affect the organization as a whole, and operational risks that affect individual executive structures, programmes and projects. The risk management framework allows for:

- Identification of risks classified according to relevance, impact and probability of occurrence based on the guidance on risk management for administrative, security and project related risks. The guidance sets out the scope, basic concepts and mechanisms underlying risk management and enabling OSCE staff to identify, evaluate and manage risks as applicable to their executive structures,

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

The risk management process is part of a comprehensive internal control framework designed to ensure that the OSCE's objectives are achieved efficiently and underpinned by appropriate ethical values and legal principles. The framework rests on the support of executive management, the OSCE ethical framework, the Common Regulatory Management System, and established automated and manual control and monitoring activities. Specific tools supporting the internal control framework include:

- Automated and manual controls/monitoring activities,
- OSCE Code of Conduct,
- Financial and Staff Regulations, and
- Other Ministerial/Permanent Council decisions related to management of the OSCE's activities.

The framework also includes the coordinated review in the Secretariat of all Extra-Budgetary Projects planned to ensure compliance with the Common Regulatory Management System and with respective mandates; and the review of all executive structures' Unified Budget programmes and application of Performance Based Programme Budgeting. Furthermore, an escalation procedure is in place in the form of Exception Requests, bringing deviations from the Common Regulatory Management System to my attention for approval.

My senior management team and I are committed to a continuous improvement programme to strengthen the system of internal control across the OSCE including through the implementation of IT based solutions and streamlining of the CRMS.

Review of effectiveness

In accordance with Ministerial Council Decision No. 15/04, Permanent Council Decision No. 705 and other decisions of the participating States, I serve as the Chief Financial Administrative Officer for the organization, vested with broad executive and administrative authorities to oversee the effective and efficient use of OSCE resources. However, this role is limited by the organization's decentralized structure and independent administrative operation of the executive structures consolidated in this Statement. In particular, the Chiefs of Fund Administration of the executive structures, as well as other OSCE officials responsible for administering and overseeing implementation of the internal controls promulgated by me in the capacity as Chief Administrative Officer, do not report to, nor are accountable to me, as the Secretary General. As a result, this Statement on Internal Control and its effectiveness are limited by this structure. It is important to note that this arrangement, unique in the international community, is mandated through the collective decisions of the participating States since the OSCE's inception. Taking this into account, my review of the effectiveness of the system of internal controls is mainly informed by:

- Fund Managers of the executive structures, as well as senior managers who play important roles and are accountable for expected results, performance, controlling their executive structure's activities and the resources entrusted to them.

- Coordinated by the Conflict Prevention Centre (CPC), implementation of the Financial/Administrative Instruction 04/2004 which ensures that all Extra-Budgetary Projects planned by the Field Operations and the Secretariat comply with the Common Regulatory Management System and OSCE Project Management standards.
- For the year ended 31 December 2017, Letters of Representation received from the Fund Managers of the executive structures in connection with the issuance and audit of the Annual Financial Statements. As a new initiative, and in line with best practices, the Letters of Representation were signed by the Fund Managers and the Chiefs of Fund Administration.
- The Department of Management and Finance (DMF), which co-ordinates and monitors control activities and the Risk Management process.
- The Office of Internal Oversight, on whose reports of internal audits, evaluations, advisory services, and investigations I rely. These include independent and objective information on the adequacy and effectiveness of the OSCE's system of internal controls and on programme effectiveness, together with recommendations for improvement.
- The Audit Committee.
- The External Auditors.
- The participating States' observations.

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

Inadequate resources

- Legal, structural, security and financial risks which continue to exist and/or are increasing. This is further exacerbated by the continued underfunding of the organization. As a result, the capacity of the organization to implement and operate necessary procedures and controls across all executive structures is increasingly challenged.

Knowledge management and retention

- Internal controls rely first and foremost on the competency, capacity and continuity of a professional staff. High staff turnover, adjustments of mandated vacancy rates to meet financial targets, difficulties attracting top talent and filling seconded posts due to non-competitive compensation, and limited periods of service continue to negatively affect the knowledge preservation in the organization.

Politically turbulent environment

- The OSCE operates in a political environment characterized by tensions and conflict between OSCE participating States. This situation may have negative implications on the governance of the OSCE.

Significant matters to report in 2017

Below are a number of significant matters¹ that, in my view, affected the integrity of the internal control environment of the OSCE during 2017.

