

2016

OSCE

Financial Report and Financial Statements  
and the Report of External Auditor

osce

Organization for Security and  
Co-operation in Europe



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



Organization for Security and Co-operation in Europe  
The Secretariat

9 June 2017

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 2016 and the Report of the External Auditor thereon for your consideration and approval.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Lamberto Zannier'. The signature is fluid and cursive.

Lamberto Zannier  
Secretary General



## I – EXTERNAL AUDITOR’S REPORT





*Tribunal de Cuentas*  
*Presidente*

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

Madrid, 9 de junio de 2017

Estimado Sr. Zannier;

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 2016 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 Miranda*



TRIBUNAL DE CUENTAS

COURTESY TRANSLATION

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

Madrid, 9th June, 2017

Dear Mr. Zannier,

I am pleased to send you the Long Form Report on the 2016 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

# AUDIT OPINION



TRIBUNAL DE CUENTAS  
DE ESPAÑA

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Organization for Security and Co-Operation in Europe

OSCE

Opinion of the External Auditor on the 2016 Financial  
Statements

# AUDIT OPINION

## Opinion

We have audited the financial statements of the Organization for Security and Co-Operation (OSCE) for the year ended 31 December 2016. 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 2016, and its financial performance for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS); the accounting policies have been applied on a basis consistent with that of the preceding financial period in all material respects; and the financial transactions conform to the Financial Regulations and other dispositions that govern them.

## 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 have planned and performed the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by the Secretary General, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit in accordance with 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.

# AUDIT OPINION

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

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

We communicate with 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.

In addition, we were required to obtain sufficient evidence to give reasonable assurance that the revenue and expenditure reported in the consolidated financial statements and that the financial transactions are in accordance with the Financial Regulations and other dispositions that govern them.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinions.

# AUDIT OPINION


## Secretary General's Responsibility 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 and the requirements of the Financial Regulations. The Secretary General is also responsible 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.

## External Auditor's Report

In accordance with Regulation 8 of the Financial Regulations, we have also issued an External Auditor's Report on our audit of the Organization's financial statements.

Madrid, 9th June, 2017

A handwritten signature in blue ink, reading "Ramón A. de" followed by a stylized flourish.

Ramón Álvarez de Miranda García

President of the Spanish Court of Audit



TRIBUNAL DE CUENTAS  
DE ESPAÑA

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Organization for Security and Co-Operation in Europe  
OSCE

External Audit Report on the 2016 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.

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



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## 0. LIST OF ABBREVIATIONS

ACMF	Advisory Committee on Management and Finance
APT	Advanced Persistent Threat
BOM	The Observer Mission to Two Checkpoints on the Russian-Ukrainian Border
CFA	Chief of Fund Administration
CRMS	Common Regulatory Management System
CWC	Corporate Window Contract
DHR	Department of Human Resources
DMF	Department of Management and Finance
ExB	Extra-budgetary funds
FAI	Financial and Administrative Instruction (s)
FMMC	Fund Materials Management Committee
FR	Financial Regulations
FS	Financial Statements
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
OMiK	OSCE Mission in Kosovo
OMMC	OSCE Materials Management Committee
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
SG	Secretary General
SIRT	Security Incident Response Team
SMM	Special Monitoring Mission to Ukraine
SPF	Special Purpose Funds
SPU	Secretariat Procurement Unit
TCE	Tribunal de Cuentas
TU	Treasury Unit
UB	Unified budget

# ORGANIZATION FOR SECURITY AND CO-OPERATION IN EUROPE (OSCE)

## REPORT OF THE EXTERNAL AUDITOR ON THE AUDIT OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016

### 1. EXECUTIVE SUMMARY

#### 1.1 Overall results of the Audit

##### 1.1. a) Audit conclusion. Unqualified opinion.

1. The Tribunal de Cuentas of Spain (TCE) has audited the financial statements for the year ended 31 December 2016 of the Organization for Security and Co-operation in Europe (OSCE) with the objective of expressing an opinion on these financial statements.
2. The TCE has placed an unqualified opinion on the financial statements of 2016. 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.

##### 1.1.b) Recommendations

Recommendation 1:	We recommend, in a future review of FAI 7, to disclose the specific accounting treatment of internally developed intangible assets, to make Policy Paper 10 and FAI 7 consistent.
Recommendation 2:	We recommend OSCE consider the inclusion in the future an estimate of the financial effects of well-founded claims as well as indications about the uncertainties related to amount or timing.

Recommendation 3:	We adhere to the OIO recommendation to OMiK of continuing the practice of consultancy on any emerging back-rent claim with the Secretariat Legal Service and DMF.
Recommendation 4:	Considering the materiality to the OSCE of the estimated value of seconded staff, we recommend the Organization to record this value as both a revenue and expense in future Financial Statements.
Recommendation 5:	In order to foster the quality of the internal Quarterly Monitoring Reports by reassuring the correctness of the data, we recommend that the Organization should define the responsibility for its production.
Recommendation 6:	We recommend OSCE to reinforce procedures to assure the timely submission of Exception Requests to DMF.
Recommendation 7:	We recommend OSCE to foster the paperless office by implementing electronic signature.
Recommendation 8: (Minsk Group)	We recommend a review of cash handling to ensure that risks related to the transportation of significant amounts of cash are minimized.
Recommendation 9: (Minsk Group)	We recommend OSCE to reinforce controls on travel and representation funds justification.
Recommendation 10:	We recommend OSCE to review the lower layers of CRMS in order to guarantee the realignment with the changes in FR and its consistency.

## 1.2 Posterior facts

### Information Security Enhancement Fund

3. In November, 2016, OSCE suffered a deliberate, targeted cybersecurity attack. The Security Incident Response Team (SIRT) started an investigation immediately and took pertinent measures to respond to the attack within available resources. On 6th April, 2017, the PC decided to establish the Information Security Enhancement Fund, to finance the strengthening of the OSCE information security, allocating 800 thousand euros from the 2016 year-end revision.

## 2. AUDIT APPROACH

### 2.1 Scope of the Audit

4. Pursuant to the Organization for Security and Co-operation in Europe (OSCE) Permanent Council Decision PC. DEC/1080 the Tribunal de Cuentas of Spain (TCE) was appointed External Auditor, starting on 1 May, 2016 and expiring on 30 April 2019. The financial year ending 31 December, 2016 is the first year of its mandate.
5. The Secretary General (SG) is responsible for preparing the financial statements in accordance with the Financial Regulations (FR) of the OSCE.
6. 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.
7. 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.
8. In accordance with Article 8.2 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 Human Resources management, treasury management, invoices management and procurement procedures, in order to verify the correctness of design and developing of procedures as well as their recording in the system.
9. 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.
10. The report for the financial year 2016 contains the principal observations, findings and recommendations. Together with the audit Report and the audit opinion, the financial statements 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 Permanent Council; whether revenue and expenditure had been properly classified and recorded in accordance with IPSAS, the Organization's Financial Regulations, budgetary provisions as well as applicable directives and financial instructions; and whether the annual financial statements fairly presented the financial position at 31 December, 2016.

## 2.3 Audit Approach

13. The audit examination was conducted on a test basis in which the areas of the financial statements 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 financial regulations, assessed the internal control system regulating the financial regulations, 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 financial statements. 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.
15. While auditing 2016 financial activities, the auditors visited the OSCE Secretariat and two OSCE Field Operations (Mission to Bosnia and Herzegovina and The Personal Representative of the Chairperson-in-Office on the Conflict Dealt with by the OSCE Minsk Conference, based in Tbilisi, Georgia) outside Vienna, as well as the two missions focused on the OSCE Activities regarding the Conflict dealt with by the Minsk Conference (Minsk Group and High-Level Planning Group). The audit evidence collected during these 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 Missions and Operations were sent to the corresponding OSCE Fund Manager with a copy to the Secretariat and the Audit Committee.

16. The auditors have analyzed the OSCE's transactions based on statistical sampling in compliance with ISSAI 1530 and ISA 530, using professional audit software. Probability theory has been used to evaluate sample results, including measurement of sampling risk and stratification based upon the risk. According to a probability of 95% and a tolerable rate of deviation of max. 2%, a random selection of invoices has been analyzed. The auditors verified that invoices and the related documents had been filed in accordance with the regulations, and cross-checked the basis for payment and the necessary signatures.
17. This Report includes observations and recommendations designed to enhance financial management and control exercised by the Secretariat. As to 2016 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, write-offs, losses 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 Secretary General, management and staff of the Secretariat and the Office of Internal Oversight 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. ANALYSIS OF THE FINANCIAL STATEMENTS

#### 3.1 General observations

22. OSCE Financial Statements cover the Secretariat, Institutions and Field Operations, as well as Special Purpose Funds (SPF) and Extra-Budgetary Funds (ExB). FR 2 settles that the Budget shall be established for one calendar year which shall also constitute the financial year. Accordingly with FR 7.3 the figures are stated in EURO.
23. SPF have specific mandates that do not necessarily match with the calendar year. The Special Monitoring Mission to Ukraine (SMM) was originally established pursuant to PC.DEC/1117 dated 21 March 2014. PC.DEC/1162 adjusted the mandate to the last day of March, resulting in a mandate of 377

days instead of 366<sup>1</sup> and expiring on the 31<sup>st</sup> March, 2016. The Observer Mission to Two Checkpoints on the Russian-Ukrainian Border (BOM) was established with PC.DEC/1130 dated 24 July 2014. Its mandates are approved on a quarterly basis ending on the 31<sup>st</sup> January, 30<sup>th</sup> April, 31<sup>st</sup> July and 31<sup>st</sup> October.

24. 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 that fell in 2016. For the SMM this means 91 days of the mandate established by PC.DEC/1162 and 275 from the mandate of PC.DEC/1199. For BOM it means 31 days from the mandate of PC. DEC/1178, the full mandates of PC.DEC/1198; PC.DEC/1205; and PC.DEC/1212; and 61 days from the mandate of PC. DEC/1221.
25. The financial statements were submitted to the TCE on the 31<sup>st</sup> March, 2017, in due time and in accordance with the requirements of FR 8.
26. 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.

### 3.2 Accounting policies

27. The financial statements of 2016 are the fourth fully prepared under IPSAS. They fulfill 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.

28. Following the end of the transitional provision provided by IPSAS 23 in relation to the recognition of contributions in-kind, the corresponding 2015 comparative figures have been restated (further detail is provided in par. 47 to 49 of this Report).

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<sup>1</sup> 2016 is a leap-year. Present mandate spans 365 days.



### 3.3 Statement of Financial Position

#### 3.3.1) Assets and Liabilities

29. 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.

#### 3.3.2) Cash, Cash equivalents and Investments

30. The OSCE's overall cash situation is satisfactory. Cash, cash equivalents and investments in all funds amounted to approximately EUR 85,879 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 2016 – Statement of financial position and previous External Auditor's Report)

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

In 2016 OSCE invested funds not required for immediate operational purposes in short term deposits up to a maximum of nine months, in accordance to the agreement of the Investment Committee dated on the 24<sup>th</sup> of April, 2015, that increased the investing period from six to nine months, pursuing better interest rates, and subsequent FAI 5.

#### 3.3.3) Assessed Contributions Receivable

31. The level of outstanding UB assessed contributions in 2016 further increased by roughly EUR 194 thousand (3.5%). A total of EUR 221 thousand from previous years' outstanding contributions was collected. However, the most significant fact is the decrease in the outstanding assessed contributions for the SMM to Ukraine (EUR 2,825 thousand), bringing the combined total outstanding assessed contributions to EUR 5,952 thousand, which is significantly lower than the previous year's figure.

32. In accordance with IPSAS, an allowance for doubtful contributions had to be calculated as at 31 December, 2016. The allowance amounts to EUR 5,798 thousand and is equivalent to the entire outstanding contributions receivable from participating States whose arrears equaled or exceeded the amount of contributions due for the preceding two full years, taking into account each

participating State's historical pattern of payment. We have verified the correctness of the calculation of the allowance recorded in the accounts.

33. As our predecessors highlighted, recording an allowance for doubtful debts does not mean that the participating States' 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.
34. The efforts made by the participating States that have reduced their pending contributions are welcomed. Nevertheless, they are encouraged to continue doing their utmost to fulfil their obligations. It is also a question of fairness vis-à-vis the other participant States to contribute to the soundness of OSCE's financial position in accordance with the agreed scale of assessment.
35. For the first time this year, the ExB Contributions Receivable are shown in the Statement of Financial Position in the amount of EUR 14,314 thousand (Note 3.3.3) and distributed among the different ExB funds. There is no comparative table for 2015, where this issue was only approached in Note 8.2 of the Financial Statements which stated the total amount of ExB pledges received but not paid as at 31 December 2015 amounted to EUR 4,133 thousand.

**Table II: Assessed contributions receivable in EUR'000**  
(Source: OSCE FS 2016-Note 3.3 and previous External Auditor's Report)

Year	2013	2014	2015	2016
<b>Unified Budget</b>	5,784	5,642	5,560	5,754
<b>Special Monitoring Mission to Ukraine</b>	-	589	3,217	198
<b>Assessed contributions receivable</b>	5,784	6,231	8,777	5,952
<b>Extra-budgetary Contributions Receivable</b>	N/A	N/A	N/A	14,314

#### 2.3.4) Property, Plant and Equipment (PP&E).

36. On 31 December 2016, OSCE's stocktaking records showed total PP&E at a net book value of approximately EUR 28,368 thousand. Current values were determined by reducing the original cost over the estimated useful life of the item. Compared to the value as of year-end 2015, it shows an increase of EUR 2,800 thousand (11%).
37. The OSCE recognized assets ranging from IT equipment, vehicles, fixtures and fittings, safety and others. PP&E was recognized at cost and depreciated using the straight-line method over a reasonable period. The Organization's treatment is IPSAS compliant.

#### 3.3.5) Intangible Assets

38. Intangible assets recorded in the statement of financial position only consist of software. As at 31 December 2016, approximately 44% (EUR 1,957 thousand) of

the net book value of intangible assets, totaling EUR 4,465 thousand, relates to commercial off-the-shelf software. The OSCE also recognized internally generated software, which is disclosed as *developed* and *under development*. *Internally developed software* has increased by EUR 87 thousand in 2016, and we have been informed that corresponds to the SharePoint Intranet Portal, which can be disclosed as follows: EUR 79 thousand from staff costs and EUR 8 thousand from consultancy.

39. The *intangible assets under development* amounts to EUR 200 thousand. OSCE has capitalized staff costs for EUR 95 thousand and EUR 105 thousand from consultancy. OSCE records these assets at cost and capitalizes them with a threshold of EUR 50,000. In 2016 these assets correspond to the Performance Management Module in ORACLE. The accounting treatment, defining a threshold, is IPSAS compliant. The threshold is defined in the Policy Paper n° 10 Intangible Assets, a lower rank than FAI 7 *Assets Management*, which does not preview the register of internally developed intangible assets. Considering that the ICT Unit has under development more software projects which are likely to be capitalized in near future, as well as the fact that FAI 7 does define a threshold for material assets, we suggest to disclose the threshold for intangible assets along with material assets' in a future updated or reviewed version of FAI 7.

Recommendation 1: We recommend, in a future review of FAI 7, to disclose the specific accounting treatment of internally developed intangible assets, to make Policy Paper 10 and FAI 7 consistent.

### 3.3.6) Employee Benefit Liabilities and Actuarial Valuation

40. In accordance with 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 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. We have checked that the estimations made by the actuary have been properly recorded in the corresponding accounts and reflected in the financial statements.

### 3.3.7) Contingent liabilities

41. 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 8.2 of the Financial Statements. No improvements have been made in order to settle the financial terms of the only well-founded claim up to the

date of emission of this Report. This disclosure is IPSAS compliant. Nevertheless, IPSAS 19 settles that when practicable, it should include an estimate of the financial effect together with indications of the uncertainties relating to the amount or timing.

Recommendation 2: We recommend OSCE consider the inclusion in the future an estimate of the financial effects of well-founded claims as well as indications about the uncertainties related to amount or timing.

42. The OIO issued a Report on the Internal Audit of the OMiK in March, 2017, with back-rent being one of the issues analyzed. It concluded that although there is no standard process on how to address those rental claims, the Mission approached the issue in a prudent manner, settling only the claims with clear evidence of the claimant's title and negotiating the amount to a reasonable level.
43. We consider the good cooperation kept by the Office of Legal Affairs in OMiK with the Secretariat's Legal Services and DMF a good practice, and adhere to OIO's recommendation to continue the practice of consulting any emerging back-rent claims.

Recommendation 3: We adhere to the OIO recommendation to OMiK of continuing the practice of consultancy of any emerging back-rent claim with the Secretariat Legal Service and DMF.

### 3.4 Statement of Financial Performance

44. The OSCE experienced an overall deficit of revenue over expenses of EUR 1,785 thousand for the first time in the last four years, due to the deficit from the execution of ExB Funds that are analyzed in the following paragraph.

**Table III: Revenue and Expenses; Surplus/(Deficit) since 2013 in EUR'000**  
(Source: OSCE FS 2016 and previous External Audit Reports)

Year	2013	2014	2015	2016
Total Revenue	168,998	204,813	242,856	242,667
Total Expenses	163,281	184,113	230,790	244,452
Surplus/(Deficit)	5,717	20,701	12,065	(1,785)

**Table IV: Surplus/(deficit)/Year in EUR'000**  
(source: OSCE FS 2016 and previous)

Surplus/(Deficit) /Year	Total Unified Budget	Total Special Purpose Funds	Total Extra-Budgetary Funds	Total OSCE
2016	274	6,557	(8,616)	(1,785)
2015	1,913	7,351	2,802	12,066
<b>INCREASE/DECREASE</b>	<b>(1,639)</b>	<b>(794)</b>	<b>(11,418)</b>	<b>(13,851)</b>
<b>%</b>	<b>-86%</b>	<b>-11%</b>	<b>-408%</b>	<b>-115%</b>

#### 3.4.1) Extra-budgetary Contributions

45. Extra-budgetary Contributions experienced a large decrease in revenue (from EUR 39,296 thousand in 2015 to EUR 26,364 thousand in 2016), a total far greater than the decrease in expenses (from EUR 37,337 thousand in 2015 to EUR 35,074 thousand in 2016). IPSAS settle that revenue from voluntary contributions is recognized upon the signing of a binding agreement between the OSCE and the donor. Nevertheless, this deficit is mainly caused by revenue from conditional agreements deferred during the period for an amount of EUR 27,163 thousand. This deferred revenue will be recognized as revenue when the conditions of the agreements are satisfied.

#### 3.4.2) Finance Revenue

46. In 2016, interest revenue represented 0.03 per cent of total revenue, slightly less than the previous year (0.04%). The main cause of low interest income is, as in previous years, the low rates of interest.

#### 3.4.3) Contributions In-kind

47. OSCE receives each year a significant amount of contributions in-kind provided in the form of premises, equipment, seconded staff and other services. The estimated value of these contributions in 2016 amounted to EUR 80,394 thousand or over one third of the total resources put at the disposal of the OSCE. This includes an estimated EUR 74,064 thousand for seconded staff salaries (services in-kind) and EUR 4,657 thousand for buildings provided by host countries (goods in-kind).

48. In previous years, contributions in-kind were reported in the Notes of the Financial Statements. Following the expiry of Transitional Provisions permitted by IPSAS 23, an amount of EUR 4,847 thousand corresponding to the estimation of goods in-kind for the rent-free provision of premises and equipment has been recorded for the first time. Thus, both revenue and expenses have increased in the Statement of Financial Performance for a neutral net effect on the reported result for the period. To present 2015 figures on a comparable basis, the 2015 Financial Statements were re-stated, increasing Revenue and Expenses in the Statement of Financial Performance by EUR 4,857 thousand.

49. On the other hand, OSCE has not registered the estimated value of the Services in-kind provided in the form of seconded staff, keeping the information in the Notes and thus not applying the same criterion as with the goods in-kind. The estimated value of the seconded staff amounted to EUR 74,064 thousand and is disclosed as follows: EUR 49,357 thousand for the savings on staff deployed to the Special Monitoring Mission to Ukraine and the Observer Mission to Two Russian Checkpoints on the Russian-Ukraine Border, and EUR 24,707 thousand on both UB posts and ExB posts. The total estimated value of the seconded staff amounted to more than half of the staff costs registered in 2016. Although the disclosure in the Notes is IPSAS compliant, due to the significance of the estimated value which is recognized in the Financial Report<sup>2</sup>, we recommend OSCE, for the coming FS, to apply the same accounting practice and record the estimated cost of seconded staff as both a revenue and expense (for further detail on seconded staff, see par. 61).

Recommendation 4: Considering the materiality to OSCE of the estimated value of seconded staff, we recommend the Organization to record this value as both a revenue and expense in future Financial Statements.

#### 3.4.5) Expenses

50. Total expenses increased by roughly 4% (from EUR 235,648 thousand to EUR 244,452 thousand), mainly due to the expansion of the SMM. Staff costs remain the most significant expense (around 56% of total expenses).
51. Staff costs experienced an increase of EUR 11,650 thousand (9.3% of the previous year figures) reaching a total of EUR 136,288 thousand. This amount is disclosed as follows: EUR 84,861 thousand from the 2016 UB, EUR 37,869 thousand from SPF and EUR 13,558 thousand from ExB funds.
52. The 2016 UB approved a total of EUR 88,892 thousand for staff costs. The total final expense represents a saving of 5% on the approved budget.
53. The disclosure of the staff costs included in Note 7.1 of the FS was matched with the accounting records (object codes) finding no discrepancies.

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<sup>2</sup> Par. 10 of the 2016 Financial Report.

## 4. MANAGEMENT ISSUES

54. 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.
55. We have reviewed several aspects of the management of Procurement, Human Resources and Treasury, as well as management of invoices, in order to form an opinion on the design and management of procedures. This analysis will continue in the coming years, thus permitting us to explore the procedures in more depth.

### 4.1 Human Resources

56. The Department of HR provides a full range of HR management services across the OSCE. It is also responsible for the development and improvement of HR policies and procedures and for the proper implementation of OSCE Staff Regulations and Staff Rules and Staff Instructions.

#### 4.1.1) Payroll

57. Payroll is a responsibility of the HR Services Section of the DHR. It is a monthly recurring process which follows a payroll calendar published annually. The OSCE payroll calendar is issued by DHR/ Payroll Unit of the Secretariat in November/December for the following calendar year. Its deadlines must be respected in order to ensure timely creation of payroll invoices, which are the basis for the actual payment to staff/mission members. Every month the payroll process includes a total of 21 runs covering all Missions and Institutions and must ensure calculation of payroll elements such as earnings, deductions or employer charges, against valid assignments. A reconciliation that verifies that transactions are properly recorded in the corresponding accounts and for the correct amounts is made in the first days of the following month. Its results are communicated to DMF. In addition, the payroll staff runs five monthly reports called *Payroll Exception Reports* to check entries, variances of location and professional steps, and follow up on potential issues (like changes in the entitlement structure and/or salary levels of individual employee for the payroll period; to review proper contract extension; step Incrementing and/or Grade change; new employment, Separation from service, etc.).
58. We have checked the complete process to produce the payroll in the Secretariat as well as reviewed the files corresponding to the *Reconciliation reports for education grant and removal costs employer share* and the *Secretariat Payroll*

*Exception Reports* for two months. Each payroll involves more than 475 staff members and the following economic data:

**Table V: Payrolls in EUR**  
(source: Own Elaboration from HR and Accounts data)

INSTITUTION:	(110) THE SECRETARIAT	
	SEPTEMBER 2016	OCTOBER 2016
PAY ROLL MONTH		
Number of staff on this month's payroll:	479	487
Net amount of payroll:	2,277,561.93	2,352,327.56
Social Security plans:		
Van Breda	134,927.90	129,731.21
Provident fund euros	410,735.09	409,603.01
Provident fund \$	48,043.73	49,545.72
Local social security plan	52,759.15	54,276.01

59. We have also checked the expenses recorded for repatriation grants (EUR 268 thousand) for the Secretariat. There were no discrepancies among the accounting records and HR information provided.

#### 4.1.2) Secondments

60. The OSCE and participating States are committed to the principle of non-career service with flexibility in staff resourcing. International Staff can be primarily classified in two categories: contracted staff directly recruited by OSCE and secondees made available for recruitment by participating States. The distribution at 31<sup>st</sup> December, 2016 of the international staff, including UB and SPF, is shown in following Table:

**Table V: Recruitment and Secondment, 2016**  
Source: OSCE Financial Statements 2016

OSCE STAFF POSITIONS	POSTS (UB & SPF)	ACTUALS	% OF VACANT POSTS
International Contracted	278.3	261	6%
International Seconded	1,335.5	1,131	15%
<b>TOTAL INTERNATIONAL STAFF</b>	<b>1,613.8</b>	<b>1,392</b>	<b>14%</b>

61. More than 82% of the total number of international staff holding posts at the end of 2016 was seconded staff, and still, 15% of the seconded posts in UB plus SPF were vacant. These figures, along with the estimated value of their contribution, show the huge relevance of secondment in OSCE and emphasize our Recommendation 4.



## 4.2 Treasury

62. According to Financial Rules and Regulations, the Secretary General is responsible for the management of funds. The Secretary General delegates this function to the Director of DMF and the Chief of Treasury Unit. The latter is in charge of receipts, payments and reconciliations. Income and cash management is regulated in FAI 5. We have checked that the functions of the TU are clearly identified and properly segregated. Compliance of the management of assessed contributions, investments and payments has been verified.
63. Bank reconciliation as at 31st December, 2016, was performed. It was almost complete, with the sole absence of a response from one financial entity. This fact was brought to the knowledge of the TU/DMF who made the necessary arrangements to collect it from the entity and send it to us. No discrepancies among the accounting records and the information provided by financial entities were revealed.

## 4.3 Procurement

64. Procurement refers to the entire process of acquiring goods, services or works, through competitive processes or by sole-source contracting. It is regulated under FAI6 and developed by a Procurement and Contracting Manual<sup>3</sup>. This framework establishes sound grounds for the procurement process; defines the guiding principles, the ethics, as well as the detailed contracting process including deviations (from OSCE standard conditions or due to sole source basis). It also ensures segregation of responsibilities for requesting and approving contracts for goods and services; the levels at which procurement approvals are granted; and provides for key controls such as dual authorization by Programme and Fund Administration staff. Each Fund has been required to establish a Fund Materials Management Committee (FMMC) chaired by the Chief of Fund Administration (CFA) to approve high value procurements (contracts above or equal to EUR 150 thousand or EUR 250 thousand, depending on the size/approval authority of the Fund, in 2016).
65. OSCE promotes competitive tendering. As a general rule, contracts should be awarded on a competitive basis. Nevertheless, the potential needs of sole-source contracting are contemplated in the procurement framework.
66. Our reviews focused on the activity of the Procurement and Contracting Unit (PCU) in Vienna, whose tasks go beyond the procurement of goods and services for the Secretariat<sup>4</sup> (i.e the PCU establishes, manages and reviews Corporate Window Contracts; provides expert advice and guidance to OSCE and field operations; develops common technical standards, contract terms and guidance and collects and reviews exception reports and MMC decisions by the field operations, among others). The OIO has included a review of procurement in

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<sup>3</sup> OSCE Procurement and Contracting Manual. Revision 2014

<sup>4</sup> OSCE Procurement and Contracting Manual provides with specific dispositions concerning co-operation between Field Offices on procurement matters.

every Field Operation audited during 2016<sup>5</sup>. We have read the OIO Reports and consider of high value their recommendations addressed to Missions.

67. SMM settled two sole source contracts amounting up to EUR 5,750 thousand and related to armored vehicles. Both were considered under the provisions of FAI 6 par 8.5.3 (reasons of extreme urgency or emergency) as needed per the Emergency Response Plan. The purchase orders were placed based on previous Corporate Window Contracts whose conditions, although already expired at the time of the purchase, had been confirmed by the suppliers. Both were registered into the ORACLE system as CWC instead of sole-source contracts. The case was communicated to the SPU from the start but it was not presented to the FMMC/OMMC as stated in FAI 6, par. 8.5.3.
68. OSCE produces a Quarterly Monitoring Report from D/DMF to the SG that, among other economic data, shows a summary of Procurement, by Executive Structure and by contracting time. This report could be very useful for any review of the economic activity had the information proven to be correct. The two contracts mentioned in par. 67, as registered under CWC, were not shown as "sole source" contracts, making the information inconsistent. In order to make this document a useful instrument for follow up action, we recommend the Organization to define the responsibility for its issuance.

Recommendation 5: In order to foster the quality of the internal Quarterly Monitoring Reports by reassuring the correctness of the data, we recommend that the Organization should define the responsibility for its production.

69. FAI 6 allows the PMs to apply Exception Requests to competitive procurement procedures under certain circumstances, providing these reasons are clearly supported. FAI 6 also settles that copies of Exception Reports shall be submitted to DMF on a monthly basis. We have detected significant delays with the consequence of inconsistencies in the economic information among different documents.

Recommendation 6: We recommend OSCE to reinforce the procedures to assure the timely submission of Exception Requests to DMF.

70. In two samples of exception requests produced by a Field Operation in order to buy two vehicles, we noted that the descriptions and explanations given were restrictive and lacking the level of detail to provide comprehensive explanation of why the requirements of administrative instructions were not fully followed.

#### 4.4 Management of invoices

71. As stated in par 16 of this Report, no cause of criticism has been found in the invoices examined. However, after the quoted examination, some observations

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<sup>5</sup> OSCE Mission to Montenegro; OSCE Presence in Albania; OSCE Office in Yerevan; OSCE Programme Office in Astana; OSCE Mission to Moldova; OSCE Mission in Kosovo, and OSCE Centre in Ashgabat.

related to the procedures for dual approval and the filing of the supporting documentation can be made.

72. The dual approval approach for authorization of the expenses, programmatic and administrative approval is configured directly within Oracle, through the Purchase Requisitions and Purchase Orders (PO) raised in the system. The same approach also applies to the administrative procedures related to the receipt of goods and services and their subsequent payment. The managing application, IRMA (ORACLE), makes payment of an invoice impossible if there is no previous accountancy of it, and no accountancy can be done if there is no receipt of the PO. We could go backwards through the procedure and all the managing and administrative steps are clearly linked in the application, preventing possible malfunctions in the procedures. This is what could be called “paperless” office.
73. Currently, the PO documents, the acceptance of the goods and services ordered and received, and the payments are signed both on paper by the competent OSCE officers and in the system by the authorized user. When asked for the supportive documentation of invoices, some missions have sent the scanned copies with the authorized signatures together with the names and position of the signatory and the correspondent PO, but others, probably due to the significant volume of transactions and the fact that the documents are already approved in the system, haven't. Therefore, there is a lack of homogeneity in the way the documentation is handed.
74. The “paperless” office should be further explored. It would be an improvement trying to implement an electronic signature instead of the physical one for all documents that need authorization, improving working efficiency and decreasing the physical space for storage with its correspondent reduction of costs associated, at the expense of implementing and operating the e-signature solution (including storage, electronic certificates, software development and maintenance). Hence, all documents could be registered, authorized and archived in the system with its competent signature and printed out only when necessary. This requires not only procedural changes, but also IT and legal evaluation, and presumably would lead to an amendment to the OSCE Common Regulatory Management System.

Recommendation 7: We recommend OSCE to foster the paperless office by implementing electronic signature.
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## 5. FIELD WORKING VISITS

75. During the first semester of 2017 the auditors conducted field visits to:
- a. Sarajevo (Mission to Bosnia and Herzegovina).
  - b. Tblisi and Vienna (The Personal Representative of the Chairperson-in-Office on the Conflict Dealt with by the OSCE Minsk Conference, High Level Planning Group (HLPG) and Minsk Group).
76. Field audits were designed to provide independent assessment of financial procedures and managerial activities. All the audit findings were summarized and evaluated during the audit of the OSCE Financial Statements for 2016. The audit findings were mostly related to such areas as Project management, Cash and Bank Management, Travel Costs, Procurement & Contracting, etc. The reports with all the observations, findings and recommendations were submitted to the Fund Managers. Copies of the reports were sent to the attention of the Department of Management and Finance (DMF), and to relevant stakeholders within OSCE.
77. Although our assessment revealed no material misstatements, the audit findings with recommendations related to areas requiring managerial decisions were brought to the attention of the OSCE Secretariat, with the aim of further enhancing the appropriate financial activities. Some comments deserve to be highlighted in this report:
- a. Regarding the audit of OSCE Mission to Bosnia and Herzegovina, we conducted performance audit on project management, with highly satisfactory results.
  - b. Regarding the audit of OSCE Minsk Group, we found that the budgetary data collection procedure has resulted, in certain instances, in under expenditure; we also found significant amounts of cash carried by individuals, with resulting risks of loss or theft which need to be managed; and we detected weaknesses related to travel and representation funds (lack of justification for non-OSCE officials travelling at the expense of OSCE; lack of documentation supporting requests for representation funds).

Recommendation 8 (Minsk Group): We recommend a review of cash handling to ensure that risks related to the transportation of significant amounts of cash are minimized.

Recommendation 9 (Minsk Group): We recommend OSCE to reinforce controls on travel and representation funds justification.

## 6. FOLLOW-UP OF PREVIOUS EXTERNAL AUDIT REPORT RECOMMENDATIONS

78. Our predecessors' Audit Report for the 2015 financial year settled a total of six recommendations, five of them related to ICT issues. The DMF/ICT informed the PC about the total implementation of four of them<sup>6</sup>, with two still in progress by the end of 2016. Regarding Recommendation number 1 (implementation of a data scrambling system), we have been informed that a project proposal will be submitted to senior management for approval by end of 2Q 2017. According to Management, the *In Progress* status of Recommendation number 5 (about password expiration violations) is a completion postponement due to activities on major security incidents which occurred in the last quarter of 2016, and thus a delay in the new risk assessment framework. We will follow up on the implementation in 2017.
79. The Recommendation about the update of the Financial Regulations is considered implemented by the ACMF with PC.DEC/1225 (24 November, 2016), which amends the OSCE Financial Regulations in relation to the implementation of IPSAS. Nevertheless, and apart from other circumstances, IPSAS are a matter of periodical review, thus meaning that the Financial Regulations may require further amendment in the future. In addition, it must be highlighted that the lower layers of regulation of the Common Regulatory Management System (CRMS) should be reviewed in order to check its realignment and consistency.

Recommendation 10: We recommend OSCE to review the lower layers of CRMS in order to guarantee the realignment with the changes in FR and its consistency.

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<sup>6</sup> Recommendation 2, that refers to the existence of too many users with extensive access rights (par. 47 2015 Audit Report); Recommendation 3 about the existence of generic accounts as well as more than one user account (par. 51 2015 Audit Report); Recommendation 4, about disabling the Authorization menu functionality in production systems (par. 55 2015 Audit Report); and Recommendation 6 about updating financial regulations (par. 78 2015 Audit Report).

Recommendation 1 refers to implementing a data scrambling system that removes sensitive data when production data is copied into other system instances (par.44 of the 2015 Audit Report);

## 7. OTHER MATTERS

### 7.1 Cases of Fraud and Presumptive Fraud

80. As stated in our predecessors' Report, OIO reported in 2015 on a case in one executive structure of significant discrepancies between payments of fuel and fuel recorded as received over a period of years, for which the review was not finalized in 2015. Hence the case became subject to formal investigation in 2016.
81. PC.DEC/399 includes 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 under the scope of OIO. Definitions of the terms *fraud* and *corruption* are included in FAI14.
82. The procedure for carrying out investigations is also described in the above mentioned Decision, highlighting that OIO shall respect the rights of individual staff and mission members at all times and that a staff or mission member subject to an investigation shall be informed of the investigation and be given the opportunity to review the findings and respond to them before a final report, if any, is prepared.
83. The complexity of the case, the fact that it spans over several years, significant vacancies in OIO in 2016<sup>7</sup>, and the due process procedure described in paragraph 82, are main reasons for OIO not having issued the overall final report on the case on the date of signature of the External Auditor's Report. We will follow this issue in next year's Report.
84. In 2017 the OSCE Mission Support Section (MSS) started a project aimed at the development of a vehicle fleet management system. Among its goals there is reduction of the fuel consumption. One of the actions has been the installation of GPS tracking systems in the vehicle fleet. Tracking of fuel consumption is not only useful for cost reduction, but also reduces significantly the potential risk of this kind of fraud as the improved data available from the fleet management system should, among other things, provide the tools to further facilitate the comparison of invoices against fuel consumption. The current fleet of the OSCE is above 800 vehicles. Most of them are already equipped with GPS.
85. As stated in the Financial Statements, OIO reported a further case of presumptive fraud in an executive structure involving the purchase of

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<sup>7</sup> Vacancies were a major constraint for OIO in 2016. In this particular case, it must be mentioned that the investigator post was formally vacant for 9 months. In this absence, other audit staff carried out investigations along with their other duties.

consumables for which the investigation is still on-going. This case became subject to formal investigation only in 2016. We will also follow this issue in next year's Report.

86. Our audit works in the Secretariat and the Field Offices visited did not identify any cases during the year.

## 7.2 Losses, write-offs and Ex Gratia payments

87. Receivables amounting to EUR 20 thousand were written-off in 2016.
88. Cash losses were reported for a total of EUR 2,435 and correspond to a payment in advance made by the Mission to Serbia to a contractor selected after a tender procedure, who, in spite of the efforts made by the Mission, failed to supply the contracted goods.
89. During 2016 a total of EUR 12 thousand ex gratia payments have been recorded. We have checked that none of them were above the annual threshold of EUR 2,500 stated in FR 6.05.

## 7.3 Information Security Enhancement Fund

90. In November, 2016, a deliberate, targeted cybersecurity attack at OSCE Project Coordinator in Ukraine was reported. The type of attack is classified as an Advanced Persistent Threat (APT) and occurred through what is known as *phishing*, a process which consists of users opening their private emails from an OSCE computer and clicking on a bogus link included in those mails. It is publicly reported that OSCE has been a target of APTs since 2014. The Security Incident Response Team (SIRT) started an investigation immediately and, as a consequence, the OSCE has taken a number of actions in response to the incident. With the aim to strengthen the security of the OSCE's ICT systems and to enhance its defenses against sophisticated information security threats, the Permanent Council (PC.DEC/1247) decided in April, 2017, to establish a separate Fund, hereinafter referred to as the Information Security Enhancement Fund, to finance the strengthening of the OSCE information security strategy and action plan. The Fund will be administered by the Secretary General as Fund Manager and will cover an implementation period extending 24 months, with the balance carried forward from one year to the next. This Decision also states the allocation of 800,000 euros from the 2016 year-end revision, with any remaining funds at the time of completion of the activities to be treated in accordance with Financial Regulation 7.07.
91. The information security incidents along with the preventive controls and specific measures to reduce impact of those attacks are reported in the Statement of Internal control, which accompanies the Financial Statements. No further details on the issue are disclosed in publically available documents for preventive reasons due to the sensitive nature of the matter.

## 8. COOPERATION WITH OTHER STAKEHOLDERS

### 8.1 Liaison with the Office of Internal Oversight (OIO)

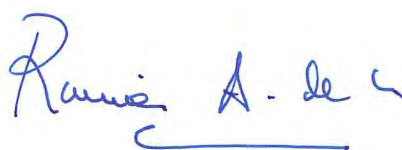
92. During the reporting period the external auditors have counted with the complete collaboration of the OIO whose members have always been available and willing to share with the external auditors their experience, ideas and knowledge. They have also provided us with all the Reports issued by the Office throughout the year with promptness. We have taken the audits done by OIO into consideration in our financial audit of 2016. Cooperation with OIO has provided us with valuable information and we appreciate their work.

### 8.2 Audit Committee

93. 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.

## 9. ACKNOWLEDGEMENT

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:	We recommend, in a future review of FAI 7, to disclose the specific accounting treatment of internally developed intangible assets, to make Policy Paper 10 and FAI 7 consistent.	Accepted. It is planned to revise FAI 7, and the Accounts Unit will support AMLU on financial and accounting aspects, including intangible assets.
Recommendation 2:	We recommend OSCE consider the inclusion in the future an estimate of the financial effects of well-founded claims as well as indications about the uncertainties related to amount or timing.	Accepted. Financial estimates will be included, subject to Legal advice about potential prejudice to the position of the OSCE in future legal proceedings.
Recommendation 3:	We adhere to the OIO recommendation to OMiK of continuing the practice of consultancy on any emerging back-rent claim with the Secretariat Legal Service and DMF.	Accepted.
Recommendation 4:	Considering the materiality to the OSCE of the estimated value of seconded staff, we recommend the Organization to record this value as both a revenue and expense in future Financial Statements.	Accepted. Accounts Unit will work with DHR to examine the best way to implement this and determine an achievable timescale.
Recommendation 5:	In order to foster the quality of the internal Quarterly Monitoring Reports by reassuring the correctness of the data, we recommend that the Organization should define the responsibility for its production.	Accepted.
Recommendation 6:	We recommend OSCE to reinforce procedures to assure the timely submission of Exception Requests to DMF.	Accepted.
Recommendation 7:	We recommend OSCE to foster the paperless office by implementing electronic signature.	Accepted. This project is under consideration, but needs to balance efficiency gains against available system capacity and the cost of additional data storage, maintenance etc. In addition, it is expected that the new Travel Management Solution will reduce the need for paper in this area.

ANNEX  
MANAGEMENT RESPONSES TO RECOMMENDATIONS

Number	Recommendation	Management Response
Recommendation 8: (Minsk Group)	We recommend a review of cash handling to ensure that risks related to the transportation of significant amounts of cash are minimized.	Accepted. Since the Audit Committee recommendation in its Annual Report 2014/15 for the Organization to reduce cash payments, OSCE Secretariat has led a project to eliminate cash payments wherever possible throughout the Organization.
Recommendation 9: (Minsk Group)	We recommend OSCE to reinforce controls on travel and representation funds justification.	Accepted.
Recommendation 10:	We recommend OSCE to review the lower layers of CRMS in order to guarantee the realignment with the changes in FR and its consistency.	Accepted. FAI 11 (The Financial Statements) has been revised, effective 15 May 2017. Other FAIs will be reviewed for consistency with IPSAS and updated as required.

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

30 March 2017

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 2016.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'LZ', is positioned above the name of the Secretary General.

Lamberto Zannier  
Secretary General

Excmo. Sr. D. Ramón Álvarez de Miranda García  
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 2016





# Financial Report of the Secretary General for the year ended 31 December 2016

## 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 the unqualified opinion, for the year ended 31 December 2016, 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 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 co-operating on conflict prevention, crisis management and post-conflict rehabilitation. With 57 participating States in North America, Europe and Asia, the OSCE is the world's largest regional security organization.
5. An organisational chart of OSCE Structures and Institutions as at 31 December 2016 is included as Annex 1 to the Financial Report.

## FINANCIAL STATEMENTS ANALYSIS

### Summary

6. The following table presents the key financial information, further elaborated under the corresponding section of the financial statements:

#### Financial Highlights

EUR'000	2016	2015 (Restated)	Change	Change %
<b>Statement of Financial Position</b>				
Cash and Investments	85,879	74,390	11,489	15%
Property Plant and Equipment	28,368	25,568	2,800	11%
Net Assets	49,855	53,372	(3,517)	(7%)
Outstanding Assessed Contributions	5,952	8,777	(2,823)	(32%)
Cash Surplus	148	392	(244)	(62%)
<b>Statement of Financial Performance</b>				
Revenue from Assessed Contributions	207,778	197,037	10,741	5%
Extra-Budgetary Revenue	26,364	39,296	(12,932)	(33%)
Total Revenue	242,667	247,712	(5,045)	(2%)
Total Expenses	244,452	235,647	8,804	4%

7. Following the end of a transitional provision provided by IPSAS to delay recognition in the financial statements of contributions in-kind, premises provided free of charge are recognized as both revenue and expenses. The 2015 comparative figures have therefore been restated on a basis comparable to that of 2016, increasing both revenue and expenses by EUR 4,857 thousand.
8. Overall, the picture presented above is satisfactory, with increasing assets and broadly stable assessed and extra-budgetary contribution revenue. This, coupled with a marked fall in outstanding assessed contributions, has allowed further investment in property, plant and equipment (PP&E). The decline in overall revenue can be attributed largely to an increasing proportion of extra-budgetary pledges that have conditions attached and are therefore recognised as deferred revenue, which also means that net assets remain similar despite the increase in cash and PP&E. The movement from extra-budgetary to assessed contributions is due largely to increases in the proportion of the SMM budget funded by assessment over the three mandate periods covered by the two financial years. The reduction in total revenue is due to smaller reallocations of cash surplus in 2016 and significant one-off donations of vehicles to the SMM in 2015 which were not matched in 2016.
9. As in 2015, the Special Monitoring Mission to Ukraine (SMM) dominated the OSCE agenda and the Financial Statements bear witness to this. Now in its third year of operations, increases in staff numbers and the incremental introduction of a variety of modern technologies in the previous and current year helped increase its overall footprint and offered flexibility in adapting to an ever-changing environment. In the context of the overall OSCE, SMM accounted for almost a third of total staff headcount at the end of the year and 31% of total OSCE expenses. In addition to the regular staff costs which increased by 38% to reach EUR 46,200 thousand, the value of its plant and equipment increased by 16% to EUR 20,642 thousand, reflecting the purchase of additional armoured vehicles, armoured ambulances and mid-range unmanned aerial vehicles (UAV)s with spare parts and surveillance cameras. Operational expenses amounting to EUR 27,379 thousand (travel and rental expenses along with the high value contracts for UAVs and extension of the contract for medical support services) continued to represent a high share in the overall SMM expenditure. SMM continues to be heavily

reliant on in-kind contributions to support its operations, with 71% of staff deployed in post at the end of the year being seconded.

10. A unique feature of the OSCE is the significant amount of in-kind contributions of services provided in the form of seconded staff, which amounted to EUR 74,064 thousand in 2016 (EUR 70,396 thousand in 2015). In accordance with IPSAS, in-kind contributions of services are not recognized as revenue in the Financial Statements, but are instead disclosed in the notes (see Note 6.7). It should be noted that, if the Organization did not receive these in-kind contributions, it would need 34% additional revenue from assessed contributions to maintain the current level of activities.
11. The unified budget cash surplus decreased 62% or EUR 244 thousand, mainly due increasing expenses, and to decreasing finance revenue caused by low, or even negative, interest rates. With decreasing unified budgets and the prevailing low interest rates, cash surpluses in the near future are unlikely to increase significantly and may decrease further.