The Legal Framework of the OSCE

- The lack of a uniform set of privileges and immunities within the Organization still continues to trigger legal, financial and compliance risks for the OSCE in relation to local staff income tax payments and social security contributions. I endorsed discussions to continue on this subject during 2017 (as in prior years) and highlighted its importance by supporting and continuing to proactively follow-up on the Chairmanship Conference on Local Staff Income Tax held in 2014 and the Chairmanship retreat for the ACMF in 2016. On both these events, the Secretariat explored options and provided specific recommendations on the way forward with regard to these important issues, as tasked by Permanent Council Decision 1123 on the Approval of the 2014 OSCE Unified Budget. Progress was made in one executive structure which granted the OSCE tax exemption effective 1 January 2018 (Uzbekistan). Additionally, the matter of local staff income tax liability was and continues to be addressed by the Local Staff Income Tax Task Force in the Secretariat and in liaison with affected Field Operations with a view to developing recommended actions (both political and legal measures) to be taken to resolve the overall problem, as well as to find solutions to specific issues arising in this respect in individual field operations. Briefings on the options for resolving this issue were respectively carried out in 2017 by the Office of Legal Affairs in meetings with the ACMF, Audit Committee, Informal Working Group on Strengthening the Legal Framework of the OSCE and the External Auditor as well as respectively in bilateral meetings with taxing States by the Secretary General, CPC and the Office of Legal Affairs. Internal discussions have been undertaken at management level on the inclusion in the 2019 Unified Budget Proposal of the recommendation to establish the Staff Assessment and Tax Equalization Fund in order to mitigate the continuing risks associated with national taxation of OSCE officials.

Scales of Contribution

- The participating States failed to reach a consensus on the proposal for the 2018-2019 scales of contribution presented on 22 December 2017. The last approved scales of contribution expired on 31 December 2017. To ensure operational sustainability and implementation of the approved 2018 Unified Budget, provisional bills were issued in January 2018 on the basis of the last approved scales in accordance with the Financial Regulations. An updated legal opinion on this matter prepared by the Office of Legal Affairs was presented to the ACMF on 19 January 2018, outlining the legal basis of my authority to issue the provisional bills in line with the decisions of and authorities granted to me by the Permanent Council, and the Financial Regulations. In 2018, the Italian Chairmanship is due to revive the work of the Informal Working Group to progress in resolving this longstanding issue.

¹ The significant matters are identified through the consolidated analysis of strategic risks at executive structure level.

Secondment: conditions and periods of service

- Staffing levels and structure, including the conditions and periods of service of OSCE staff, and availability of secondees continues to remain a challenge to the OSCE's efficiency and ability to deliver on its commitments and in 2017 resulted in litigation against the organization, which remains pending. To enhance the effectiveness of the staffing framework, and strengthen the integrity of the internal control framework, proposals regarding both a modified tenure policy, which foresees the preservation of the non-career nature of the OSCE's employment policy, and proposals regarding the enhancement of the secondment system, have been developed and will be progressed under the umbrella of the SG reform agenda. Enhancement of the secondment system is also a specific area currently under consideration of the ACMF Group of Experts and Friends. In 2017, these critical issues remained unaddressed due to the inability of participating States to reach consensus on a way forward.

Security Environment of the Special Monitoring Mission to Ukraine

- The unpredictable and volatile environment in which the Special Monitoring Mission (SMM) to Ukraine continues to operate was underlined by the 23 April 2017 incident in which an SMM armored vehicle hit, what was later determined to be an anti-tank mine, resulting in the death of a Mission paramedic and injuring two Mission patrol members. Additional significant risks continue to exist, including; weapons being fired in close proximity to monitors or monitors being caught in exchanges of fire; mines, unexploded ordnance and other explosive remnants of war; and road accidents. Threats include antagonistic behavior towards monitors and other mission members; the direct targeting of mission assets (e.g., unmanned aerial vehicles, cameras); firing of weapons in close proximity to Forward Patrol Bases; and challenges and potential liabilities relating to securing SMM accommodation in conflict areas. Building on previous risk mitigation measures and recommendations resulting from of an internal investigation by the Office of Internal Oversight, an independent forensic investigation into the 23 April incident, and a Security System Review led by the Office of the Secretary General/Security Management, the SMM developed and will implement a new Framework of Security and standard operating procedures in order to enhance security and risk management. OSG/Security Management in co-operation with CPC will develop a new system of enhancing operational decision-making through a more effective security risk assessment methodology in order to identify what risks are acceptable or not. Following withdrawal of Russian Federation from the Joint Centre for Control and Co-ordination in Ukraine (JCCC) in December 2017, the SMM has put procedures in place to continue to operate on both sides of the contact line. Although the JCCC largely did not effectively assist in ensuring response to incidents affecting the SMM, the presence of the Russian Federation officers contributed to a mitigation of the security risks. Security risks are also mitigated by sharing security threat information with other international organizations.