### Statement of Financial Position

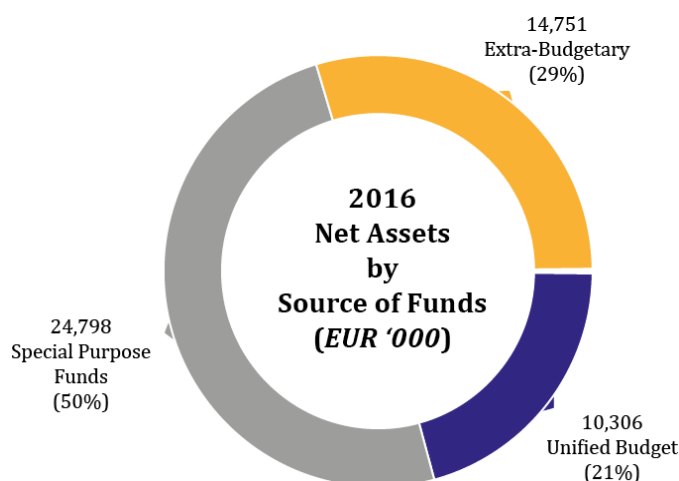
12. The following table shows a summary of the Statement of Financial Position:

EUR'000	2016	2015	Change	Change %
Current Assets	108,657	84,391	24,266	29%
Non-Current Assets	32,853	30,218	2,634	9%
<b>Total Assets</b>	<b>141,510</b>	<b>114,610</b>	<b>26,900</b>	<b>23%</b>
Current Liabilities	87,390	57,596	29,794	52%
Non-current Liabilities	4,265	3,642	623	17%
<b>Total Liabilities</b>	<b>91,655</b>	<b>61,238</b>	<b>30,417</b>	<b>50%</b>
<b>Net Assets</b>	<b>49,855</b>	<b>53,372</b>	<b>(3,517)</b>	<b>(7%)</b>

13. As in previous years, the OSCE's financial position continues to be healthy, as demonstrated by the sound liquidity indicators. Total assets are approximately 1.5 times the value of total liabilities (1.9 times in 2015). Current assets are approximately 1.2 times the value of current liabilities (1.5 times in 2015), demonstrating that the OSCE has sufficient resources to cover short-term obligations.
14. Current assets increased by 29% or EUR 24,266 thousand, due to an increase in cash and investments of 15% or EUR 11,489 thousand, which was mainly as a result of higher contribution collection rates. Cash and investments are managed centrally in order to safeguard funds, better monitor cash flows and optimise finance revenue, and most of the cash is held with the banks carrying an investment grade BBB- and above. Due to the banking crisis causing a general reduction in the credit ratings of banks, including the major institutions used by the OSCE, there were challenges in placing investments at higher rated banks in 2016 and an overall decline in the ratings of investments can be observed. Consequently, despite higher cash and investment holdings, finance revenue decreased by 10% from EUR 101 thousand to EUR 91 thousand due to the prevailing low or even negative interest rates on the market. 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.
15. Total current assets also include outstanding assessed contributions in the amount of EUR 5,952 thousand which decreased by 32% (EUR 8,777 thousand in 2015). The decrease in overall outstanding contributions is mainly due to improved collection of assessed contributions for the SMM.

Other current assets consist of taxes receivable, prepayments to implementing partners and other suppliers, and inventory.

16. Total non-current assets amount to EUR 32,853 thousand, out of which property, plant and equipment represents the largest portion, amounting to EUR 28,368 thousand. There was an 11% increase in property, plant and equipment compared to the previous year, mainly due to new SMM equipment. This includes donated equipment valued at EUR 710 thousand.
17. Total liabilities increased 50% or EUR 30,417 due in large part to an increase in deferred revenue. A deferred revenue liability is recorded for extra-budgetary contributions received from donors, which are subject to conditions. The increase is due to a significant amount of such contributions received in 2016 for which conditions need to be met in the up-coming period, and only as these conditions are met will the revenue be recognized.
18. Total net assets declined compared to last year, with a decrease of 7% or EUR 3,517 thousand, mainly due to an operating deficit for the year, driven in turn by an increase in extra-budgetary revenue deferred until such time as conditions attached to it are discharged. Net assets include OSCE fund balances and reserves, broken out as illustrated below. The chart below shows that 82% of net assets are related to funds other than the Unified Budget.

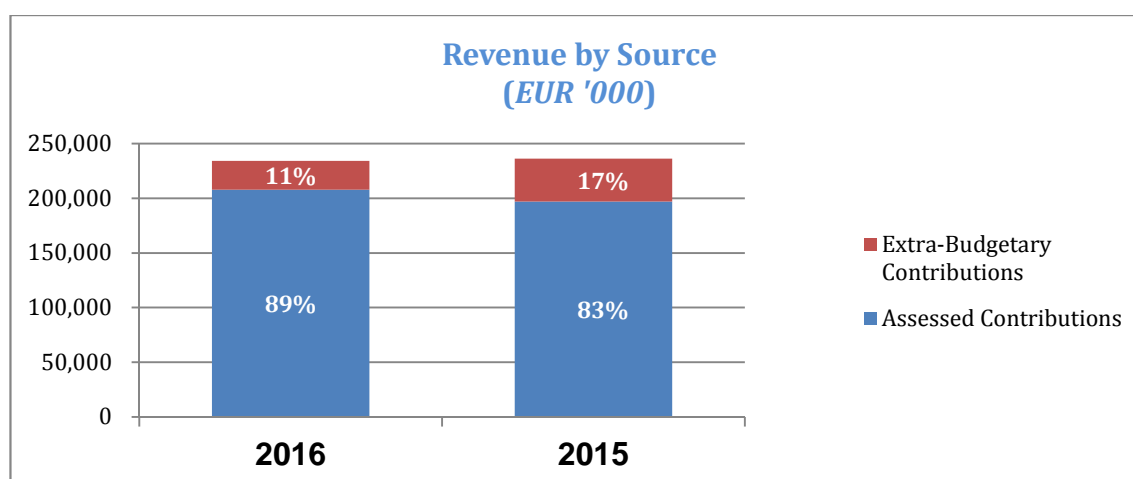


19. The net assets balance in Special Purpose Funds is overwhelmingly related to the SMM and the high surplus of assets over liabilities stems mainly from the fact that the mission's budget period runs until March 2017. Net assets in Extra-Budgetary Funds consist primarily of property, plant and equipment related to SMM and timing differences between cash inflows and outflows.

### Statement of Financial Performance

20. In 2016 total revenue decreased 2% or EUR 5,046 thousand to EUR 242,667 thousand. Most of this decrease is due to a higher proportion of the revenue from extra-budgetary contributions being deferred to future periods until conditions attached to them are met.
21. Assessed contributions, amounting to EUR 207,778 thousand in 2016, represent OSCE's main source of revenue, of which EUR 138,214 thousand relates to the Unified Budget and EUR 69,564 thousand to SMM. Revenue from total assessed contributions increased by 5% due to an 18% rise in SMM contributions.
22. Extra-budgetary revenue continues to be an important source of funding for the OSCE. However, it should be noted that as a percentage of total contributions revenue it decreased from 17% in 2015 to 11% in 2016, as can be seen in the chart below, mainly due to deferring revenue until the donor

conditions are met, and to the decreased proportion of the SMM funded by extra-budgetary contributions over the three mandate periods covered in the two financial years.



23. The remaining portion of total revenue (EUR 8,117 thousand in 2016) relates to currency exchange adjustments, finance revenue, sale of assets and other revenue. Other revenue comprises mainly in-kind contributions of goods including cost-free building and equipment leases and rentals (EUR 5,557 thousand), as well as revenue reallocated from cash surplus to finance the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border and the supplementary budget for the Office for Democratic Institutions and Human Rights (EUR 2,130 thousand). This has declined between 2015 and 2016 by EUR 2,854 thousand, largely due to lower exchange rate gains and a one-off donation of vehicles for SMM in 2015.
24. Total expenses increased by 4% or EUR 8,804 thousand. The following table provides details of the changes by cost category:

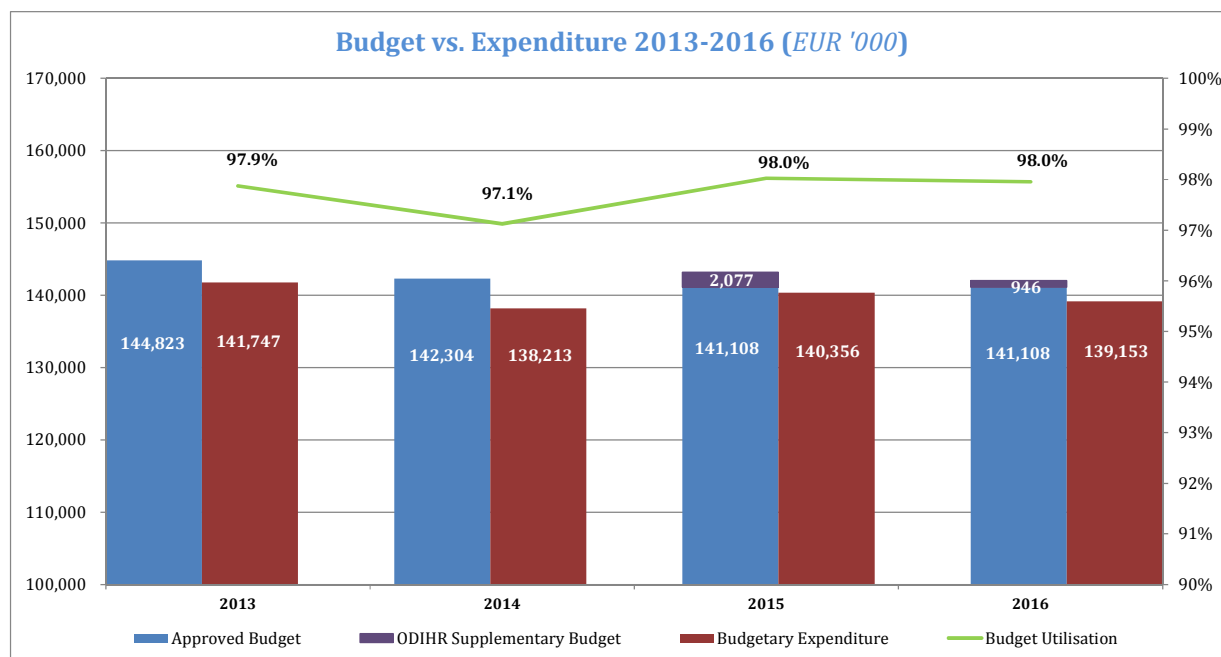
EUR'000	2016	2015 (Restated)	Change	Change %
Staff Costs	136,288	124,638	11,650	9%
Consultancy and Subcontracting	24,481	23,814	667	3%
Travel Expenses	22,095	21,637	458	2%
Services and Office Costs	32,452	30,977	1,475	5%
Consumables and Supplies	5,427	7,284	(1,857)	(25%)
Depreciation and Amortization	8,226	6,447	1,779	28%
Equipment Purchases	3,757	4,087	(330)	(8%)
Other Operating Expenses	11,726	16,764	(5,038)	(30%)
<b>Total Expenses</b>	<b>244,452</b>	<b>235,648</b>	<b>8,804</b>	<b>4%</b>

25. The most significant part of the total increase relates to a 9% (EUR 11,650 thousand) increase in staff costs, due to a gradual increase in the number of SMM monitors and the overall growth in SMM to a total of 1,082 personnel as at 31 December 2016. The expansion of SMM also explains the increases in the remaining cost categories. In particular, the increase in OSCE-wide depreciation and amortization by EUR 1,779 thousand or 28% is driven mainly by the increase in SMM property, plant and equipment.
26. The SMM accounts for 85% from the total other operating expense, mostly due to the continued usage of the advanced technical services such as unmanned aerial vehicle (UAV) services and medical support. The significant reduction in cost is due to a reduction in contracted provision of UAV services. The reduction in Consumables and Supplies is driven mainly by lower spending on safety and security and building supplies.

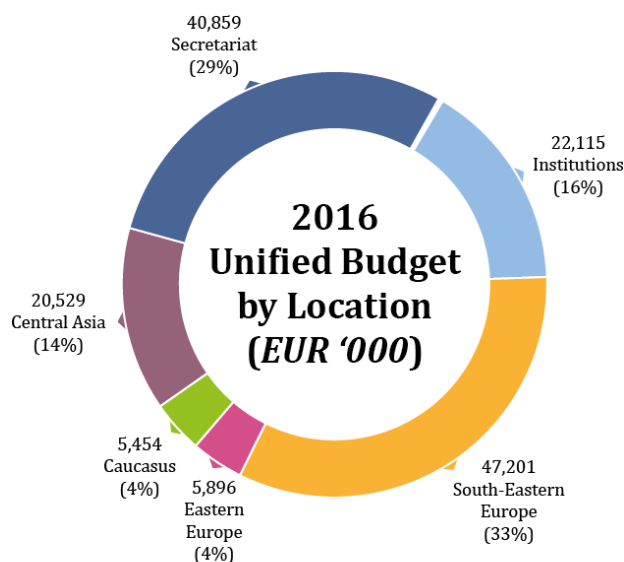
27. Equipment purchases represent expenses for minor assets which do not exceed the value of EUR 1 thousand. The largest single contributor to the reduction of 8% compared to 2015 is lower purchases funded by SMM extra-budgetary funds.

### UNIFIED BUDGET ANALYSIS

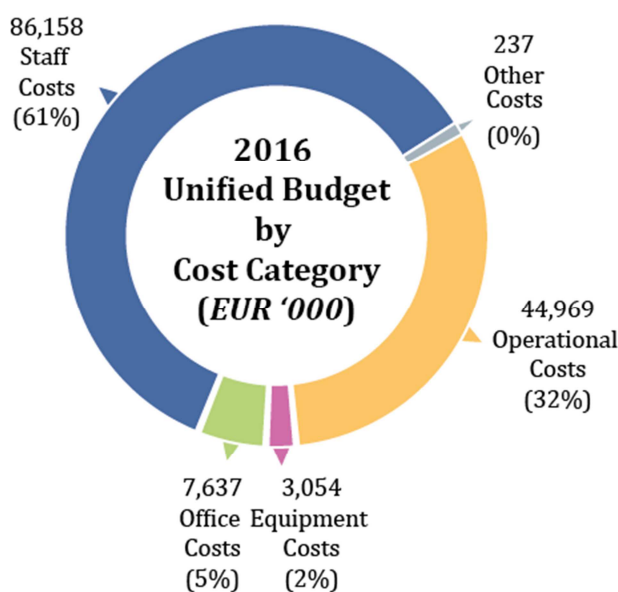
28. The Unified Budget and budgetary expenditure are recorded on a modified cash basis, whereas expense as shown in the Statement of Financial Performance is recognized under the IPSAS accrual basis, meaning in the period in which the goods or services are delivered. The Statement of Comparison of Budget and Actual Amounts (Statement V), Note 7.9 and Note 8.1 to the Financial Statements provide information that facilitates a comparison between the Unified Budget and IPSAS.
29. The approved 2016 Unified Budget amounted to EUR 141,108 thousand (PC.DEC/1197 of 31 December 2015). A supplementary budget for the Office for Democratic Institutions and Human Rights (ODHIR) amounting to EUR 946 thousand was approved with PC.DEC/1177 of 27 September 2016 to be financed from the 2014 Cash Surplus. Of the total available of EUR 142,054 thousand, total expenditure was EUR 139,153 thousand and resulted in a year-end revision to reduce the total budget by EUR 2,893 thousand to EUR 139,161 thousand (PC.DEC/1243 of 2 March 2017).
30. 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 141,108 thousand (excluding the ODIHR supplementary budget) in 2016, without accounting for any inflation adjustment. The implementation rate has shown annual improvements, except in 2014, when a delay to approval of the unified budget until 22 May caused difficulties in programme implementation with a corresponding decline in the implementation rate. The approved Unified Budget and actual expenditure for the periods 2013 to 2016 are shown in the chart below:



31. Of the 2016 approved Unified Budget (including the EUR 946 thousand supplementary budget for ODIHR), Field Operations represent EUR 79,080 thousand or 56% and Secretariat and Institutions represent EUR 62,974 thousand or 44% of the total. The geographical distribution of the budget is shown below:



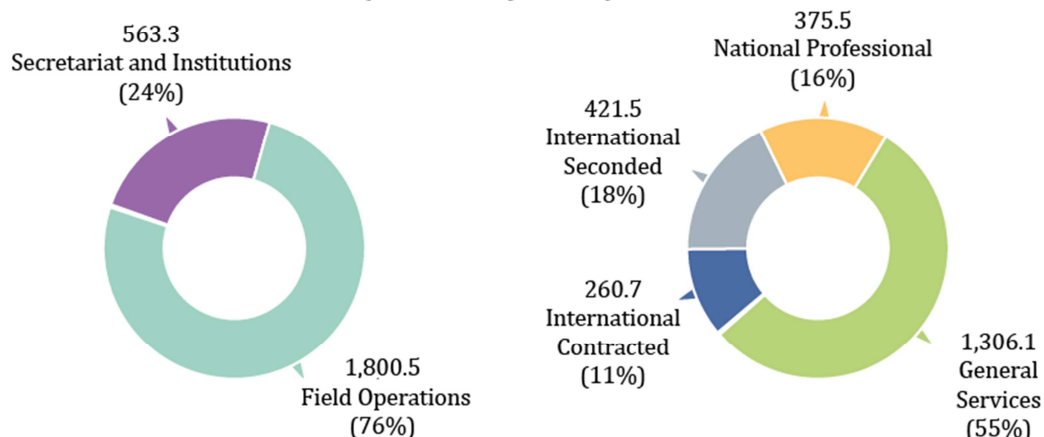
32. As is to be expected, the distribution of the budget by main cost category in the chart below shows that staff costs continue to represent the largest share with 61% of the total (as in 2015) and operational costs is the second largest category with 32% of the total (also as in 2015).



33. Although staff costs account for the most significant share in the overall cost structure, the OSCE continues to operate with fewer staff than budgeted. Of the 2,363.80 Unified Budget posts, only 2,221.0 were occupied as at 31 December 2016, representing a vacancy rate of 6%. This can be further broken down into a vacancy rate of 3% for locally contracted posts, 5% for international contracted and 18% for seconded posts.

34. 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 2016.

### 2016 Budgeted Posts (Number of Posts)



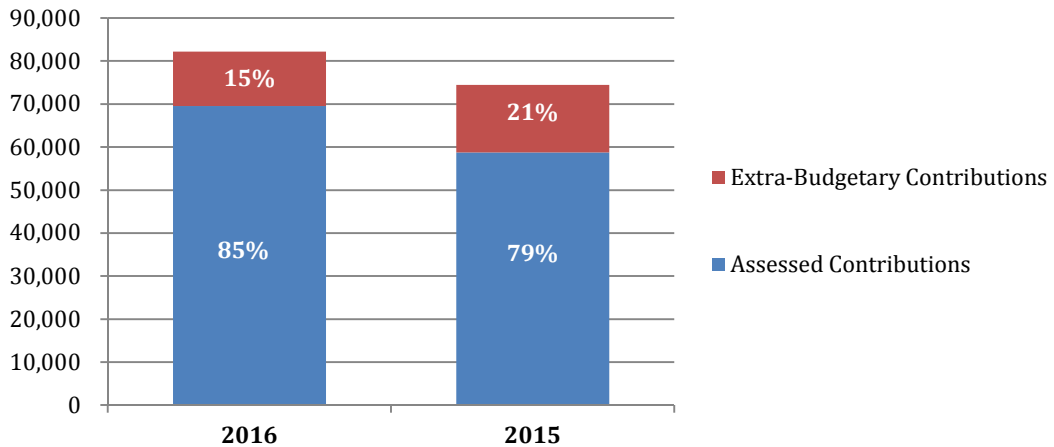
35. The above charts show that 55% of the total Unified Budget posts are at the General Services level and 76% are in the Field Operations. Furthermore, 18% of posts are seconded posts for which the Organization does not pay a salary, but only a board and lodging allowance. In other words, if it weren't for these seconded posts, 162% 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

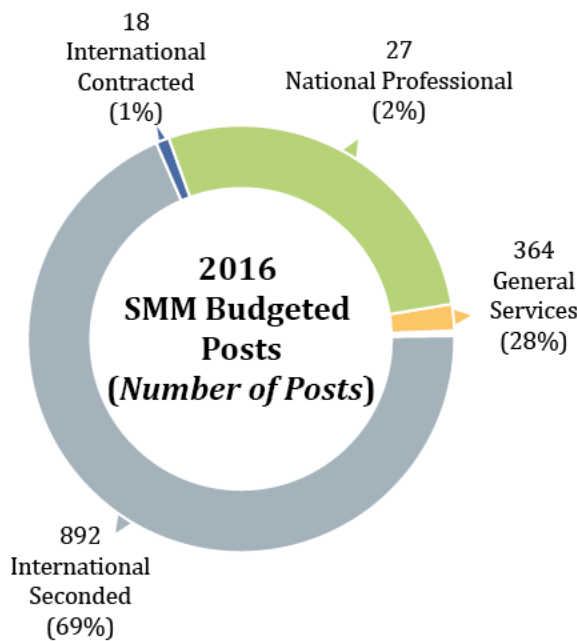
36. The SMM was originally established pursuant to PC.DEC/1117 of 21 March 2014 for a period of six months. The mandate was subsequently by Permanent Council Decisions PC.DEC/1129 of 22 July 2014, PC.DEC/1162 of 12 March 2015 and PC.DEC/1199 of 18 February 2016, and now runs until 31 March 2017.
37. The successive mandates of the SMM in 2016 did not correspond to the calendar year. The mandate under PC.DEC/1162 ended on 31 March 2016, while the mandate under PC.DEC/1199 lasts until 31 March 2017. The figures reported in the financial statements and in this report represent an apportionment of the two mandates to the financial and calendar year 2016, i.e. revenue and expenses were reported on an accrual basis as incurred in 2016.
38. As can be seen in Statement VI.2.G Segment Reporting, assessed contributions amounted to EUR 69,564 thousand in 2016. The remaining budget is financed through extra-budgetary contributions which amounted to EUR 12,609 thousand in 2016 as can be seen in the Statement VI.2.H Segment Reporting (EUR 15,674 thousand in 2015). Of note is the trend over the three mandate periods covered by financial years 2015 and 2016 of an increasing proportion of the SMM's budget being financed through assessed contributions and a decreasing reliance on extra-budgetary funding. The following chart shows the financing structure consisted from extra-budgetary contributions and assessed contributions in 2016 and 2015.



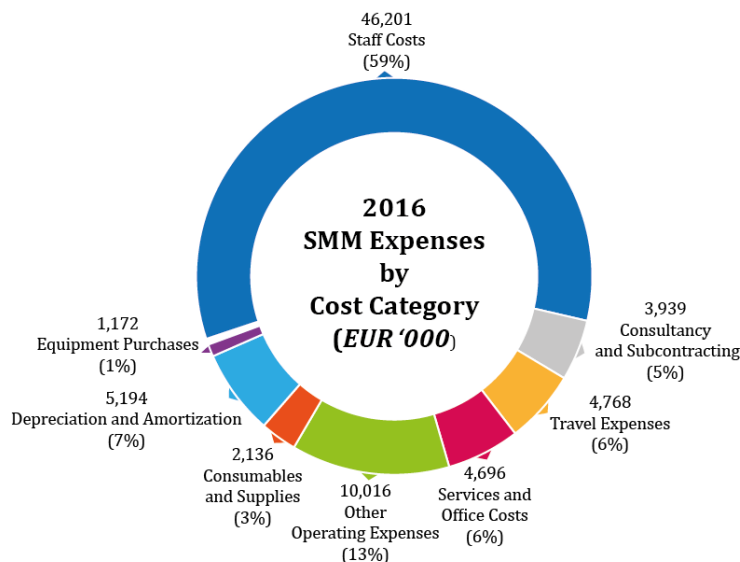
### 2016 SMM Revenue by Source (EUR '000)



39. As at 31 December 2016 there are 1,301 budgeted posts for the SMM (762 monitors and 539 other staff), compared to 2,363.50 posts for the Unified Budget, further demonstrating the magnitude of the SMM as compared to the rest of the Organization. It should be noted that 69% of SMM's budgeted posts are seconded posts (892 seconded posts), demonstrating the Mission's high reliance on voluntary resources. In 2016 the value of in-kind contributions of staff services for the SMM amounted to EUR 48,081 thousand.



40. Total expenses for the SMM amounted to EUR 78,774 thousand (EUR 66,529 thousand in 2015). Staff costs represent the highest share amounting to EUR 46,201 thousand or 59% of total expenses, followed by other operating expenses for EUR 10,016 thousand or 13%, mainly due to unmanned aerial vehicle services and 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 1,172 thousand expenses for equipment purchases refer only to equipment below the capitalization threshold of EUR 1 thousand. Capitalized assets further increased to EUR 20,642 thousand in 2016 compared to EUR 17,856 in 2015. The chart below details SMM 2016 expenses by cost category.



### INTERNAL CONTROLS

41. The OSCE issued for the first time a Statement of 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 of Internal Control.
42. The Statement of Internal Control highlights significant matters pertaining to 2016. The significant matters reported in the previous years in the Statement on Internal Controls which continue to be monitored and worked on include the growing number of contentious personnel cases and the potential contingent liabilities arising from such cases. Another item which continues to be closely monitored relates to the Scales of Contributions. In the view of a number of participating States (pS), the current Scales of Contributions do not reflect the current political and economic reality and they require reforms in order to satisfy the main criteria accepted by all pS, namely: the capacity to pay, the political nature of the Organization and a ceiling/floor on the contribution of every participating State. Initially an informal working group (IWG) was established in 2010 as per PC.DEC/924 in order to prepare a proposal for Scales of Contributions and to make recommendations on methods of calculation for a periodic revision of the Scales of Contributions. The importance of the work of the IWG was further recognized in PC.DEC/980 (2010), 1027 (2011), 1072 (2013) and 1196 (2015). However, since no agreement could be reached until now, the existing scales were rolled over. The current Scales expire at the end of 2017 as per PC.DEC/1196. Should there be neither a conclusion on a new methodology for calculating a revised scale of distribution, nor an agreement to roll over the current scale, the Organization will have no basis on which to notify pS of the contributions due and will therefore be unable to resource the Budgets for the year 2018.

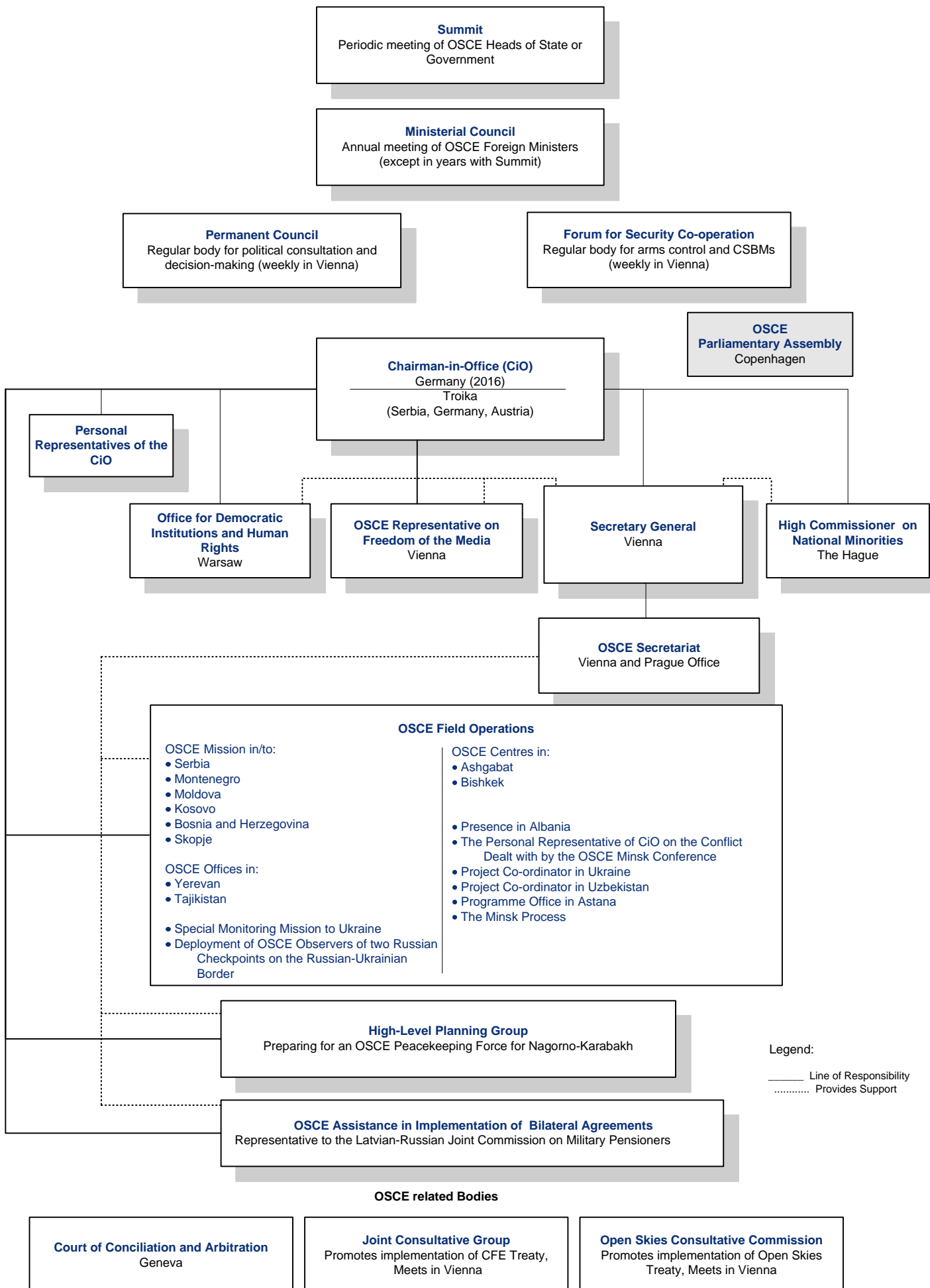
### RESPONSIBILITY

43. 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.
44. 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 2016 and its performance for the year ended 31 December 2016.

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
Notes to the Financial Statement	



# OSCE Structures and Institutions As at 31 December 2016





Chapter II – Budget and Expenditure Report  
and  
Staffing Overview





## Budget and Expenditure Report

### Unified Budget

As at 31 December 2016

Fund	Approved Budget <sup>1</sup>	PC Authorized Revisions	Revised Budget <sup>2</sup>	Expenditure	Utilization Rate %
<b>Main Programme</b>					
Programme					
EUR '000					
<b>I. FUNDS RELATED TO SECRETARIAT AND INSTITUTIONS</b>					
<b>The Secretariat</b>					
<b>Secretary General and Central Services</b>					
Executive Management	1,175	53	1,228	1,228	100
Security Management	401	(10)	392	391	100
External Co-operation	692	(42)	650	650	100
Legal Services	590	(11)	579	579	100
Communications and Media Relations Section	1,254	(2)	1,251	1,251	100
Conference and Language Services	5,149	271	5,420	5,420	100
Records Management	306	(8)	298	298	100
Prague Office	424	(59)	365	365	100
Gender Issues	402	(15)	387	387	100
<b>TOTAL</b>	<b>10,393</b>	<b>177</b>	<b>10,570</b>	<b>10,569</b>	<b>100</b>
<b>Chairman-in-Office</b>					
Short-Term Mission/Visits of CiO and PR of the CiO	534	(52)	482	482	100
Advisory Committee on Management and Finance (ACMF)	15	(1)	14	14	100
Panel of Adjudicators	39	(31)	9	8	100
Audit Committee	49	(29)	20	20	100
External Auditors	100	(42)	58	58	100
<b>TOTAL</b>	<b>737</b>	<b>(155)</b>	<b>582</b>	<b>582</b>	<b>100</b>
<b>Internal Oversight</b>					
Internal Oversight	1,408	(455)	953	953	100
<b>TOTAL</b>	<b>1,408</b>	<b>(455)</b>	<b>953</b>	<b>953</b>	<b>100</b>
<b>Office of the Special Representative/Co-ordinator for Combating Trafficking in Human Beings</b>					
Office of the Special Representative/Co-ordinator for Combating Trafficking in Human Beings	935	(23)	912	912	100
<b>TOTAL</b>	<b>935</b>	<b>(23)</b>	<b>912</b>	<b>912</b>	<b>100</b>

<b>Fund</b>	<b>Approved Budget <sup>1</sup></b>	<b>PC Authorized Revisions</b>	<b>Revised Budget <sup>2</sup></b>	<b>Expenditure</b>	<b>Utilization Rate %</b>
<b>Main Programme</b>					
Programme					
EUR '000					
<b>Addressing Transnational Threats</b>					
Co-ordination of TNT Activities	557	(55)	502	501	100
Strategic Police Matters Unit	652	15	667	667	100
Action Against Terrorism	895	(68)	828	828	100
Border Security and Management	511	(3)	508	508	100
<b>TOTAL</b>	<b>2,615</b>	<b>(110)</b>	<b>2,504</b>	<b>2,504</b>	<b>100</b>
<b>Activities Related to the Economic and Environmental Aspects of Security</b>					
Co-ordinator of OSCE Economic and Environmental Activities	1,697	31	1,728	1,728	100
Economic and Environmental Forum	444	(46)	398	398	100
<b>TOTAL</b>	<b>2,141</b>	<b>(15)</b>	<b>2,126</b>	<b>2,126</b>	<b>100</b>
<b>Conflict Prevention</b>					
CPC Direction and Management	424	(3)	420	420	100
Policy Support Service	1,303	(171)	1,132	1,132	100
Operations Service	898	(42)	856	856	100
Programming and Evaluation Support Unit	376	(15)	361	361	100
FSC Chairmanship	42	(7)	34	34	100
FSC Support	676	(34)	642	642	100
Communications Network	585	(1)	584	583	100
<b>TOTAL</b>	<b>4,303</b>	<b>(274)</b>	<b>4,029</b>	<b>4,029</b>	<b>100</b>
<b>Human Resources Management</b>					
HR Direction and Management	457	(31)	426	426	100
HR Services	1,178	(20)	1,158	1,158	100
Common Staff Costs	1,904	203	2,107	2,107	100
Talent Management	1,783	64	1,847	1,847	100
<b>TOTAL</b>	<b>5,322</b>	<b>216</b>	<b>5,538</b>	<b>5,538</b>	<b>100</b>
<b>Department of Management and Finance</b>					
Management and Co-ordination	567	42	609	609	100
Budget and Finance Services	1,352	20	1,372	1,372	100
Information and Communication Technology Services	1,872	242	2,113	2,113	100
Mission Support Services	1,484	(27)	1,457	1,457	100
Secretariat Common Operational Costs	3,227	(45)	3,182	3,182	100
<b>TOTAL</b>	<b>8,502</b>	<b>232</b>	<b>8,733</b>	<b>8,733</b>	<b>100</b>
<b>TOTAL FOR THE SECRETARIAT</b>	<b>36,356</b>	<b>(408)</b>	<b>35,947</b>	<b>35,945</b>	<b>100</b>

<b>Fund</b>	<b>Approved Budget <sup>1</sup></b>	<b>PC Authorized Revisions</b>	<b>Revised Budget <sup>2</sup></b>	<b>Expenditure</b>	<b>Utilization Rate %</b>
<b>Main Programme</b>					
Programme					
EUR '000					
<b>Office for Democratic Institutions and Human Rights</b>					
Direction and Policy	1,286	10	1,297	1,296	100
Fund Administration Unit	2,150	(18)	2,132	2,132	100
Common Operational Costs	801	(80)	720	720	100
Human Dimension Meetings	603	(28)	575	575	100
Democratization	1,512	27	1,539	1,538	100
Human Rights	1,232	(26)	1,206	1,206	100
Elections	6,480	141	6,621	6,621	100
Supplementary Budget for Elections	946	0	946	946	100
Tolerance and Non-Discrimination	1,431	(35)	1,396	1,396	100
Roma and Sinti Issues	550	8	557	557	100
<b>TOTAL</b>	<b>16,991</b>	<b>(2)</b>	<b>16,989</b>	<b>16,989</b>	<b>100</b>
<b>High Commissioner on National Minorities</b>					
Fund Administration Unit	373	(17)	355	355	100
Common Operational Costs	171	4	175	175	100
Office of the High Commissioner	2,864	(10)	2,854	2,854	100
<b>TOTAL</b>	<b>3,408</b>	<b>(24)</b>	<b>3,384</b>	<b>3,384</b>	<b>100</b>
<b>Representative on Freedom of the Media</b>					
Freedom of the Media	1,482	(33)	1,449	1,449	100
<b>TOTAL</b>	<b>1,482</b>	<b>(33)</b>	<b>1,449</b>	<b>1,449</b>	<b>100</b>
<b>TOTAL FOR FUNDS RELATED TO THE SECRETARIAT AND INSTITUTIONS</b>	<b>58,236</b>	<b>(466)</b>	<b>57,770</b>	<b>57,767</b>	<b>100</b>

<b>Fund</b>	<b>Approved Budget <sup>1</sup></b>	<b>PC Authorized Revisions</b>	<b>Revised Budget <sup>2</sup></b>	<b>Expenditure</b>	<b>Utilization Rate %</b>
<b>Main Programme</b>					
Programme					
EUR '000					
<b>II. FUNDS RELATED TO OSCE FIELD OPERATIONS</b>					
<b>AUGMENTATIONS</b>					
<b>Secretariat Augmentations</b>					
Communication and Media Relations Section	274	(2)	272	272	100
Internal Oversight	187	(4)	182	182	100
Policy Support Service	322	(1)	321	321	100
Programming and Evaluation Support Unit	77	(3)	74	74	100
Operations Service	197	(3)	194	194	100
Management and Co-ordination	77	(1)	76	76	100
HR Services	281	(35)	245	245	100
Talent Management	317	27	344	344	100
Budget and Finance Services	664	5	669	669	100
Information and Communication Technology Services	1,119	(7)	1,111	1,111	100
Mission Support Service	990	1	991	991	100
<b>TOTAL</b>	<b>4,503</b>	<b>(23)</b>	<b>4,481</b>	<b>4,480</b>	<b>100</b>
<b>ODIHR Augmentations</b>					
ODIHR Democratization	234	(1)	233	233	100
<b>TOTAL</b>	<b>234</b>	<b>(1)</b>	<b>233</b>	<b>233</b>	<b>100</b>
<b>TOTAL FOR AUGMENTATIONS</b>	<b>4,737</b>	<b>(24)</b>	<b>4,714</b>	<b>4,713</b>	<b>100</b>

<b>Fund</b>	<b>Approved Budget <sup>1</sup></b>	<b>PC Authorized Revisions</b>	<b>Revised Budget <sup>2</sup></b>	<b>Expenditure</b>	<b>Utilization Rate %</b>
<b>Main Programme</b>					
Programme					
EUR '000					
<b>SOUTH-EASTERN EUROPE</b>					
<b>Mission in Kosovo</b>					
Office of Head of Mission	2,949	89	3,038	3,038	100
Fund Administration Unit	2,603	118	2,721	2,721	100
Common Operational Costs	3,058	(221)	2,836	2,836	100
Security and Public Safety	1,498	(117)	1,381	1,381	100
Democratization	1,979	(114)	1,865	1,865	100
Human Rights and Communities	5,856	88	5,943	5,943	100
<b>TOTAL</b>	<b>17,942</b>	<b>(157)</b>	<b>17,786</b>	<b>17,785</b>	<b>100</b>
<b>Tasks in Bosnia and Herzegovina</b>					
Office of Head of Mission	2,101	39	2,140	2,140	100
Fund Administration Unit	1,724	(58)	1,666	1,666	100
Common Operational Costs	2,310	45	2,354	2,354	100
Shared Service Centre, ICT Help Desk	111	7	118	118	100
Human Dimension	5,248	(150)	5,097	5,097	100
<b>TOTAL</b>	<b>11,493</b>	<b>(118)</b>	<b>11,375</b>	<b>11,375</b>	<b>100</b>
<b>Mission to Serbia</b>					
Office of Head of Mission	1,005	(14)	990	990	100
Fund Administration Unit	659	(25)	633	633	100
Common Operational Costs	1,062	12	1,074	1,074	100
Police Affairs	951	46	997	997	100
Democratization	1,181	(20)	1,161	1,161	100
Media	426	8	433	433	100
Rule of Law and Human Rights	1,082	(15)	1,067	1,067	100
<b>TOTAL</b>	<b>6,365</b>	<b>(9)</b>	<b>6,356</b>	<b>6,355</b>	<b>100</b>

<b>Fund</b>	<b>Approved Budget <sup>1</sup></b>	<b>PC Authorized Revisions</b>	<b>Revised Budget <sup>2</sup></b>	<b>Expenditure</b>	<b>Utilization Rate %</b>
<b>Main Programme</b>					
Programme					
EUR '000					
<b>Presence in Albania</b>					
Office of Head of Mission	473	(11)	462	462	100
Fund Administration Unit	399	27	426	426	100
Common Operational Costs	593	49	642	642	100
Security Co-operation	359	(22)	337	337	100
Governance in Economic and Environmental Issues	304	6	310	310	100
Democratization	435	(26)	409	409	100
Rule of Law and Human Rights	344	(39)	305	305	100
<b>TOTAL</b>	<b>2,908</b>	<b>(15)</b>	<b>2,893</b>	<b>2,893</b>	<b>100</b>
<b>Mission to Skopje</b>					
Office of Head of Mission	988	(10)	978	978	100
Fund Administration Unit	780	(17)	763	763	100
Common Operational Costs	985	75	1,059	1,059	100
Public Safety and Community Outreach	1,775	(15)	1,760	1,760	100
Human Dimension	1,819	(57)	1,762	1,762	100
<b>TOTAL</b>	<b>6,346</b>	<b>(23)</b>	<b>6,323</b>	<b>6,323</b>	<b>100</b>
<b>Mission to Montenegro</b>					
Office of Head of Mission	336	(34)	302	302	100
Fund Administration Unit	271	2	273	273	100
Common Operational Costs	416	11	427	427	100
Security Co-operation	359	(30)	329	329	100
Democratization	399	(5)	394	393	100
Media	115	8	123	123	100
Rule of Law and Human Rights	250	(28)	222	222	100
<b>TOTAL</b>	<b>2,146</b>	<b>(76)</b>	<b>2,070</b>	<b>2,070</b>	<b>100</b>
<b>TOTAL FOR SOUTH-EASTERN EUROPE</b>	<b>47,201</b>	<b>(398)</b>	<b>46,803</b>	<b>46,801</b>	<b>100</b>

<b>Fund</b>	<b>Approved Budget <sup>1</sup></b>	<b>PC Authorized Revisions</b>	<b>Revised Budget <sup>2</sup></b>	<b>Expenditure</b>	<b>Utilization Rate %</b>
<b>Main Programme</b>					
Programme					
EUR '000					
<b>EASTERN EUROPE</b>					
<b>Mission to Moldova</b>					
Office of Head of Mission	438	27	465	465	100
Fund Administration Unit	235	2	237	237	100
Common Operational Costs	586	(47)	539	539	100
Conflict Prevention/Resolution	477	(83)	394	394	100
Human Rights Monitoring/Democratization	295	(14)	281	281	100
Anti-Trafficking/Gender	261	(3)	258	258	100
<b>TOTAL</b>	<b>2,292</b>	<b>(118)</b>	<b>2,174</b>	<b>2,174</b>	<b>100</b>
<b>Project Co-ordinator in Ukraine</b>					
Office of Head of Mission	284	9	293	293	100
Fund Administration Unit	388	(27)	361	361	100
Common Operational Costs	513	(14)	499	499	100
Democratization and Good Governance	484	(42)	442	442	100
Rule of Law and Human Rights	755	(15)	740	740	100
Human Security	563	(3)	560	560	100
Economic, Environmental and Politico-Military Projects	613	(33)	581	580	100
<b>TOTAL</b>	<b>3,599</b>	<b>(124)</b>	<b>3,475</b>	<b>3,475</b>	<b>100</b>
<b>Representative to the Latvian-Russian Joint Commission on Military Pensioners</b>					
Office of Head of Mission	5	(0)	5	5	99
<b>TOTAL</b>	<b>5</b>	<b>(0)</b>	<b>5</b>	<b>5</b>	<b>99</b>
<b>TOTAL FOR EASTERN EUROPE</b>	<b>5,896</b>	<b>(242)</b>	<b>5,654</b>	<b>5,653</b>	<b>100</b>

<b>Fund</b>	<b>Approved Budget <sup>1</sup></b>	<b>PC Authorized Revisions</b>	<b>Revised Budget <sup>2</sup></b>	<b>Expenditure</b>	<b>Utilization Rate %</b>
<b>Main Programme</b>					
Programme					
EUR '000					
<b>CAUCASUS</b>					
<b>Office in Yerevan</b>					
Office of Head of Mission	316	(4)	312	311	100
Fund Administration Unit	240	(4)	237	236	100
Common Operational Costs	402	(11)	392	392	100
Politico-Military Activities	543	(36)	507	507	100
Economic and Environmental Activities	535	(33)	502	502	100
Democratization	314	15	328	328	100
Human Rights	338	11	349	349	100
Good Governance	342	(12)	330	330	100
<b>TOTAL</b>	<b>3,030</b>	<b>(74)</b>	<b>2,956</b>	<b>2,956</b>	<b>100</b>
<b>High-Level Planning Group</b>					
Office of Head of Mission	258	(57)	201	201	100
<b>TOTAL</b>	<b>258</b>	<b>(57)</b>	<b>201</b>	<b>201</b>	<b>100</b>
<b>The Minsk Process</b>					
Office of Head of Mission	928	(518)	410	410	100
<b>TOTAL</b>	<b>928</b>	<b>(518)</b>	<b>410</b>	<b>410</b>	<b>100</b>
<b>Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference</b>					
Office of Head of Mission	474	(73)	401	401	100
Fund Administration Unit	246	(6)	240	240	100
Common Operational Costs	519	(26)	493	493	100
<b>TOTAL</b>	<b>1,239</b>	<b>(105)</b>	<b>1,134</b>	<b>1,134</b>	<b>100</b>
<b>TOTAL FOR CAUCASUS</b>	<b>5,455</b>	<b>(754)</b>	<b>4,700</b>	<b>4,700</b>	<b>100</b>



<b>Fund</b>	<b>Approved Budget <sup>1</sup></b>	<b>PC Authorized Revisions</b>	<b>Revised Budget <sup>2</sup></b>	<b>Expenditure</b>	<b>Utilization Rate %</b>
<b>Main Programme</b>					
Programme					
EUR '000					
<b>CENTRAL ASIA</b>					
<b>Programme Office in Astana</b>					
Office of Head of Mission	214	(26)	188	188	100
Fund Administration Unit	280	23	302	302	100
Common Operational Costs	343	(34)	309	309	100
Politico-Military Activities	436	33	469	469	100
Economic and Environmental Activities	440	12	451	451	100
Human Dimension Activities	436	(21)	415	415	100
<b>TOTAL</b>	<b>2,149</b>	<b>(14)</b>	<b>2,135</b>	<b>2,135</b>	<b>100</b>
<b>Centre in Ashgabat</b>					
Office of Head of Mission	353	12	365	365	100
Fund Administration Unit	196	1	198	197	100
Common Operational Costs	299	7	307	307	100
Conflict Prevention and Confidence and Security Building	256	2	258	258	100
Economic and Environmental Activities	241	(15)	226	226	100
Human Dimension Activities	257	(25)	232	232	100
<b>TOTAL</b>	<b>1,602</b>	<b>(17)</b>	<b>1,585</b>	<b>1,585</b>	<b>100</b>
<b>Centre in Bishkek</b>					
Office of Head of Mission	1,217	6	1,222	1,222	100
Fund Administration Unit	683	(40)	643	643	100
Common Operational Costs	898	(27)	871	871	100
Politico-Military Activities	1,755	(135)	1,620	1,620	100
Economic and Environmental Activities	1,299	(38)	1,262	1,262	100
Human Dimension Activities	1,058	(50)	1,008	1,008	100
<b>TOTAL</b>	<b>6,910</b>	<b>(284)</b>	<b>6,626</b>	<b>6,625</b>	<b>100</b>
<b>Project Co-ordinator in Uzbekistan</b>					
Office of Head of Mission	225	(11)	215	214	100
Fund Administration Unit	137	(11)	126	126	100
Common Operational Costs	289	9	297	297	100
Politico-Military Activities	418	12	430	429	100
Economic and Environmental Activities	547	7	554	554	100
Human Dimension Activities	498	(21)	476	476	100
<b>TOTAL</b>	<b>2,112</b>	<b>(15)</b>	<b>2,097</b>	<b>2,097</b>	<b>100</b>

<b>Fund</b>	<b>Approved Budget <sup>1</sup></b>	<b>PC Authorized Revisions</b>	<b>Revised Budget <sup>2</sup></b>	<b>Expenditure</b>	<b>Utilization Rate %</b>
<b>Main Programme</b>					
Programme					
EUR '000					
<b>Office in Tajikistan</b>					
Office of Head of Mission	1,341	(71)	1,270	1,270	100
Fund Administration Unit	748	(26)	722	722	100
Common Operational Costs	1,500	(9)	1,491	1,491	100
Political and Military Aspects of Security	1,933	(379)	1,554	1,554	100
Economic and Environmental Activities	1,074	(95)	978	978	100
Human Dimension Activities	1,161	(99)	1,062	1,062	100
<b>TOTAL</b>	<b>7,756</b>	<b>(679)</b>	<b>7,078</b>	<b>7,077</b>	<b>100</b>
<b>TOTAL FOR CENTRAL ASIA</b>	<b>20,529</b>	<b>(1,008)</b>	<b>19,521</b>	<b>19,519</b>	<b>100</b>
<b>TOTAL FOR FUNDS RELATED TO THE OSCE FIELD OPERATIONS</b>	<b>83,818</b>	<b>(2,427)</b>	<b>81,391</b>	<b>81,386</b>	<b>100</b>
<b>TOTAL OSCE UNIFIED BUDGET</b>	<b>142,054</b>	<b>(2,893)</b>	<b>139,161</b>	<b>139,153</b>	<b>100</b>

<sup>1</sup> Includes the original Unified Budget under PC.DEC/1197, as well as a supplementary budget of EUR 946 thousand for the Office for Democratic Institutions and Human Rights pursuant to PC.DEC/1220.