Information Security

- In recent years, the OSCE has faced a series of major information security incidents, putting at risk confidentiality, integrity and availability of OSCE ICT systems, the users of those systems and the information contained therein. In 2016, to mitigate these risks DMF strengthened the OSCE's Policy on Information Security (FAI 13). In 2017, DMF introduced an Information Security Plan (ISP) to bolster technical controls and strengthen information security across the OSCE by running an OSCE-wide anti-phishing campaign to increase user

awareness. In 2018, DMF will establish an Information Security Advisory Board to provide guidance on information security management and governance activities.

Internal Control Environment of the OSCE

- The accountability entrusted to the OSCE by participating States demands that it has robust system of internal control and that these controls are properly applied. In 2017, within the context of increased complexity of the political and operational environment in which OSCE implements its mandates, along with the decentralized nature of the Organization, the DMF has taken note of the need to reassess the system of internal control to ensure enhanced effectiveness and efficiency in making the OSCE more 'fit for purpose' in support of participating States.

Significant matters identified in previous years are reported and monitored as described in my Financial Report for the year 2017.

Conclusion

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

I am committed to addressing any weaknesses in internal controls noted during the year and brought to my attention and to taking necessary measures remedying the situation while noting the limitations addressed above. Nevertheless, I am committed to taking all necessary measures within my mandate to safeguard the OSCE's capacity to deliver on its mandate, which will necessitate medium and longer-term measures aimed at increasing effectiveness and efficiency further while maintaining an effective internal control system.

Based on the above, I conclude that, to the best of my knowledge and information, there are no material weaknesses which would prevent the External Auditor from providing an unqualified opinion on the OSCE's financial statements, nor are there other significant matters arising which would need to be raised in the present document for the year ended 31 December 2017.


Thomas Greminger
OSCE Secretary General

Appendix

OSCE Provident Fund Summary Statement
Unaudited - For Information Purposes Only

For the Year Ended 31 December 2017

	Deposit Administration Funds				International Equity Funds				European Equity Fund		Total Funds
	Units '000	EUR '000	Units '000	USD '000	Units '000	EUR '000	Units '000	USD '000	Units '000	EUR '000	EUR '000
Opening Balance as at 1 January 2017	74,179	95,305	7,074	7,303	17	874	27	1,436	82	1,270	
Contributions/Premium Allocation	11,619	14,937	962	999	1	39	3	210	17	284	
Unit Adjustments	0	0	0	0	0	0	0	0	0	0	
Surrenders	(8,578)	(11,026)	(1,077)	(1,116)	(4)	(231)	(1)	(29)	(8)	(131)	
Withdrawals	(2,754)	(3,541)	(120)	(125)	(0)	(12)	(1)	(39)	(4)	(72)	
Switch Out	(20)	(25)	(8)	(8)	0	0	(0)	(0)	(1)	(25)	
Switch In	18	23	0	0	0	0	0	8	2	27	
Transfer Out	(128)	(164)	0	0	0	0	0	0	(3)	(45)	
Transfer In	0	0	0	0	0	0	0	0	0	0	
Fees (Administration Fee and Establishment Charge)	0	0	0	0	0	0	0	0	0	0	
Total movements during year	157	204	(243)	(250)	(4)	(204)	2	149	2	37	
Guaranteed Interest on Opening Balance	0	95	0	80	0	0	0	0	0	0	
Guaranteed Interest on units accumulated during year	0	(1)	0	(4)	0	0	0	0	0	0	
Deposit Administration Bonus Units (additional interest)	341	438	24	25	0	0	0	0	0	0	
Market Value Adjustment	0	0	0	0	0	50	0	323	0	140	
Closing Balance as at 31 December 2017	74,677	96,041	6,855	7,155	13	720	29	1,908	84	1,447	105,857