<sup>2</sup> Year-End Budget Revision according to PC.DEC/1243.

**Staffing Overview - Budget and Actual Staff Positions**  
**Unified Budget**  
**as at 31 December 2016**

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	142.3	131	50	36	192.3	167	0	0	186.6	176	186.6	176	379	343
Office for Democratic Institutions and Human Rights High Commissioner on National Minorities Representative on Freedom of the Media	63	62	19	13	82	75	0	0	56	56	56	56	138	131
	16	16	5	4	21	20	0	0	9	9	9	9	30	29
	7	6	6	6	13	12	0	0	3	3	3	3	16	15
<b>Secretariat and Institutions</b>	<b>228.3</b>	<b>215</b>	<b>80</b>	<b>59</b>	<b>308.3</b>	<b>274</b>	<b>0</b>	<b>0</b>	<b>254.6</b>	<b>244</b>	<b>254.6</b>	<b>244</b>	<b>563</b>	<b>518</b>
Mission in Kosovo	7	7	127	108	134	115	87	85	311.5	305.5	398.5	390.5	532.5	505.5
Tasks in Bosnia and Herzegovina	6	6	33	26	39	32	126	121	156.5	153.5	282.5	274.5	321.5	306.5
Mission to Serbia	1	1	22	20	23	21	34	33	70	69	104	102	127	123
Presence in Albania	1	1	19	19	20	20	17	17	45.5	44.5	62.5	61.5	82.5	81.5
Mission to Skopje	2	2	41	32	43	34	18	18	89	87	107	105	150	139
Mission to Montenegro	1	1	8.5	5	9.5	6	7.5	7.5	24	22	31.5	29.5	41	35.5
<b>South-Eastern Europe</b>	<b>18</b>	<b>18</b>	<b>250.5</b>	<b>210</b>	<b>268.5</b>	<b>228</b>	<b>289.5</b>	<b>281.5</b>	<b>696.5</b>	<b>681.5</b>	<b>986</b>	<b>963</b>	<b>1,254.5</b>	<b>1,191</b>
Mission to Moldova	1	1	12	11	13	12	9	9	30	30	39	39	52	51
Project Co-ordinator in Ukraine	1	1	2	2	3	3	24	22	23	22	47	44	50	47
<b>Eastern Europe</b>	<b>2</b>	<b>2</b>	<b>14</b>	<b>13</b>	<b>16</b>	<b>15</b>	<b>33</b>	<b>31</b>	<b>53</b>	<b>52</b>	<b>86</b>	<b>83</b>	<b>102</b>	<b>98</b>
Office in Yerevan	1	1	6	6	7	7	12	12	29	29	41	41	48	48
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	11	11	11	17	17
<b>Caucasus</b>	<b>2</b>	<b>2</b>	<b>19</b>	<b>17</b>	<b>21</b>	<b>19</b>	<b>12</b>	<b>12</b>	<b>41</b>	<b>41</b>	<b>53</b>	<b>53</b>	<b>74</b>	<b>72</b>
Programme Office in Astana	1	1	5	3	6	4	4	4	18	18	22	22	28	26
Centre in Ashgabat	1	1	5	4	6	5	2	2	17	17	19	19	25	24
Centre in Bishkek	4	3	22	17	26	20	13	11	87	82	100	93	126	113
Project Co-ordinator in Uzbekistan	0	0	3	2	3	2	5	5	17	17	22	22	25	24
Office in Tajikistan	4	4	23	19	27	23	17	16	122	116	139	132	166	155
<b>Central Asia</b>	<b>10</b>	<b>9</b>	<b>58</b>	<b>45</b>	<b>68</b>	<b>54</b>	<b>41</b>	<b>38</b>	<b>261</b>	<b>250</b>	<b>302</b>	<b>288</b>	<b>370</b>	<b>342</b>
<b>Total for Funds Related to OSCE Field Operations</b>	<b>32</b>	<b>31</b>	<b>341.5</b>	<b>285</b>	<b>373.5</b>	<b>316</b>	<b>375.5</b>	<b>362.5</b>	<b>1,051.5</b>	<b>1,024.5</b>	<b>1,427</b>	<b>1,387</b>	<b>1,800.5</b>	<b>1,703</b>
<b>Total OSCE 2016 Unified Budget Post Table</b>	<b>260.3</b>	<b>246</b>	<b>421.5</b>	<b>344</b>	<b>681.8</b>	<b>590</b>	<b>375.5</b>	<b>362.5</b>	<b>1,306.10</b>	<b>1,268.5</b>	<b>1,681.6</b>	<b>1,631</b>	<b>2,363.5</b>	<b>2,221</b>

**Staffing Overview - Budget and Actual Staff Positions  
Special Purpose Funds  
as at 31 December 2016**

<b>Fund</b> number of positions as per PC DECs in 2016	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		
Special Monitoring Mission to Ukraine	18	15	892	767	910	782	27	24	364	276	391	300	1,301	1,082
Observer Mission at the two Russian Checkpoints	0	0	22	20	22	20	0	0	3	0	3	0	25	20
<b>Total Special Purpose Funds</b>	<b>18</b>	<b>15</b>	<b>914</b>	<b>787</b>	<b>932</b>	<b>802</b>	<b>27</b>	<b>24</b>	<b>367</b>	<b>276</b>	<b>394</b>	<b>300</b>	<b>1,326</b>	<b>1,102</b>

## Chapter III – Financial Statements



## I. Statement of Financial Position

### Total OSCE

As at 31 December 2016

EUR '000		TOTAL OSCE	
	Note	2016	2015
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	3.1	28,038	22,774
Investments	3.2	57,841	51,616
Contributions Receivable	3.3	14,467	3,353
Accounts Receivable	3.4	3,000	2,597
Prepayments	3.5	4,525	4,024
Inventory	3.6	751	26
Other Current Assets	3.7	35	1
		<b>108,657</b>	<b>84,391</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	3.8	28,368	25,568
Intangible Assets	3.9	4,465	4,085
Other Non-Current Assets	3.7	20	565
		<b>32,853</b>	<b>30,218</b>
<b>Total Assets</b>		<b>141,510</b>	<b>114,610</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	4.1	4,125	3,944
Accruals	4.2	8,674	5,575
Deferred Revenue	4.3	49,007	30,928
Funds Held for Third Parties	4.4	10,248	5,494
Employee Benefits Current	4.5	5,625	5,472
Cash Surplus Current	4.7	1,515	2,582
Provisions	4.8	7,349	2,549
Other Current Liabilities	4.9	847	1,053
		<b>87,390</b>	<b>57,596</b>
<b>Non-Current Liabilities</b>			
Employee Benefits Non-Current	4.5	3,952	3,250
Cash Surplus Non-Current	4.7	148	392
Other Non-Current Liabilities	4.9	165	0
		<b>4,265</b>	<b>3,642</b>
<b>Total Liabilities</b>		<b>91,655</b>	<b>61,238</b>
<b>NET ASSETS</b>			
Cash Surplus Withheld	5.1	252	254
Revolving Fund	5.2	2,710	2,710
Contingency Fund	5.2	2,180	2,180
Other Reserves	5.3	(2,261)	(1,688)
Accumulated Surplus/(Deficit)	5.4	46,974	49,915
<b>Total Net Assets</b>		<b>49,855</b>	<b>53,372</b>

The accompanying Notes are an integral part of these Statements

## II. Statement of Financial Performance

### Total OSCE

For the Year Ended 31 December 2016

EUR '000		TOTAL OSCE	
	Note	2016	2015
<b>REVENUE</b>			<i>(Restated)</i>
Assessed Contributions	6.1	207,778	197,037
Extra-Budgetary Contributions	6.2	26,364	39,296
Finance Revenue	6.3	91	101
Revenue from Exchange Transactions	6.4	94	260
Foreign Exchange Gains/(Losses)	6.5	223	948
Other Revenue	6.6	8,117	10,070
<b>Total Revenue</b>		<b>242,667</b>	<b>247,713</b>
<b>EXPENSES</b>			
Staff Costs	7.1	136,288	124,638
Consultancy and Subcontracting	7.2	24,481	23,814
Travel Expenses	7.3	22,095	21,637
Services and Office Costs	7.4	32,452	30,977
Consumables and Supplies	7.5	5,427	7,284
Depreciation and Amortisation	7.6	8,226	6,447
Equipment Expenses	7.7	3,757	4,087
Other Operating Expenses	7.8	11,726	16,764
<b>Total Expenses</b>		<b>244,452</b>	<b>235,648</b>
<b>Surplus/(Deficit) for the Period</b>	7.9	<b>(1,785)</b>	<b>12,065</b>

The accompanying Notes are an integral part of these Statements



### III. Cash Flow Statement

#### Total OSCE

For the Year Ended 31 December 2016

EUR '000		TOTAL OSCE	
	Note	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Surplus/(Deficit) for the Period	7.9	(1,785)	12,065
<b>Non-Cash Movements</b>			
Deduction of Unrealized Foreign Exchange Gains/Losses on Cash and Cash Equivalents	6.5	(16)	62
Deduction of Depreciation, Amortisation and Impairments	7.6,3.10	8,226	6,852
Deduction of Loss on Disposal of PP&E	6.4	310	147
Deduction of Non-Cash Changes in Net Assets	5.3	(573)	(887)
(Increase) / Decrease in Contributions Receivable	3.3	(11,115)	(2,644)
(Increase) / Decrease in Accounts Receivable	3.4	(403)	196
(Increase) / Decrease in Prepayments	3.5	(501)	113
(Increase) / Decrease in Inventory	3.6	(725)	83
(Increase) / Decrease in Other Current/Non-Current Assets	3.7	512	(551)
Increase /(Decrease) in Accounts Payable	4.1	181	(750)
Increase /(Decrease) in Accruals	4.2	3,099	(316)
Increase /(Decrease) in Deferred Revenue	4.3	18,079	(13,914)
Increase /(Decrease) in Funds Held for Third Parties	4.4	4,754	3,124
Increase /(Decrease) in Employee Benefits	4.5	856	534
Increase /(Decrease) in Cash Surplus Payable	4.7	(1,311)	129
Increase /(Decrease) in Provisions	4.8	4,800	(129)
Increase /(Decrease) in Other Liabilities	4.9	(42)	489
<b>Net Cash Flows from Operating Activities</b>		<b>24,348</b>	<b>4,605</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Purchase) / Sale of Investments	3.2	(6,225)	1,174
(Addition) / Disposal of PP&E and Intangibles	3.8, 3.9	(11,716)	(15,795)
<b>Net Cash Flows from Investing Activities</b>		<b>(17,941)</b>	<b>(14,621)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Credits for Cash Surplus Withheld	5.1	(2)	0
Allocation of Current Year Cash Surplus	4.7	(148)	(392)
Credit of ERP Fund Remaining Balance	1.2, 4.7	(671)	0
Refund of Unspent Extra-budgetary Contributions	5.4	(338)	(415)
<b>Net Cash Flows from Financing Activities</b>		<b>(1,160)</b>	<b>(807)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	3.1	<b>5,248</b>	<b>(10,823)</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	3.1	<b>22,774</b>	<b>33,659</b>
<b>Foreign Exchange Gains/(Losses) on Cash and Cash Equivalents</b>	6.5	<b>16</b>	<b>(62)</b>
<b>Cash and Cash Equivalents at End of Period</b>		<b>28,038</b>	<b>22,774</b>

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 2016

EUR '000	Note	Cash Surplus Withheld	Revolving Fund	Contingency Fund	Other Reserves	Accumulated Surplus/(Deficit)	Total Net Assets
		254	2,710	2,180	(1,688)	49,915	53,372
<b>Changes in Net Assets for 2016</b>							
Increase in Cash Surplus Withheld	5.1	(2)					(2)
Allocation of Current Year Cash Surplus	4.7					(148)	(148)
Actuarial Gains/(Losses)	4.5				(573)		(573)
Refund of Unspent Extrabudgetary Contributions	5.4					(338)	(338)
Credit of ERP Fund remaining balance	4.7.1					(671)	(671)
Surplus/(Deficit) for the Period	7.9					(1,785)	(1,785)
<b>Balance as at 31 December 2016</b>		<b>252</b>	<b>2,710</b>	<b>2,180</b>	<b>(2,261)</b>	<b>46,973</b>	<b>49,855</b>

## V. Statement of Comparison of Budget and Actual Amounts

### Total PC Approved Budgets <sup>1</sup>

For the Year Ended 31 December 2016

EUR '000	Note	Approved Budget	PC Authorized Transfers	Revised Budget	Actuals	Variance
The Secretariat		36,356	(408)	35,947	35,945	2
Office for Democratic Institutions and Human Rights <sup>2</sup>		16,991	(2)	16,989	16,989	0
High Commissioner on National Minorities		3,408	(24)	3,384	3,384	0
Representative on Freedom of the Media		1,482	(33)	1,449	1,449	0
<b>Total Secretariat and Institutions</b>		<b>58,236</b>	<b>(467)</b>	<b>57,769</b>	<b>57,767</b>	<b>2</b>
Augmentations		4,737	(23)	4,714	4,713	1
South-Eastern Europe		47,201	(398)	46,803	46,801	2
Eastern Europe		5,896	(242)	5,654	5,653	1
Caucasus		5,455	(755)	4,700	4,700	0
Central Asia		20,529	(1,008)	19,521	19,519	2
<b>Total Field Operations</b>		<b>83,818</b>	<b>(2,426)</b>	<b>81,392</b>	<b>81,386</b>	<b>6</b>
<b>Total Unified Budget</b>	<b>8.1.1</b>	<b>142,054</b>	<b>(2,893)</b>	<b>139,161</b>	<b>139,153</b>	<b>8</b>
<b>Special Purpose Funds</b>						
Special Monitoring Mission to Ukraine		75,225	0	75,225	67,425	7,800
Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border		1,379	0	1,379	1,229	150
<b>Total Special Purpose Funds</b>	<b>8.1.2</b>	<b>76,604</b>	<b>0</b>	<b>76,604</b>	<b>68,654</b>	<b>7,950</b>
<b>Total PC Approved Budgets</b>		<b>218,658</b>	<b>(2,893)</b>	<b>215,765</b>	<b>207,807</b>	<b>7,958</b>

<sup>1</sup> 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 8.1 for more information.

<sup>2</sup> The approved budget for the Office for Democratic Institutions and Human Rights includes a supplementary budget for EUR 946 thousand pursuant to PC.DEC/1220.

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

As at 31 December 2016

EUR '000		Total Secretariat and Institutions		Total Field Operations		Total Unified Budget		Total Special Purpose Funds		Total Extra-Budgetary Funds		TOTAL OSCE	
	Note	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>ASSETS</b>													
<b>Current Assets</b>													
Cash and Cash Equivalents	3.1	25,027	20,864	1,770	1,221	26,796	22,085	1,242	689	0	0	28,038	22,774
Investments	3.2	21,890	9,890	0	0	21,890	9,890	0	0	35,950	41,726	57,841	51,616
Contributions Receivable	3.3	96	127	30	53	126	180	28	3,172	14,314	0	14,467	3,353
Accounts Receivable	3.4	1,554	1,411	1,094	874	2,649	2,285	351	312	0	0	3,000	2,597
Prepayments	3.5	3,367	2,025	1,047	1,577	4,413	3,601	112	423	0	0	4,525	4,024
Inventory	3.6	1	0	18	18	19	18	653	0	80	8	751	26
Inter-Fund Balances		(26,453)	(12,973)	4,212	4,490	(22,241)	(8,483)	10,956	6,682	11,285	1,801	0	0
Other Current Assets	3.7	35	1	0	0	35	1	0	0	0	0	35	1
		<b>25,516</b>	<b>21,345</b>	<b>8,171</b>	<b>8,234</b>	<b>33,687</b>	<b>29,579</b>	<b>13,342</b>	<b>11,278</b>	<b>61,629</b>	<b>43,534</b>	<b>108,657</b>	<b>84,391</b>
<b>Non-Current Assets</b>													
Property, Plant and Equipment	3.8	3,156	3,249	3,823	3,734	6,979	6,983	13,228	8,567	8,161	10,018	28,368	25,568
Intangible Assets	3.9	3,191	587	236	175	3,426	763	694	2,921	344	401	4,465	4,085
Other Non-Current Assets	3.7	20	442	0	8	20	450	0	116	0	0	20	565
		<b>6,367</b>	<b>4,279</b>	<b>4,059</b>	<b>3,917</b>	<b>10,426</b>	<b>8,196</b>	<b>13,922</b>	<b>11,604</b>	<b>8,505</b>	<b>10,419</b>	<b>32,853</b>	<b>30,218</b>
<b>Total Assets</b>		<b>31,883</b>	<b>25,624</b>	<b>12,230</b>	<b>12,150</b>	<b>44,113</b>	<b>37,774</b>	<b>27,264</b>	<b>22,882</b>	<b>70,134</b>	<b>53,953</b>	<b>141,510</b>	<b>114,610</b>
<b>LIABILITIES</b>													
<b>Current Liabilities</b>													
Accounts Payable	4.1	2,083	2,402	1,901	1,402	3,983	3,805	142	140	0	0	4,125	3,944
Accruals	4.2	3,862	1,169	1,776	2,066	5,639	3,235	1,593	526	1,442	1,814	8,674	5,575
Deferred Revenue	4.3	2,898	2,766	0	0	2,898	2,766	23	2,799	46,086	25,362	49,007	30,928
Funds Held for Third Parties	4.4	10,223	5,469	25	25	10,248	5,494	0	0	0	0	10,248	5,494
Employee Benefits Current	4.5	2,031	1,942	2,935	2,983	4,967	4,925	495	346	163	201	5,625	5,472
Cash Surplus Current	4.7	(426)	1,168	1,942	1,414	1,515	2,582	0	0	0	0	1,515	2,582
Provisions	4.8	0	0	0	0	0	0	0	0	7,349	2,549	7,349	2,549
Other Current Liabilities	4.9	724	731	62	131	787	861	3	21	57	171	847	1,053
		<b>21,395</b>	<b>15,648</b>	<b>8,641</b>	<b>8,020</b>	<b>30,037</b>	<b>23,668</b>	<b>2,257</b>	<b>3,831</b>	<b>55,097</b>	<b>30,097</b>	<b>87,390</b>	<b>57,596</b>
<b>Non-Current Liabilities</b>													
Employee Benefits Non-Current	4.5	3,267	2,761	355	278	3,622	3,039	210	143	121	67	3,952	3,250
Cash Surplus Non-Current	4.7	3	164	145	228	148	392	0	0	0	0	148	392
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0	165	0	165	0
		<b>3,270</b>	<b>2,925</b>	<b>500</b>	<b>507</b>	<b>3,770</b>	<b>3,431</b>	<b>210</b>	<b>143</b>	<b>285</b>	<b>67</b>	<b>4,265</b>	<b>3,642</b>
<b>Total Liabilities</b>		<b>24,665</b>	<b>18,572</b>	<b>9,142</b>	<b>8,527</b>	<b>33,806</b>	<b>27,099</b>	<b>2,466</b>	<b>3,975</b>	<b>55,383</b>	<b>30,164</b>	<b>91,655</b>	<b>61,238</b>
<b>NET ASSETS</b>													
Cash Surplus Withheld	5.1	192	194	60	60	252	254	0	0	0	0	252	254
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	(2,331)	(1,885)	351	398	(1,980)	(1,487)	(80)	(85)	(201)	(116)	(2,261)	(1,688)
Accumulated Surplus/(Deficit)	5.4	4,467	3,853	2,677	3,165	7,144	7,018	24,878	18,992	14,951	23,905	46,974	49,915
<b>Total Net Assets</b>		<b>7,218</b>	<b>7,052</b>	<b>3,088</b>	<b>3,623</b>	<b>10,306</b>	<b>10,675</b>	<b>24,798</b>	<b>18,907</b>	<b>14,751</b>	<b>23,789</b>	<b>49,855</b>	<b>53,372</b>

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

For the Year Ended 31 December 2016

EUR '000	Note	Total Secretariat and Institutions		Total Field Operations		Total Unified Budget		Total Special Purpose Funds		Total Extra-Budgetary Funds		Total OSCE	
		2016	2015 <i>(Restated)</i>	2016	2015 <i>(Restated)</i>	2016	2015 <i>(Restated)</i>	2016	2015 <i>(Restated)</i>	2016	2015	2016	2015 <i>(Restated)</i>
<b>REVENUE</b>													
Assessed Contributions	6.1	56,824	55,095	81,391	83,192	138,215	138,287	69,564	58,750	0	0	207,778	197,037
Extra-Budgetary Contributions	6.2	0	0	0	0	0	0	0	0	26,364	39,296	26,364	39,296
Finance Revenue	6.3	88	95	2	5	91	101	0	0	0	0	91	101
Revenue from Exchange Transactions	6.4	(27)	7	337	299	310	307	(47)	(7)	(169)	(40)	94	260
Foreign Exchange Gains/(Losses)	6.5	(48)	(31)	2	(9)	(46)	(41)	(9)	110	278	880	223	948
Other Revenue	6.6	7,449	6,418	(260)	534	7,189	6,952	943	3,115	(15)	3	8,117	10,070
<b>Total Revenue</b>		<b>64,286</b>	<b>61,585</b>	<b>81,472</b>	<b>84,021</b>	<b>145,758</b>	<b>145,606</b>	<b>70,451</b>	<b>61,968</b>	<b>26,458</b>	<b>40,139</b>	<b>242,667</b>	<b>247,713</b>
<b>EXPENSES</b>													
Staff Costs	7.1	35,293	34,497	49,568	50,388	84,861	84,885	37,869	29,148	13,558	10,605	136,288	124,638
Consultancy and Subcontracting	7.2	7,270	6,214	7,105	7,487	14,375	13,701	3,873	2,281	6,233	7,831	24,481	23,814
Travel Expenses	7.3	4,902	4,918	8,244	8,008	13,146	12,926	4,805	3,555	4,144	5,156	22,095	21,637
Services and Office Costs	7.4	12,682	11,903	11,397	12,139	24,079	24,042	4,684	3,321	3,689	3,614	32,452	30,977
Consumables and Supplies	7.5	711	754	2,151	2,605	2,863	3,359	2,105	2,146	459	1,780	5,427	7,284
Depreciation and Amortisation	7.6	1,257	723	1,523	1,474	2,780	2,197	2,879	1,918	2,568	2,332	8,226	6,447
Equipment Expenses	7.7	812	270	1,302	1,261	2,114	1,531	1,162	1,505	481	1,051	3,757	4,087
Other Operating Expenses	7.8	742	531	525	519	1,267	1,051	6,517	10,744	3,941	4,969	11,726	16,764
<b>Total Expenses</b>		<b>63,669</b>	<b>59,810</b>	<b>81,815</b>	<b>83,882</b>	<b>145,484</b>	<b>143,693</b>	<b>63,894</b>	<b>54,617</b>	<b>35,074</b>	<b>37,337</b>	<b>244,452</b>	<b>235,648</b>
<b>Surplus/(Deficit) for the Period</b>	7.9	<b>617</b>	<b>1,774</b>	<b>(343)</b>	<b>139</b>	<b>274</b>	<b>1,913</b>	<b>6,557</b>	<b>7,351</b>	<b>(8,616)</b>	<b>2,802</b>	<b>(1,785)</b>	<b>12,065</b>

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

For the Year Ended 31 December 2016

EUR '000		Total Secretariat and Institutions		Total Field Operations		Total Unified Budget		Total Special Purpose Funds		Total Extra-Budgetary Funds		Total OSCE	
	Note	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>													
Surplus/(Deficit) for the Period	7.9	617	1,774	(343)	139	274	1,913	6,557	7,351	(8,616)	2,802	(1,785)	12,065
<b>Non-Cash Movements</b>													
Deduction of Unrealized Foreign Exchange Gains/Losses on Cash and Cash Equivalents	6.5	(11)	(52)	(6)	40	(16)	(13)	1	75	0	0	(16)	62
Deduction of Depreciation, Amortisation and Impairments	7.6,3.10	1,257	723	1,523	1,474	2,780	2,197	2,879	1,918	2,568	2,736	8,226	6,852
Deduction of Loss on Disposal of PP&E	6.4	(2,118)	(79)	829	118	(1,289)	39	1,414	71	185	37	310	147
Deduction of Non-Cash Changes in Net Assets	5.3	(446)	(829)	(47)	31	(493)	(799)	5	(72)	(84)	(17)	(573)	(887)
(Increase) / Decrease in Contributions Receivable	3.3	31	(62)	23	3	54	(60)	3,145	(2,584)	(14,314)	0	(11,115)	(2,644)
(Increase) / Decrease in Accounts Receivable	3.4	(143)	600	(220)	(222)	(363)	378	(39)	(182)	0	0	(403)	196
(Increase) / Decrease in Prepayments	3.5	(1,342)	373	530	119	(812)	492	311	(379)	0	0	(501)	113
(Increase) / Decrease in Inventory	3.6	(1)	0	1	87	(0)	87	(653)	0	(72)	(4)	(725)	83
(Increase) / Decrease in Other Current/Non-Current Assets	3.7	389	(428)	8	(8)	396	(435)	116	(116)	0	0	512	(551)
Increase /(Decrease) in Accounts Payable	4.1	(320)	(92)	498	(596)	178	(688)	3	(62)	0	0	181	(750)
Increase /(Decrease) in Accruals	4.2	2,693	47	(290)	71	2,403	118	1,067	374	(371)	(807)	3,099	(316)
Increase /(Decrease) in Deferred Revenue	4.3	132	(3,671)	0	0	132	(3,671)	(2,776)	1,593	20,724	(11,835)	18,079	(13,914)
Increase /(Decrease) in Funds Held for Third Parties	4.4	4,754	3,120	0	4	4,754	3,124	0	0	0	0	4,754	3,124
Increase /(Decrease) in Employee Benefits	4.5	596	455	29	(145)	625	310	216	274	15	(51)	856	534
Increase /(Decrease) in Cash Surplus Payable	4.7	(1,756)	56	445	73	(1,311)	129	0	0	0	0	(1,311)	129
Increase /(Decrease) in Provisions	4.8	0	0	0	0	0	0	0	0	4,800	(129)	4,800	(129)
Increase /(Decrease) in Other Liabilities	4.9	(7)	467	(68)	63	(75)	530	(18)	17	51	(57)	(42)	489
Increase /(Decrease) in Inter-Fund Balances		13,480	(8,257)	278	514	13,758	(7,743)	(4,274)	(2,331)	(9,484)	10,075	0	0
<b>Net Cash Flows from Operating Activities</b>		<b>17,806</b>	<b>(5,856)</b>	<b>3,190</b>	<b>1,764</b>	<b>20,996</b>	<b>(4,092)</b>	<b>7,951</b>	<b>5,947</b>	<b>(4,598)</b>	<b>2,749</b>	<b>24,348</b>	<b>4,605</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>													
(Purchase) / Sale of Investments	3.2	(12,000)	9,000	0	0	(12,000)	9,000	0	0	5,775	(7,826)	(6,225)	1,174
(Addition) / Disposal of PP&E and Intangibles	3.8,3.9	(1,649)	(467)	(2,502)	(2,010)	(4,151)	(2,477)	(6,726)	(5,810)	(839)	(7,508)	(11,716)	(15,795)
<b>Net Cash Flows from Investing Activities</b>		<b>(13,649)</b>	<b>8,533</b>	<b>(2,502)</b>	<b>(2,010)</b>	<b>(16,151)</b>	<b>6,523</b>	<b>(6,726)</b>	<b>(5,810)</b>	<b>4,936</b>	<b>(15,334)</b>	<b>(17,941)</b>	<b>(14,621)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>													
Credits for Cash Surplus Withheld	5.1	(2)	0	(0)	0	(2)	0	0	0	0	0	(2)	0
Allocation of Current Year Cash Surplus	4.7	(3)	(164)	(145)	(228)	(148)	(392)	0	0	0	0	(148)	(392)
Credit of ERP Fund Remaining Balance		0	0	0	0	0	0	(671)	0	0	0	(671)	0
Refund of Unspent Extra-budgetary Contributions	5.4	0	0	0	0	0	0	0	0	(338)	(415)	(338)	(415)
<b>Net Cash Flows from Financing Activities</b>		<b>(5)</b>	<b>(164)</b>	<b>(145)</b>	<b>(228)</b>	<b>(150)</b>	<b>(392)</b>	<b>(671)</b>	<b>0</b>	<b>(338)</b>	<b>(415)</b>	<b>(1,160)</b>	<b>(807)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	3.1	<b>4,152</b>	<b>2,513</b>	<b>543</b>	<b>(473)</b>	<b>4,695</b>	<b>2,039</b>	<b>554</b>	<b>138</b>	<b>0</b>	<b>(13,000)</b>	<b>5,248</b>	<b>(10,823)</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	3.1	<b>20,864</b>	<b>18,299</b>	<b>1,221</b>	<b>1,734</b>	<b>22,085</b>	<b>20,033</b>	<b>689</b>	<b>626</b>	<b>0</b>	<b>13,000</b>	<b>22,774</b>	<b>33,659</b>
<b>Foreign Exchange Gains/(Losses) on Cash and Cash Equivalents</b>	6.5	<b>11</b>	<b>52</b>	<b>6</b>	<b>(40)</b>	<b>16</b>	<b>13</b>	<b>(1)</b>	<b>(75)</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>(62)</b>
<b>Cash and Cash Equivalents at End of Period</b>		<b>25,027</b>	<b>20,864</b>	<b>1,770</b>	<b>1,221</b>	<b>26,796</b>	<b>22,085</b>	<b>1,242</b>	<b>689</b>	<b>0</b>	<b>(0)</b>	<b>28,038</b>	<b>22,774</b>

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

As at 31 December 2016

EUR '000		The Secretariat		Office for Democratic Institutions and Human Rights		High Commissioner on National Minorities		Representative on Freedom of the Media		Total Institutions	
	Note	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>ASSETS</b>											
<b>Current Assets</b>											
Cash and Cash Equivalents	3.1	24,305	20,743	644	99	78	22	0	0	25,027	20,864
Investments	3.2	21,890	9,890	0	0	0	0	0	0	21,890	9,890
Contributions Receivable	3.3	61	80	27	37	6	7	2	3	96	127
Accounts Receivable	3.4	1,233	1,264	175	80	146	67	0	0	1,554	1,411
Prepayments	3.5	2,548	1,500	664	405	155	123	0	(3)	3,367	2,025
Inventory	3.6	1	0	0	0	0	0	0	0	1	0
Inter-Fund Balances		(27,678)	(14,797)	1,248	1,739	(66)	47	42	38	(26,453)	(12,973)
Other Current Assets	3.7	26	0	1	2	8	(1)	0	0	35	1
		<b>22,386</b>	<b>18,679</b>	<b>2,759</b>	<b>2,362</b>	<b>326</b>	<b>265</b>	<b>45</b>	<b>39</b>	<b>25,516</b>	<b>21,345</b>
<b>Non-Current Assets</b>											
Property, Plant and Equipment	3.8	2,980	3,071	142	161	32	16	2	1	3,156	3,249
Intangible Assets	3.9	3,077	474	111	111	3	3	0	0	3,191	587
Other Non-Current Assets	3.7	20	442	0	0	0	0	0	0	20	442
		<b>6,077</b>	<b>3,988</b>	<b>253</b>	<b>272</b>	<b>35</b>	<b>18</b>	<b>2</b>	<b>1</b>	<b>6,367</b>	<b>4,279</b>
<b>Total Assets</b>		<b>28,463</b>	<b>22,667</b>	<b>3,012</b>	<b>2,633</b>	<b>361</b>	<b>284</b>	<b>47</b>	<b>40</b>	<b>31,883</b>	<b>25,624</b>
<b>LIABILITIES</b>											
<b>Current Liabilities</b>											
Accounts Payable	4.1	1,586	2,094	494	281	2	29	(0)	(1)	2,083	2,402
Accruals	4.2	2,120	714	1,593	357	127	81	22	17	3,862	1,169
Deferred Revenue	4.3	2,898	2,766	0	0	0	0	0	0	2,898	2,766
Funds Held for Third Parties	4.4	9,990	5,106	233	363	0	0	0	0	10,223	5,469
Employee Benefits Current	4.5	1,353	1,359	448	376	154	134	77	72	2,031	1,942
Cash Surplus Current	4.7	(571)	1,060	117	82	22	20	6	6	(426)	1,168
Provisions	4.8	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	4.9	624	671	(0)	0	101	60	0	0	724	731
		<b>18,000</b>	<b>13,771</b>	<b>2,885</b>	<b>1,460</b>	<b>406</b>	<b>324</b>	<b>104</b>	<b>93</b>	<b>21,395</b>	<b>15,648</b>
<b>Non-Current Liabilities</b>											
Employee Benefits Non-Current	4.5	2,004	1,692	888	801	225	177	150	90	3,267	2,761
Cash Surplus Non-Current	4.7	43	140	(25)	24	(10)	(0)	(5)	(1)	3	164
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0	0	0
		<b>2,047</b>	<b>1,833</b>	<b>863</b>	<b>825</b>	<b>215</b>	<b>177</b>	<b>145</b>	<b>90</b>	<b>3,270</b>	<b>2,925</b>
<b>Total Liabilities</b>		<b>20,047</b>	<b>15,603</b>	<b>3,748</b>	<b>2,285</b>	<b>621</b>	<b>501</b>	<b>249</b>	<b>183</b>	<b>24,665</b>	<b>18,572</b>
<b>NET ASSETS</b>											
Cash Surplus Withheld	5.1	178	181	9	8	4	4	1	1	192	194
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	(1,368)	(1,070)	(765)	(706)	(135)	(91)	(63)	(19)	(2,331)	(1,885)
Accumulated Surplus/(Deficit)	5.4	4,716	3,063	21	1,046	(130)	(131)	(140)	(125)	4,467	3,853
<b>Total Net Assets</b>		<b>8,416</b>	<b>7,064</b>	<b>(735)</b>	<b>349</b>	<b>(261)</b>	<b>(217)</b>	<b>(202)</b>	<b>(143)</b>	<b>7,218</b>	<b>7,052</b>

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

For the Year Ended 31 December 2016

EUR '000		The Secretariat		Office for Democratic Institutions and Human Rights		High Commissioner on National Minorities		Representative on Freedom of the Media		Total Institutions	
	Note	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>REVENUE</b>			<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>				<i>(Restated)</i>
Assessed Contributions	6.1	35,947	34,531	16,043	15,867	3,384	3,218	1,449	1,480	56,824	55,095
Extra-Budgetary Contributions	6.2	0	0	0	0	0	0	0	0	0	0
Finance Revenue	6.3	87	95	1	1	(0)	0	0	0	88	95
Revenue from Exchange Transactions	6.4	19	1	(46)	6	0	0	(0)	(0)	(27)	7
Foreign Exchange Gains/(Losses)	6.5	(41)	(43)	(6)	13	(0)	(2)	(1)	(1)	(48)	(31)
Other Revenue	6.6	5,408	3,266	1,963	3,074	78	78	1	0	7,449	6,418
<b>Total Revenue</b>		<b>41,421</b>	<b>37,850</b>	<b>17,955</b>	<b>18,962</b>	<b>3,462</b>	<b>3,294</b>	<b>1,449</b>	<b>1,479</b>	<b>64,286</b>	<b>61,585</b>
<b>EXPENSES</b>											
Staff Costs	7.1	23,989	23,017	7,640	7,949	2,513	2,389	1,151	1,142	35,293	34,497
Consultancy and Subcontracting	7.2	1,188	1,077	5,733	4,816	327	280	22	42	7,270	6,214
Travel Expenses	7.3	2,443	2,658	1,893	1,693	368	377	198	190	4,902	4,918
Services and Office Costs	7.4	9,482	8,911	2,948	2,729	185	182	66	81	12,682	11,903
Consumables and Supplies	7.5	323	394	352	328	28	26	8	5	711	754
Depreciation and Amortisation	7.6	1,124	591	122	119	11	11	1	2	1,257	723
Equipment Expenses	7.7	567	143	230	108	10	16	4	3	812	270
Other Operating Expenses	7.8	608	477	87	28	29	14	17	12	742	531
<b>Total Expenses</b>		<b>39,724</b>	<b>37,268</b>	<b>19,005</b>	<b>17,770</b>	<b>3,471</b>	<b>3,295</b>	<b>1,469</b>	<b>1,478</b>	<b>63,669</b>	<b>59,810</b>
<b>Surplus/(Deficit) for the Period</b>	7.9	<b>1,697</b>	<b>582</b>	<b>(1,051)</b>	<b>1,192</b>	<b>(9)</b>	<b>(1)</b>	<b>(19)</b>	<b>2</b>	<b>617</b>	<b>1,774</b>



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

As at 31 December 2016

EUR '000		Augmentations		South-Eastern Europe		Eastern Europe		Caucasus		Central Asia		Total Regions		Closed Funds		Total Field Operations	
	Note	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>ASSETS</b>																	
<b>Current Assets</b>																	
Cash and Cash Equivalents	3.1	0	0	733	508	225	249	183	141	629	323	1,770	1,221	0	0	1,770	1,221
Investments	3.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contributions Receivable	3.3	2	3	15	28	2	3	2	4	7	13	28	51	2	2	30	53
Accounts Receivable	3.4	0	0	740	517	129	151	0	0	225	206	1,094	874	0	0	1,094	874
Prepayments	3.5	0	0	610	920	274	290	18	20	145	346	1,047	1,577	0	0	1,047	1,577
Inventory	3.6	0	0	18	0	0	0	0	18	0	0	18	18	0	0	18	18
Inter-Fund Balances		(12)	804	2,235	1,881	(204)	(397)	229	194	1,773	1,970	4,021	4,452	191	39	4,212	4,490
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		<b>(10)</b>	<b>807</b>	<b>4,351</b>	<b>3,855</b>	<b>427</b>	<b>296</b>	<b>432</b>	<b>377</b>	<b>2,779</b>	<b>2,858</b>	<b>7,978</b>	<b>8,193</b>	<b>193</b>	<b>41</b>	<b>8,171</b>	<b>8,234</b>
<b>Non-Current Assets</b>																	
Property, Plant and Equipment	3.8	0	0	2,044	1,890	357	239	285	297	1,136	1,309	3,823	3,734	0	0	3,823	3,734
Intangible Assets	3.9	0	0	130	114	19	13	35	2	51	46	236	175	0	0	236	175
Other Non-Current Assets	3.7	0	0	0	0	0	8	0	0	0	0	0	8	0	0	0	8
		<b>0</b>	<b>0</b>	<b>2,174</b>	<b>2,004</b>	<b>376</b>	<b>259</b>	<b>321</b>	<b>299</b>	<b>1,188</b>	<b>1,355</b>	<b>4,059</b>	<b>3,917</b>	<b>0</b>	<b>0</b>	<b>4,059</b>	<b>3,917</b>
<b>Total Assets</b>		<b>(10)</b>	<b>807</b>	<b>6,525</b>	<b>5,859</b>	<b>803</b>	<b>556</b>	<b>752</b>	<b>676</b>	<b>3,967</b>	<b>4,212</b>	<b>12,037</b>	<b>12,110</b>	<b>193</b>	<b>41</b>	<b>12,230</b>	<b>12,150</b>
<b>LIABILITIES</b>																	
<b>Current Liabilities</b>																	
Accounts Payable	4.1	0	0	450	294	329	115	19	4	1,103	990	1,901	1,402	0	0	1,901	1,402
Accruals	4.2	5	2	999	1,211	124	126	57	68	592	660	1,776	2,066	0	0	1,776	2,066
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	25	24	0	0	0	0	0	0	25	25	0	0	25	25
Employee Benefits Current	4.5	251	250	2,054	2,130	125	122	105	109	401	372	2,935	2,983	0	0	2,935	2,983
Cash Surplus Current	4.7	17	15	937	667	(59)	25	229	213	646	480	1,770	1,400	172	14	1,942	1,414
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	61	66	0	24	0	0	2	41	62	131	0	0	62	131
		<b>272</b>	<b>267</b>	<b>4,526</b>	<b>4,391</b>	<b>519</b>	<b>412</b>	<b>410</b>	<b>393</b>	<b>2,742</b>	<b>2,543</b>	<b>8,470</b>	<b>8,007</b>	<b>172</b>	<b>14</b>	<b>8,641</b>	<b>8,020</b>
<b>Non-Current Liabilities</b>																	
Employee Benefits Non-Current	4.5	235	152	77	79	6	7	5	5	32	36	355	278	0	0	355	278
Cash Surplus Non-Current	4.7	(1)	5	263	161	(69)	(86)	17	31	(84)	110	125	220	20	8	145	228
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		<b>233</b>	<b>157</b>	<b>341</b>	<b>240</b>	<b>(63)</b>	<b>(79)</b>	<b>21</b>	<b>35</b>	<b>(52)</b>	<b>145</b>	<b>480</b>	<b>499</b>	<b>20</b>	<b>8</b>	<b>500</b>	<b>507</b>
<b>Total Liabilities</b>		<b>506</b>	<b>424</b>	<b>4,866</b>	<b>4,632</b>	<b>456</b>	<b>332</b>	<b>432</b>	<b>429</b>	<b>2,690</b>	<b>2,688</b>	<b>8,950</b>	<b>8,505</b>	<b>192</b>	<b>22</b>	<b>9,142</b>	<b>8,527</b>
<b>NET ASSETS</b>																	
Cash Surplus Withheld	5.1	0	0	27	28	2	2	9	10	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 Fund	5.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserves	5.3	175	209	308	303	(4)	(4)	(5)	(12)	(118)	(97)	357	398	(6)	0	351	398
Accumulated Surplus/(Deficit)	5.4	(691)	174	1,323	897	349	226	317	250	1,390	1,616	2,687	3,162	(11)	2	2,677	3,165
<b>Total Net Assets</b>		<b>(516)</b>	<b>384</b>	<b>1,659</b>	<b>1,227</b>	<b>347</b>	<b>223</b>	<b>320</b>	<b>247</b>	<b>1,277</b>	<b>1,524</b>	<b>3,087</b>	<b>3,604</b>	<b>1</b>	<b>19</b>	<b>3,088</b>	<b>3,623</b>

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

For the Year Ended 31 December 2016

EUR '000		Augmentations		South-Eastern Europe		Eastern Europe		Caucasus		Central Asia		Total Regions		Closed Funds		Total Field Operations	
	Note	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>REVENUE</b>					<i>(Restated)</i>						<i>(Restated)</i>		<i>(Restated)</i>				<i>(Restated)</i>
Assessed Contributions	6.1	4,714	4,884	46,803	47,863	5,654	5,032	4,700	5,471	19,521	19,943	81,391	83,192	0	0	81,391	83,192
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	2	4	1	2	0	0	0	0	2	5	0	0	2	5
Revenue from Exchange Transactions	6.4	0	0	316	305	12	32	12	19	(3)	(56)	337	299	0	0	337	299
Foreign Exchange Gains/(Losses)	6.5	0	0	199	58	(83)	(116)	2	(4)	(116)	52	2	(9)	0	0	2	(9)
Other Revenue	6.6	(821)	0	69	55	1	2	(0)	(59)	492	536	(260)	534	0	0	(260)	534
<b>Total Revenue</b>		<b>3,893</b>	<b>4,884</b>	<b>47,388</b>	<b>48,284</b>	<b>5,584</b>	<b>4,952</b>	<b>4,714</b>	<b>5,426</b>	<b>19,894</b>	<b>20,475</b>	<b>81,472</b>	<b>84,021</b>	<b>0</b>	<b>0</b>	<b>81,472</b>	<b>84,021</b>
<b>EXPENSES</b>																	
Staff Costs	7.1	4,596	4,715	32,765	33,930	2,387	2,250	1,898	2,342	7,921	7,150	49,568	50,387	0	1	49,568	50,388
Consultancy and Subcontracting	7.2	22	70	2,187	2,314	846	802	625	682	3,425	3,619	7,105	7,487	0	0	7,105	7,487
Travel Expenses	7.3	118	104	3,095	2,776	751	684	873	1,101	3,407	3,342	8,244	8,008	0	0	8,244	8,008
Services and Office Costs	7.4	18	6	6,099	6,527	1,118	884	833	947	3,329	3,775	11,397	12,139	0	0	11,397	12,139
Consumables and Supplies	7.5	1	2	1,019	1,116	178	159	133	147	820	1,180	2,151	2,605	0	0	2,151	2,605
Depreciation and Amortisation	7.6	0	0	800	740	111	77	106	106	506	551	1,523	1,474	0	0	1,523	1,474
Equipment Expenses	7.7	0	0	510	477	99	88	91	102	601	595	1,302	1,261	0	0	1,302	1,261
Other Operating Expenses	7.8	4	(4)	223	194	39	38	70	49	196	251	532	528	(8)	(8)	525	519
<b>Total Expenses</b>		<b>4,759</b>	<b>4,893</b>	<b>46,699</b>	<b>48,075</b>	<b>5,530</b>	<b>4,981</b>	<b>4,630</b>	<b>5,476</b>	<b>20,204</b>	<b>20,465</b>	<b>81,822</b>	<b>83,889</b>	<b>(8)</b>	<b>(7)</b>	<b>81,815</b>	<b>83,882</b>
<b>Surplus/(Deficit) for the Period</b>	7.9	<b>(867)</b>	<b>(9)</b>	<b>690</b>	<b>209</b>	<b>54</b>	<b>(29)</b>	<b>84</b>	<b>(50)</b>	<b>(311)</b>	<b>11</b>	<b>(350)</b>	<b>132</b>	<b>8</b>	<b>7</b>	<b>(343)</b>	<b>139</b>

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

As at 31 December 2016

EUR '000	Note	Mission in Kosovo		Tasks in Bosnia and Herzegovina		Mission to Serbia		Presence in Albania		Mission to Skopje		Mission to Montenegro		Total South-Eastern Europe	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>ASSETS</b>															
<b>Current Assets</b>															
Cash and Cash Equivalents	3.1	58	59	44	119	314	122	117	130	133	70	68	7	733	508
Investments	3.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contributions Receivable	3.3	6	11	3	6	2	4	1	2	2	4	1	1	15	28
Accounts Receivable	3.4	20	(0)	599	432	0	0	37	24	84	61	0	0	740	517
Prepayments	3.5	64	29	0	6	389	673	11	3	40	45	106	164	610	920
Inventory	3.6	1	0	0	0	1	0	0	0	16	0	0	0	18	0
Inter-Fund Balances		1,989	2,042	135	(173)	(243)	(367)	133	143	194	264	27	(28)	2,235	1,881
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		<b>2,137</b>	<b>2,141</b>	<b>781</b>	<b>390</b>	<b>464</b>	<b>432</b>	<b>298</b>	<b>302</b>	<b>470</b>	<b>445</b>	<b>201</b>	<b>144</b>	<b>4,351</b>	<b>3,855</b>
<b>Non-Current Assets</b>															
Property, Plant and Equipment	3.8	971	827	427	492	234	265	100	63	255	191	58	51	2,044	1,890
Intangible Assets	3.9	67	57	25	25	8	5	1	1	29	26	0	0	130	114
Other Non-Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		<b>1,038</b>	<b>884</b>	<b>452</b>	<b>517</b>	<b>242</b>	<b>271</b>	<b>101</b>	<b>64</b>	<b>283</b>	<b>218</b>	<b>58</b>	<b>51</b>	<b>2,174</b>	<b>2,004</b>
<b>Total Assets</b>		<b>3,175</b>	<b>3,025</b>	<b>1,233</b>	<b>907</b>	<b>705</b>	<b>703</b>	<b>399</b>	<b>366</b>	<b>753</b>	<b>663</b>	<b>259</b>	<b>195</b>	<b>6,525</b>	<b>5,859</b>
<b>LIABILITIES</b>															
<b>Current Liabilities</b>															
Accounts Payable	4.1	254	86	34	24	63	28	45	91	33	32	21	33	450	294
Accruals	4.2	284	500	78	61	279	297	82	102	203	215	72	35	999	1,211
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	11	10	0	0	0	0	14	14	0	0	25	24
Employee Benefits Current	4.5	976	1,071	518	524	217	200	70	65	209	208	65	64	2,054	2,130
Cash Surplus Current	4.7	476	421	161	61	96	34	106	86	52	37	46	28	937	667
Provisions	4.8	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	4.9	60	63	1	2	(0)	(0)	(0)	(0)	(1)	0	0	0	61	66
		<b>2,050</b>	<b>2,141</b>	<b>803</b>	<b>682</b>	<b>656</b>	<b>558</b>	<b>303</b>	<b>343</b>	<b>509</b>	<b>506</b>	<b>205</b>	<b>161</b>	<b>4,526</b>	<b>4,391</b>
<b>Non-Current Liabilities</b>															
Employee Benefits Non-Current	4.5	40	41	11	12	7	6	7	7	11	10	2	3	77	79
Cash Surplus Non-Current	4.7	19	39	254	98	(46)	7	15	11	5	5	15	2	263	161
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		<b>59</b>	<b>80</b>	<b>265</b>	<b>110</b>	<b>(39)</b>	<b>13</b>	<b>22</b>	<b>18</b>	<b>16</b>	<b>15</b>	<b>17</b>	<b>5</b>	<b>341</b>	<b>240</b>
<b>Total Liabilities</b>		<b>2,108</b>	<b>2,220</b>	<b>1,068</b>	<b>792</b>	<b>617</b>	<b>571</b>	<b>325</b>	<b>361</b>	<b>525</b>	<b>521</b>	<b>222</b>	<b>166</b>	<b>4,866</b>	<b>4,632</b>
<b>NET ASSETS</b>															
Cash Surplus Withheld	5.1	20	21	7	7	2	2	4	4	(6)	(6)	0	0	27	28
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	224	216	31	31	29	29	10	11	15	18	0	(1)	308	303
Accumulated Surplus/(Deficit)	5.4	822	569	127	77	58	101	59	(10)	219	130	37	30	1,323	897
<b>Total Net Assets</b>		<b>1,066</b>	<b>805</b>	<b>165</b>	<b>115</b>	<b>89</b>	<b>132</b>	<b>74</b>	<b>5</b>	<b>228</b>	<b>142</b>	<b>37</b>	<b>29</b>	<b>1,659</b>	<b>1,227</b>

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

For the Year Ended 31 December 2016

EUR '000	Note	Mission in Kosovo		Tasks in Bosnia and Herzegovina		Mission to Serbia		Presence in Albania		Mission to Skopje		Mission to Montenegro		Total South-Eastern Europe	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>REVENUE</b>					<i>(Restated)</i>						<i>(Restated)</i>				<i>(Restated)</i>
Assessed Contributions	6.1	17,786	18,840	11,375	11,368	6,356	6,392	2,893	2,919	6,323	6,252	2,070	2,093	46,803	47,863
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	2	0	0	2	2	0	0	2	4
Revenue from Exchange Transactions	6.4	233	123	41	83	16	38	16	(0)	(5)	61	16	0	316	305
Foreign Exchange Gains/(Losses)	6.5	0	(0)	236	65	(44)	(8)	10	6	(2)	(5)	0	0	199	58
Other Revenue	6.6	18	19	16	16	4	4	5	(2)	25	18	0	0	69	55
<b>Total Revenue</b>		<b>18,036</b>	<b>18,982</b>	<b>11,668</b>	<b>11,532</b>	<b>6,332</b>	<b>6,428</b>	<b>2,924</b>	<b>2,923</b>	<b>6,342</b>	<b>6,327</b>	<b>2,086</b>	<b>2,093</b>	<b>47,388</b>	<b>48,284</b>
<b>EXPENSES</b>															
Staff Costs	7.1	13,528	14,472	8,276	8,474	3,936	3,834	1,781	1,817	4,058	4,125	1,185	1,209	32,765	33,930
Consultancy and Subcontracting	7.2	563	650	341	321	585	590	201	256	390	340	106	158	2,187	2,314
Travel Expenses	7.3	662	482	948	824	618	635	215	219	401	394	252	222	3,095	2,776
Services and Office Costs	7.4	2,082	2,304	1,282	1,311	957	1,089	457	507	918	928	402	387	6,099	6,527
Consumables and Supplies	7.5	304	437	275	281	96	105	90	94	212	169	43	30	1,019	1,116
Depreciation and Amortisation	7.6	365	346	198	177	98	104	26	24	92	72	21	17	800	740
Equipment Expenses	7.7	231	185	26	62	75	61	34	34	113	126	31	8	510	477
Other Operating Expenses	7.8	28	(1)	17	7	56	50	35	37	64	63	22	37	223	194
<b>Total Expenses</b>		<b>17,764</b>	<b>18,876</b>	<b>11,363</b>	<b>11,456</b>	<b>6,421</b>	<b>6,467</b>	<b>2,839</b>	<b>2,990</b>	<b>6,248</b>	<b>6,217</b>	<b>2,063</b>	<b>2,068</b>	<b>46,699</b>	<b>48,075</b>
<b>Surplus/(Deficit) for the Period</b>	7.9	<b>273</b>	<b>106</b>	<b>305</b>	<b>75</b>	<b>(89)</b>	<b>(39)</b>	<b>85</b>	<b>(67)</b>	<b>94</b>	<b>110</b>	<b>23</b>	<b>24</b>	<b>690</b>	<b>209</b>

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

As at 31 December 2016

EUR '000		Mission to Moldova		Project Co-ordinator in Ukraine		Representative on the Latvian-Russian Joint Commission on Military Pensioners		Total Eastern Europe	
	Note	2016	2015	2016	2015	2016	2015	2016	2015
<b>ASSETS</b>									
<b>Current Assets</b>									
Cash and Cash Equivalents	3.1	18	7	207	242	0	0	225	249
Investments	3.2	0	0	0	0	0	0	0	0
Contributions Receivable	3.3	1	1	1	2	0	0	2	3
Accounts Receivable	3.4	25	23	105	127	0	0	129	151
Prepayments	3.5	3	32	272	258	0	0	274	290
Inventory	3.6	0	0	0	0	0	0	0	0
Inter-Fund Balances		118	223	(322)	(620)	0	0	(204)	(397)
Other Current Assets	3.7	0	0	0	0	0	0	0	0
		<b>164</b>	<b>287</b>	<b>263</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>427</b>	<b>296</b>
<b>Non-Current Assets</b>									
Property, Plant and Equipment	3.8	287	183	70	55	0	0	357	239
Intangible Assets	3.9	12	6	7	8	0	0	19	13
Other Non-Current Assets	3.7	0	0	0	8	0	0	0	8
		<b>299</b>	<b>189</b>	<b>77</b>	<b>70</b>	<b>0</b>	<b>0</b>	<b>376</b>	<b>259</b>
<b>Total Assets</b>		<b>463</b>	<b>476</b>	<b>339</b>	<b>79</b>	<b>0</b>	<b>0</b>	<b>803</b>	<b>556</b>
<b>LIABILITIES</b>									
<b>Current Liabilities</b>									
Accounts Payable	4.1	7	35	322	81	0	0	329	115
Accruals	4.2	57	102	67	24	0	0	124	126
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	35	37	90	84	0	0	125	122
Cash Surplus Current	4.7	47	32	(106)	(8)	0	0	(59)	25
Provisions	4.8	0	0	0	0	0	0	0	0
Other Current Liabilities	4.9	0	0	0	24	0	0	0	24
		<b>146</b>	<b>207</b>	<b>373</b>	<b>205</b>	<b>0</b>	<b>0</b>	<b>519</b>	<b>412</b>
<b>Non-Current Liabilities</b>									
Employee Benefits Non-Current	4.5	5	6	1	1	0	0	6	7
Cash Surplus Non-Current	4.7	4	14	(74)	(100)	0	0	(69)	(86)
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0
		<b>9</b>	<b>19</b>	<b>(72)</b>	<b>(99)</b>	<b>0</b>	<b>0</b>	<b>(63)</b>	<b>(79)</b>
<b>Total Liabilities</b>		<b>155</b>	<b>226</b>	<b>301</b>	<b>106</b>	<b>0</b>	<b>0</b>	<b>456</b>	<b>332</b>
<b>NET ASSETS</b>									
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	(6)	(6)	2	2	0	0	(4)	(4)
Accumulated Surplus/(Deficit)	5.4	314	255	35	(30)	0	0	349	226
<b>Total Net Assets</b>		<b>309</b>	<b>250</b>	<b>38</b>	<b>(27)</b>	<b>0</b>	<b>0</b>	<b>347</b>	<b>223</b>

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

For the Year Ended 31 December 2016

EUR '000		Mission to Moldova		Project Co-ordinator in Ukraine		Representative on the Latvian-Russian Joint Commission on Military Pensioners		Total Eastern Europe	
	Note	2016	2015	2016	2015	2016	2015	2016	2015
<b>REVENUE</b>									
Assessed Contributions	6.1	2,174	2,090	3,475	2,934	5	8	5,654	5,032
Extra-Budgetary Contributions	6.2	0	0	0	0	0	0	0	0
Finance Revenue	6.3	0	0	1	2	0	0	1	2
Revenue from Exchange Transactions	6.4	7	18	5	13	0	0	12	32
Foreign Exchange Gains/(Losses)	6.5	(4)	(8)	(79)	(107)	0	0	(83)	(116)
Other Revenue	6.6	0	2	0	0	0	0	1	2
<b>Total Revenue</b>		<b>2,178</b>	<b>2,102</b>	<b>3,401</b>	<b>2,842</b>	<b>5</b>	<b>8</b>	<b>5,584</b>	<b>4,952</b>
<b>EXPENSES</b>									
Staff Costs	7.1	1,047	1,038	1,341	1,212	0	0	2,387	2,250
Consultancy and Subcontracting	7.2	174	197	672	604	0	0	846	802
Travel Expenses	7.3	217	185	529	492	4	8	751	684
Services and Office Costs	7.4	438	427	681	457	0	(0)	1,118	884
Consumables and Supplies	7.5	79	82	99	78	0	0	178	159
Depreciation and Amortisation	7.6	87	58	24	19	0	0	111	77
Equipment Expenses	7.7	48	19	51	69	0	0	99	88
Other Operating Expenses	7.8	25	21	14	16	0	0	39	38
<b>Total Expenses</b>		<b>2,115</b>	<b>2,026</b>	<b>3,411</b>	<b>2,947</b>	<b>5</b>	<b>8</b>	<b>5,530</b>	<b>4,981</b>
<b>Surplus/(Deficit) for the Period</b>	7.9	<b>63</b>	<b>76</b>	<b>(9)</b>	<b>(105)</b>	<b>0</b>	<b>0</b>	<b>54</b>	<b>(29)</b>

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

As at 31 December 2016

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	
	Note	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>ASSETS</b>													
<b>Current Assets</b>													
Cash and Cash Equivalents	3.1	48	38	0	0	0	0	0	0	134	104	183	141
Investments	3.2	0	0	0	0	0	0	0	0	0	0	0	0
Contributions Receivable	3.3	1	2	0	1	0	0	0	0	0	1	2	4
Accounts Receivable	3.4	0	0	0	0	0	0	0	0	0	0	0	0
Prepayments	3.5	18	18	0	0	0	0	0	0	0	2	18	20
Inventory	3.6	0	18	0	0	0	0	0	0	0	0	0	18
Inter-Fund Balances		120	68	12	128	40	40	(52)	(146)	109	104	229	194
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0
		<b>187</b>	<b>143</b>	<b>12</b>	<b>129</b>	<b>40</b>	<b>40</b>	<b>(51)</b>	<b>(146)</b>	<b>244</b>	<b>211</b>	<b>432</b>	<b>377</b>
<b>Non-Current Assets</b>													
Property, Plant and Equipment	3.8	126	150	0	0	0	0	0	0	160	146	285	297
Intangible Assets	3.9	35	2	0	0	0	0	0	0	0	0	35	2
Other Non-Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0
		<b>161</b>	<b>152</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>160</b>	<b>146</b>	<b>321</b>	<b>299</b>
<b>Total Assets</b>		<b>348</b>	<b>296</b>	<b>12</b>	<b>129</b>	<b>40</b>	<b>40</b>	<b>(51)</b>	<b>(146)</b>	<b>404</b>	<b>357</b>	<b>752</b>	<b>676</b>
<b>LIABILITIES</b>													
<b>Current Liabilities</b>													
Accounts Payable	4.1	14	3	0	0	0	0	0	0	5	0	19	4
Accruals	4.2	44	52	0	3	1	1	3	3	9	10	57	68
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	78	64	0	20	5	8	0	0	22	17	105	109
Cash Surplus Current	4.7	57	45	0	99	3	2	106	10	63	57	229	213
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
		<b>193</b>	<b>164</b>	<b>0</b>	<b>122</b>	<b>9</b>	<b>11</b>	<b>110</b>	<b>13</b>	<b>99</b>	<b>84</b>	<b>410</b>	<b>393</b>
<b>Non-Current Liabilities</b>													
Employee Benefits Non-Current	4.5	2	2	0	0	0	0	0	0	3	2	5	5
Cash Surplus Non-Current	4.7	7	9	0	13	0	0	0	2	9	6	17	31
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0	0	0	0	0
		<b>9</b>	<b>12</b>	<b>0</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>12</b>	<b>9</b>	<b>21</b>	<b>35</b>
<b>Total Liabilities</b>		<b>202</b>	<b>176</b>	<b>0</b>	<b>134</b>	<b>9</b>	<b>11</b>	<b>110</b>	<b>15</b>	<b>111</b>	<b>92</b>	<b>432</b>	<b>429</b>
<b>NET ASSETS</b>													
Cash Surplus Withheld	5.1	1	1	0	1	1	1	5	5	2	2	9	10
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	(6)	0	0	0	0	(4)	(4)	(5)	(12)
Accumulated Surplus/(Deficit)	5.4	146	121	12	(0)	30	28	(166)	(166)	295	267	317	250
<b>Total Net Assets</b>		<b>146</b>	<b>120</b>	<b>12</b>	<b>(5)</b>	<b>31</b>	<b>29</b>	<b>(161)</b>	<b>(161)</b>	<b>293</b>	<b>265</b>	<b>320</b>	<b>247</b>

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

For the Year Ended 31 December 2016

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	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>REVENUE</b>													
Assessed Contributions	6.1	2,956	2,882	0	831	201	203	410	453	1,134	1,102	4,700	5,471
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
Revenue from Exchange Transactions	6.4	8	8	0	10	0	0	0	0	4	1	12	19
Foreign Exchange Gains/(Losses)	6.5	3	1	0	(4)	0	0	0	0	(1)	(1)	2	(4)
Other Revenue	6.6	(0)	0	(0)	(67)	0	0	0	0	(0)	7	(0)	(59)
<b>Total Revenue</b>		<b>2,967</b>	<b>2,891</b>	<b>(0)</b>	<b>770</b>	<b>201</b>	<b>203</b>	<b>410</b>	<b>453</b>	<b>1,136</b>	<b>1,109</b>	<b>4,714</b>	<b>5,426</b>
<b>EXPENSES</b>													
Staff Costs	7.1	1,131	1,005	(10)	572	81	81	0	0	695	685	1,898	2,342
Consultancy and Subcontracting	7.2	622	735	0	(55)	0	0	0	0	2	2	625	682
Travel Expenses	7.3	372	389	(0)	144	28	32	385	430	89	106	873	1,101
Services and Office Costs	7.4	547	520	(1)	143	87	88	8	10	192	185	833	947
Consumables and Supplies	7.5	75	65	0	9	2	2	0	0	56	71	133	147
Depreciation and Amortisation	7.6	52	39	0	12	0	0	0	0	54	55	106	106
Equipment Expenses	7.7	89	89	0	4	0	0	0	0	2	9	91	102
Other Operating Expenses	7.8	47	23	(1)	8	0	0	15	10	9	8	70	49
<b>Total Expenses</b>		<b>2,935</b>	<b>2,864</b>	<b>(12)</b>	<b>838</b>	<b>198</b>	<b>204</b>	<b>409</b>	<b>451</b>	<b>1,099</b>	<b>1,121</b>	<b>4,630</b>	<b>5,476</b>
<b>Surplus/(Deficit) for the Period</b>	7.9	<b>32</b>	<b>28</b>	<b>12</b>	<b>(67)</b>	<b>2</b>	<b>(0)</b>	<b>0</b>	<b>2</b>	<b>37</b>	<b>(12)</b>	<b>84</b>	<b>(50)</b>



**VI.1.F Segment Reporting**  
**Statement of Financial Position**

**Central Asia**

As at 31 December 2016

EUR '000		Programme Office in Astana		Centre in Ashgabat		Centre in Bishkek		Project Co-ordinator in Uzbekistan		Office in Tajikistan		Total Central Asia	
	Note	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>ASSETS</b>													
<b>Current Assets</b>													
Cash and Cash Equivalents	3.1	104	22	71	15	260	61	111	188	83	37	629	323
Investments	3.2	0	0	0	0	0	0	0	0	0	0	0	0
Contributions Receivable	3.3	1	1	1	1	3	4	1	1	3	5	7	13
Accounts Receivable	3.4	(1)	0	0	0	126	131	13	13	86	62	225	206
Prepayments	3.5	22	44	4	5	11	8	91	164	16	125	145	346
Inventory	3.6	0	0	0	0	0	0	0	0	0	0	0	0
Inter-Fund Balances		48	113	136	145	56	446	252	97	1,282	1,169	1,773	1,970
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0
		<b>174</b>	<b>180</b>	<b>212</b>	<b>166</b>	<b>455</b>	<b>651</b>	<b>468</b>	<b>463</b>	<b>1,470</b>	<b>1,397</b>	<b>2,779</b>	<b>2,858</b>
<b>Non-Current Assets</b>													
Property, Plant and Equipment	3.8	46	68	54	77	375	424	153	146	507	594	1,136	1,309
Intangible Assets	3.9	4	5	3	2	41	38	2	0	0	0	51	46
Other Non-Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0
		<b>50</b>	<b>73</b>	<b>57</b>	<b>80</b>	<b>416</b>	<b>462</b>	<b>156</b>	<b>146</b>	<b>508</b>	<b>594</b>	<b>1,188</b>	<b>1,355</b>
<b>Total Assets</b>		<b>225</b>	<b>252</b>	<b>270</b>	<b>246</b>	<b>872</b>	<b>1,113</b>	<b>623</b>	<b>610</b>	<b>1,978</b>	<b>1,990</b>	<b>3,967</b>	<b>4,212</b>
<b>LIABILITIES</b>													
<b>Current Liabilities</b>													
Accounts Payable	4.1	1	12	27	11	112	76	40	21	922	870	1,103	990
Accruals	4.2	36	59	14	19	120	111	217	333	204	138	592	660
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	97	70	36	29	86	89	32	22	150	162	401	372
Cash Surplus Current	4.7	100	63	116	104	196	155	57	22	176	136	646	480
Provisions	4.8	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	4.9	1	1	0	0	0	17	0	1	0	21	2	41
		<b>236</b>	<b>205</b>	<b>194</b>	<b>163</b>	<b>514</b>	<b>448</b>	<b>346</b>	<b>399</b>	<b>1,452</b>	<b>1,328</b>	<b>2,742</b>	<b>2,543</b>
<b>Non-Current Liabilities</b>													
Employee Benefits Non-Current	4.5	1	3	3	5	9	11	3	2	16	15	32	36
Cash Surplus Non-Current	4.7	(11)	16	1	10	(62)	23	2	28	(15)	32	(84)	110
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0	0	0	0	0
		<b>(9)</b>	<b>20</b>	<b>4</b>	<b>15</b>	<b>(52)</b>	<b>34</b>	<b>4</b>	<b>30</b>	<b>1</b>	<b>47</b>	<b>(52)</b>	<b>145</b>
<b>Total Liabilities</b>		<b>226</b>	<b>225</b>	<b>198</b>	<b>178</b>	<b>462</b>	<b>482</b>	<b>351</b>	<b>430</b>	<b>1,453</b>	<b>1,375</b>	<b>2,690</b>	<b>2,688</b>
<b>NET ASSETS</b>													
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	(15)	(15)	(1)	2	(46)	(35)	(9)	(8)	(47)	(40)	(118)	(97)
Accumulated Surplus/(Deficit)	5.4	13	42	72	66	456	667	281	187	569	654	1,390	1,616
<b>Total Net Assets</b>		<b>(2)</b>	<b>28</b>	<b>72</b>	<b>69</b>	<b>410</b>	<b>631</b>	<b>273</b>	<b>180</b>	<b>525</b>	<b>616</b>	<b>1,277</b>	<b>1,524</b>

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

For the Year Ended 31 December 2016

EUR '000	Note	Programme Office in Astana		Centre in Ashgabat		Centre in Bishkek		Project Co-ordinator in Uzbekistan		Office in Tajikistan		Total Central Asia	
		2016	2015 <i>(Restated)</i>	2016	2015	2016	2015 <i>(Restated)</i>	2016	2015	2016	2015 <i>(Restated)</i>	2016	2015 <i>(Restated)</i>
<b>REVENUE</b>													
Assessed Contributions	6.1	2,135	2,149	1,585	1,570	6,626	6,909	2,097	1,977	7,078	7,338	19,521	19,943
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
Revenue from Exchange Transactions	6.4	0	4	0	4	(1)	(75)	(15)	(12)	13	24	(3)	(56)
Foreign Exchange Gains/(Losses)	6.5	(10)	2	2	4	(61)	12	2	13	(48)	20	(116)	52
Other Revenue	6.6	101	119	(0)	1	108	146	0	13	282	257	492	536
<b>Total Revenue</b>		<b>2,226</b>	<b>2,274</b>	<b>1,587</b>	<b>1,580</b>	<b>6,671</b>	<b>6,992</b>	<b>2,084</b>	<b>1,991</b>	<b>7,325</b>	<b>7,639</b>	<b>19,894</b>	<b>20,475</b>
<b>EXPENSES</b>													
Staff Costs	7.1	997	808	698	592	2,457	2,266	578	570	3,191	2,913	7,921	7,150
Consultancy and Subcontracting	7.2	309	380	234	248	1,646	1,728	255	324	982	940	3,425	3,619
Travel Expenses	7.3	417	452	245	297	1,089	926	520	431	1,137	1,236	3,407	3,342
Services and Office Costs	7.4	448	474	272	314	1,096	1,121	386	489	1,126	1,377	3,329	3,775
Consumables and Supplies	7.5	35	62	47	44	255	443	63	46	420	586	820	1,180
Depreciation and Amortisation	7.6	22	25	32	31	204	253	62	74	186	168	506	551
Equipment Expenses	7.7	3	22	33	39	177	277	87	46	301	211	601	595
Other Operating Expenses	7.8	36	46	20	32	20	30	38	39	83	103	196	251
<b>Total Expenses</b>		<b>2,267</b>	<b>2,269</b>	<b>1,580</b>	<b>1,597</b>	<b>6,943</b>	<b>7,045</b>	<b>1,989</b>	<b>2,019</b>	<b>7,425</b>	<b>7,533</b>	<b>20,204</b>	<b>20,465</b>
<b>Surplus/(Deficit) for the Period</b>	7.9	<b>(41)</b>	<b>5</b>	<b>7</b>	<b>(18)</b>	<b>(273)</b>	<b>(53)</b>	<b>95</b>	<b>(29)</b>	<b>(99)</b>	<b>106</b>	<b>(311)</b>	<b>11</b>

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

As at 31 December 2016

EUR '000		ERP Upgrade Fund		Special Monitoring Mission to Ukraine		Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border		Total Special Purpose Funds	
	Note	2016	2015	2016	2015	2016	2015	2016	2015
<b>ASSETS</b>									
<b>Current Assets</b>									
Cash and Cash Equivalents	3.1	0	0	1,179	666	63	23	1,242	689
Investments	3.2	0	0	0	0	0	0	0	0
Contributions Receivable	3.3	0	0	28	3,172	0	0	28	3,172
Accounts Receivable	3.4	0	0	351	312	0	0	351	312
Prepayments	3.5	0	0	102	423	10	0	112	423
Inventory	3.6	0	0	653	0	0	0	653	0
Inter-Fund Balances		0	(821)	10,737	7,178	220	325	10,956	6,682
Other Current Assets	3.7	0	0	0	0	0	0	0	0
		<b>0</b>	<b>(821)</b>	<b>13,049</b>	<b>11,751</b>	<b>293</b>	<b>348</b>	<b>13,342</b>	<b>11,278</b>
<b>Non-Current Assets</b>									
Property, Plant and Equipment	3.8	0	8	13,169	8,476	59	82	13,228	8,567
Intangible Assets	3.9	0	2,848	694	73	0	0	694	2,921
Other Non-Current Assets	3.7	0	0	0	116	0	0	0	116
		<b>0</b>	<b>2,856</b>	<b>13,863</b>	<b>8,665</b>	<b>59</b>	<b>82</b>	<b>13,922</b>	<b>11,604</b>
<b>Total Assets</b>		<b>0</b>	<b>2,035</b>	<b>26,912</b>	<b>20,416</b>	<b>352</b>	<b>431</b>	<b>27,264</b>	<b>22,882</b>
<b>LIABILITIES</b>									
<b>Current Liabilities</b>									
Accounts Payable	4.1	0	0	140	134	3	5	142	140
Accruals	4.2	0	11	1,586	499	7	16	1,593	526
Deferred Revenue	4.3	0	0	23	2,799	0	0	23	2,799
Funds Held for Third Parties	4.4	0	0	0	0	0	0	0	0
Employee Benefits Current	4.5	0	0	490	342	5	3	495	346
Cash Surplus Current	4.7	0	0	0	0	0	0	0	0
Provisions	4.8	0	0	0	0	0	0	0	0
Other Current Liabilities	4.9	0	0	3	21	0	0	3	21
		<b>0</b>	<b>11</b>	<b>2,241</b>	<b>3,796</b>	<b>16</b>	<b>24</b>	<b>2,257</b>	<b>3,831</b>
<b>Non-Current Liabilities</b>									
Employee Benefits Non-Current	4.5	0	0	202	139	7	4	210	143
Cash Surplus Non-Current	4.7	0	0	0	0	0	0	0	0
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0
		<b>0</b>	<b>0</b>	<b>202</b>	<b>139</b>	<b>7</b>	<b>4</b>	<b>210</b>	<b>143</b>
<b>Total Liabilities</b>		<b>0</b>	<b>11</b>	<b>2,443</b>	<b>3,935</b>	<b>23</b>	<b>28</b>	<b>2,466</b>	<b>3,975</b>
<b>NET ASSETS</b>									
Cash Surplus Withheld	5.1	0	0	0	0	0	0	0	0
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	0	0	(74)	(81)	(6)	(4)	(80)	(85)
Accumulated Surplus/(Deficit)	5.4	0	2,024	24,543	16,562	335	406	24,878	18,992
<b>Total Net Assets</b>		<b>0</b>	<b>2,024</b>	<b>24,469</b>	<b>16,481</b>	<b>329</b>	<b>402</b>	<b>24,798</b>	<b>18,907</b>

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

For the Year Ended 31 December 2016

EUR '000		ERP Upgrade Fund		Special Monitoring Mission to Ukraine		Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border		Total Special Purpose Funds	
	Note	2016	2015	2016	2015	2016	2015	2016	2015
<b>REVENUE</b>					<i>(Restated)</i>				<i>(Restated)</i>
Assessed Contributions	6.1	0	0	69,564	58,750	0	0	69,564	58,750
Extra-Budgetary Contributions	6.2	0	0	0	0	0	0	0	0
Finance Revenue	6.3	0	0	0	0	0	0	0	0
Revenue from Exchange Transactions	6.4	0	0	(47)	(7)	0	0	(47)	(7)
Foreign Exchange Gains/(Losses)	6.5	0	0	(9)	111	0	(1)	(9)	110
Other Revenue	6.6	(1,353)	0	1,112	2,143	1,184	972	943	3,115
<b>Total Revenue</b>		<b>(1,353)</b>	<b>0</b>	<b>70,620</b>	<b>60,997</b>	<b>1,184</b>	<b>971</b>	<b>70,451</b>	<b>61,968</b>
<b>EXPENSES</b>									
Staff Costs	7.1	0	32	36,714	28,077	1,155	1,038	37,869	29,148
Consultancy and Subcontracting	7.2	0	278	3,876	2,001	(3)	3	3,873	2,281
Travel Expenses	7.3	0	0	4,768	3,452	37	103	4,805	3,555
Services and Office Costs	7.4	0	240	4,661	3,061	24	20	4,684	3,321
Consumables and Supplies	7.5	0	0	2,091	2,128	14	18	2,105	2,146
Depreciation and Amortisation	7.6	0	538	2,855	1,356	24	24	2,879	1,918
Equipment Expenses	7.7	0	0	1,162	1,504	1	0	1,162	1,505
Other Operating Expenses	7.8	0	0	6,512	10,741	5	3	6,517	10,744
<b>Total Expenses</b>		<b>0</b>	<b>1,088</b>	<b>62,638</b>	<b>52,321</b>	<b>1,256</b>	<b>1,209</b>	<b>63,894</b>	<b>54,617</b>
<b>Surplus/(Deficit) for the Period</b>	7.9	<b>(1,353)</b>	<b>(1,088)</b>	<b>7,981</b>	<b>8,676</b>	<b>(71)</b>	<b>(238)</b>	<b>6,557</b>	<b>7,351</b>

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

As at 31 December 2016

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		
	Note	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>ASSETS</b>													
<b>Current Assets</b>													
Cash and Cash Equivalents	3.1	0	0	0	0	0	0	0	0	0	0	0	0
Investments	3.2	0	0	0	0	0	0	7,950	7,726	28,000	34,000	35,950	41,726
Contributions Receivable	3.3	389	0	250	0	4,000	0	0	0	9,675	0	14,314	0
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	0	0	0	0	0	0	0	0	80	8	80	8
Inter-Fund Balances		1,678	1,434	1,068	873	4,342	2,272	429	398	3,768	(3,175)	11,285	1,801
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0
		<b>2,066</b>	<b>1,434</b>	<b>1,318</b>	<b>873</b>	<b>8,342</b>	<b>2,272</b>	<b>8,379</b>	<b>8,124</b>	<b>41,524</b>	<b>30,832</b>	<b>61,629</b>	<b>43,534</b>
<b>Non-Current Assets</b>													
Property, Plant and Equipment	3.8	0	195	2	1	7,473	9,380	0	0	686	442	8,161	10,018
Intangible Assets	3.9	0	25	0	0	149	186	128	145	66	46	344	401
Other Non-Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0
		<b>0</b>	<b>220</b>	<b>2</b>	<b>1</b>	<b>7,623</b>	<b>9,566</b>	<b>128</b>	<b>145</b>	<b>752</b>	<b>487</b>	<b>8,505</b>	<b>10,419</b>
<b>Total Assets</b>		<b>2,066</b>	<b>1,654</b>	<b>1,320</b>	<b>874</b>	<b>15,964</b>	<b>11,838</b>	<b>8,508</b>	<b>8,268</b>	<b>42,276</b>	<b>31,319</b>	<b>70,134</b>	<b>53,953</b>
<b>LIABILITIES</b>													
<b>Current Liabilities</b>													
Accounts Payable	4.1	0	0	0	0	0	0	0	0	0	0	0	0
Accruals	4.2	0	26	26	48	66	5	0	20	1,350	1,714	1,442	1,814
Deferred Revenue	4.3	1,241	417	(116)	(500)	6,409	(497)	5,919	5,928	32,632	20,014	46,086	25,362
Funds Held for Third Parties	4.4	0	0	0	0	0	0	0	0	0	0	0	0
Employee Benefits Current	4.5	8	9	17	16	0	0	0	1	138	175	163	201
Cash Surplus Current	4.7	0	0	0	0	0	0	0	0	0	0	0	0
Provisions	4.8	100	50	199	14	59	0	81	48	6,911	2,437	7,349	2,549
Other Current Liabilities	4.9	0	0	0	0	0	0	0	0	57	171	57	171
		<b>1,350</b>	<b>502</b>	<b>125</b>	<b>(421)</b>	<b>6,534</b>	<b>(492)</b>	<b>6,000</b>	<b>5,997</b>	<b>41,089</b>	<b>24,512</b>	<b>55,097</b>	<b>30,097</b>
<b>Non-Current Liabilities</b>													
Employee Benefits Non-Current	4.5	1	1	7	2	0	0	0	0	113	64	121	67
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	165	0	165	0
		<b>1</b>	<b>1</b>	<b>7</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>278</b>	<b>64</b>	<b>285</b>	<b>67</b>
<b>Total Liabilities</b>		<b>1,351</b>	<b>503</b>	<b>131</b>	<b>(418)</b>	<b>6,534</b>	<b>(492)</b>	<b>6,000</b>	<b>5,997</b>	<b>41,367</b>	<b>24,576</b>	<b>55,383</b>	<b>30,164</b>
<b>NET ASSETS</b>													
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	0	(1)	(2)	(1)	1	0	0	(199)	(115)	(201)	(116)
Accumulated Surplus/(Deficit)	5.4	715	1,151	1,189	1,294	9,431	12,329	2,508	2,272	1,109	6,859	14,951	23,905
<b>Total Net Assets</b>		<b>716</b>	<b>1,152</b>	<b>1,188</b>	<b>1,292</b>	<b>9,430</b>	<b>12,330</b>	<b>2,508</b>	<b>2,272</b>	<b>909</b>	<b>6,744</b>	<b>14,751</b>	<b>23,789</b>

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

For the Year Ended 31 December 2016

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		
	Note	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>REVENUE</b>													
Assessed Contributions	6.1	0	0	0	0	0	0	0	0	0	0	0	0
Extra-Budgetary Contributions	6.2	822	925	578	1,988	12,609	15,674	226	182	12,128	20,527	26,364	39,296
Finance Revenue	6.3	0	0	0	0	0	0	0	0	0	0	0	0
Revenue from Exchange Transactions	6.4	(148)	0	0	0	(4)	0	0	0	(17)	(40)	(169)	(40)
Foreign Exchange Gains/(Losses)	6.5	0	0	0	0	(0)	0	274	880	4	0	278	880
Other Revenue	6.6	0	0	0	0	(19)	(158)	19	171	(15)	(9)	(15)	3
<b>Total Revenue</b>		<b>674</b>	<b>925</b>	<b>578</b>	<b>1,988</b>	<b>12,587</b>	<b>15,515</b>	<b>519</b>	<b>1,232</b>	<b>12,100</b>	<b>20,478</b>	<b>26,458</b>	<b>40,139</b>
<b>EXPENSES</b>													
Staff Costs	7.1	284	354	253	252	9,487	5,504	27	27	3,508	4,468	13,558	10,605
Consultancy and Subcontracting	7.2	58	61	271	373	64	509	25	31	5,815	6,857	6,233	7,831
Travel Expenses	7.3	110	103	108	165	0	497	153	81	3,774	4,309	4,144	5,156
Services and Office Costs	7.4	528	76	29	95	36	464	28	19	3,068	2,961	3,689	3,614
Consumables and Supplies	7.5	26	308	3	2	44	599	0	5	386	866	459	1,780
Depreciation and Amortisation	7.6	33	11	1	1	2,339	2,136	35	26	160	158	2,568	2,332
Equipment Expenses	7.7	70	57	10	1	10	390	0	0	391	603	481	1,051
Other Operating Expenses	7.8	1	0	0	8	3,504	4,328	0	12	436	621	3,941	4,969
<b>Total Expenses</b>		<b>1,110</b>	<b>971</b>	<b>675</b>	<b>896</b>	<b>15,483</b>	<b>14,426</b>	<b>269</b>	<b>201</b>	<b>17,538</b>	<b>20,843</b>	<b>35,074</b>	<b>37,337</b>
<b>Surplus/(Deficit) for the Period</b>	7.9	<b>(436)</b>	<b>(46)</b>	<b>(97)</b>	<b>1,092</b>	<b>(2,896)</b>	<b>1,089</b>	<b>251</b>	<b>1,032</b>	<b>(5,437)</b>	<b>(365)</b>	<b>(8,616)</b>	<b>2,802</b>

## 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 OSCE operates a system of fund accounting and the Financial Statements present the financial results of Budgetary Funds approved under PC.DEC/1197 and subsequent budget revisions, as well as Special Purpose Funds and Extra-Budgetary Funds.

For purposes of the presentation and approval of the 2016 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 2016 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 and Extra-Budgetary Funds).

The Funds listed below were operational in 2016. 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):

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

## 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"> <li>- Action Against Terrorism</li> <li>- Assistance Group to Chechnya</li> <li>- Mission to Croatia</li> <li>- Office in Zagreb</li> <li>- Mission to Estonia</li> <li>- Representative to the Estonian Commission on Military Pensioners</li> <li>- Mission to Georgia</li> <li>- End of Mandate Procedure Mission to Georgia</li> </ul>	<ul style="list-style-type: none"> <li>- Project Co-ordinator in Baku <sup>2</sup></li> <li>- Mission to Latvia</li> <li>- Representative to the Joint Committee on the Skruna Radar Station</li> <li>- Missions of Long Duration to Kosovo, Sandjak and Vojvodina</li> <li>- Sanctions Assistance Missions</li> <li>- Office in Minsk</li> <li>- Expert Mission to Ukraine</li> </ul>
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## Special Purpose Funds (G)

- The ERP Upgrade Fund was established in 2012 (PC.DEC/1033) to finance the upgrade of the OSCE's Enterprise Resource Planning (ERP) system and was allocated total funding of EUR 3,930 thousand. PC.DEC/1150 dated 18 December 2014 extended the life of the Fund until 31 December 2015, without additional funding. The balance remaining on expiry of that extension (EUR 671 thousand) was transferred to the UB cash surplus, in accordance with the provisions of the two PC Decisions.

<sup>1</sup> The Augmentations Fund, including posts based in the Secretariat and in the Office for Democratic Institutions and Human Rights, was established on a provisional basis under PC.DEC/827 dated 21 December 2007, and is financed on the basis of the Field Operations Scale.

<sup>2</sup> The Memorandum of Understanding on the Project Co-ordinator in Baku was terminated as of 4 June 2015 (SEC.GAL/103/15 of 5 June 2015). Accordingly, the Project Co-ordinator in Baku ceased operations on 4 June 2015. The Mission is, however, still reported in the Segmental Analysis due to transactions in 2016.

- 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 2016 Financial Statements represent part of the mandate ending 31 March 2016 under PC.DEC/1162, and part of the mandate ending 31 March 2017 under PC.DEC/1199.
- The Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border, established with 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 months' mandate which can be extended by the Permanent Council. The figures reported in the 2016 Financial Statements represent part of the mandate ending 31 January 2016 under PC.DEC/1178, the whole of the mandates under PC.DEC/1198, PC.DEC/1205 and PC.DEC/1212, and part of the mandate ending 31 January 2017 under PC.DEC/1221. During 2016 the Mission was financed from the 2014 year-end budget revision and the 2014 Cash Surplus.

### **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 the Extra-Budgetary Fund 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 2016. The reporting period coincides with the calendar year.

Following the expiry of Transitional Provisions permitted by *IPSAS 23 – Revenue from Non-Exchange Transactions (Taxes and Transfers)*, contributions-in-kind relating to the rent-free provision of premises and equipment and the related notional value of those leases has been recognized for the first time. To present the prior-year figures on a comparable basis, the 2015 Financial Statements are re-stated. The effect of this on the Statement of Financial Performance has been to increase both Revenue and Expenses by EUR 4,848 thousand for a neutral net effect on the reported surplus for 2016. There was no effect on the Statement of Financial Performance or the Cash Flow Statement. Further details may be found in Note 6.6

## 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 Revolving Fund in the amount of EUR 2,710 thousand is available to meet short-term cash requirements as stated in PC.DEC/133 dated 27 June 1996.

- (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 2016, 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 2016. 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 2016 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 2016, 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 2016 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, 97.2% 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, 96.01% of the total cash was held in bank accounts administered by the Treasury Unit. The remaining 3.99% was held in bank accounts throughout OSCE locations for daily operational purposes.

EUR '000	Rating	Total as at 31 December 2016	%	Total as at 31 December 2015	%
High Grade	AA- to AA+	0	0.0%	0	0.0%
Upper Medium Grade	A- to A+	14,064	16.5%	19,856	26.8%
Lower Medium Grade	BBB- to BBB+	68,977	80.7%	52,958	71.5%
Non-Investment Grade	BB- to BB+	1,317	1.5%	854	1.2%
Highly Speculative	B- to B+	0	0.0%	0	0.0%
Unrated	N/A	1,095	1.3%	351	0.5%
<b>Total Bank Balances</b>		<b>85,453</b>	<b>100.0%</b>	<b>74,019</b>	<b>100.0%</b>

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

## 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 (PP&E) is stated at historical cost less accumulated depreciation and any recognized impairment losses. The threshold for capitalization of PP&E 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 PP&E 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 2016 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. 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 thirty 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 2016 up to a maximum of thirty 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:

- Mission in Kosovo
- Programme Office in Astana
- Centre in Ashgabat
- Centre in Bishkek
- Project Co-ordinator in Uzbekistan
- Office in Tajikistan
- Office in Yerevan
- 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. 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 accounts 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 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 revisions if applicable.

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 Other Revenue 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). No revenue is recognized for contributions in-kind of services in the financial statements, but the estimated fair value is disclosed.

## 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, 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 equivalent as at 31 December 2016 amounted to EUR 28,038 thousand (including SMM and the Border Observation Mission). EUR 15,153 thousand of this amount is in respect of Unified Budget Funds, EUR 11,643 thousand in respect of Extra-Budgetary Funds and EUR 1,242 thousand in respect of Special Purpose Funds.

Due to the physical pooling of cash balances in the Secretariat's bank accounts, the segment reports show that relatively little or no cash is held by some Funds, particularly Extra-Budgetary and Special Funds. The net asset position of each fund is reflected through inter-fund receivable and payable balances.

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. No such deposits were outstanding at the year-end.

EUR '000	As at 31 December 2016				As at 31 December 2015
	Unified Budget	Special Purpose Funds	Extra- Budgetary	Total	
Cash	229	196	0	425	372
Bank	14,924	1,046	11,643	27,613	22,402
Short-term Deposits	0	0	0	0	0
<b>Total</b>	<b>15,153</b>	<b>1,242</b>	<b>11,643</b>	<b>28,038</b>	<b>22,774</b>

### 3.2 – Investments

Investments consist of money-market deposits with initial maturity over 3 months. At the end of the reporting period, investments (including Revolving and Contingency Funds) amounted to EUR 57,841 thousand (EUR 51,616 thousand in 2015).

### 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.

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	2016	2015
Unified Budget Assessed Contributions Receivable	5,754	5,560
Allowance for Doubtful Debts	(5,628)	(5,380)
<b>Net Unified Budget Assessed Contributions Receivable</b>	<b>126</b>	<b>180</b>
Special Monitoring Mission Assessed Contributions Receivable	198	3,217
Allowance for Doubtful Debts	(170)	(45)
<b>Net Special Purpose Funds Assessed Contributions Receivable</b>	<b>28</b>	<b>3,172</b>
<b>Total Net Assessed Contributions Receivable</b>	<b>154</b>	<b>3,353</b>

#### 3.3.1 - Unified Budget Assessed Contributions Receivable

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

EUR '000	Outstanding for 2014 and Prior Years	2015	2016	Outstanding Balance as at 31 December 2016
<b>Participating State</b>				
Kyrgyzstan	982	44	43	1,069
Mongolia	0	0	18	18
Tajikistan	0	0	22	22
The Former Yugoslav Republic of Macedonia	0	0	88	88
Uzbekistan	4,080	234	243	4,557
<b>Total</b>	<b>5,062</b>	<b>278</b>	<b>414</b>	<b>5,754</b>

The allowance for doubtful debts for 2016 and its change compared to 2015 are as follows:

EUR '000 Participating State	Outstanding Balance as at 1 January 2016	Payments of Arrears Received in 2016	Assessments/ Credits for 2016	Outstanding Balance as at 31 December 2016	2016 Allowance	Change in Allowance from 2015
Kyrgyzstan	1,066	(40)	45	1,071	1,071	5
Uzbekistan	4,314		243	4,557	4,557	243
<b>Total</b>	<b>5,380</b>	<b>(40)</b>	<b>288</b>	<b>5,628</b>	<b>5,628</b>	<b>248</b>

### 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	2014	2015	2016	Outstanding Balance as at 31 December 2016
Azerbaijan	1	12	14	27
Kyrgyzstan	1	12	14	27
Mongolia	0	0	14	14
Tajikistan	1	12	14	27
The Former Yugoslav Republic of Macedonia	0	0	14	14
Turkmenistan	0	10	14	24
Uzbekistan	2	29	34	65
<b>Total</b>	<b>5</b>	<b>75</b>	<b>118</b>	<b>198</b>

An allowance for doubtful debt has been recognized in 2016, calculated in the same way as the allowance for unified budget assessed contributions:

EUR '000 Participating State	Outstanding Balance as at 1 January 2016	Payments of Arrears Received in 2016	Assessments/ Credits for 2016	Outstanding Balance as at 31 December 2016	2016 Allowance	Change in Allowance from 2015
Azerbaijan	13	0	14	27	27	27
Kyrgyzstan	13	0	14	27	27	14
Tajikistan	13	0	14	27	27	27
Turkmenistan	9	0	14	23	23	23
Uzbekistan	31	0	35	66	66	35
<b>Total</b>	<b>79</b>	<b>0</b>	<b>91</b>	<b>170</b>	<b>170</b>	<b>126</b>

### 3.3.3 – Extra-budgetary Contributions Receivable

Extra-budgetary contributions receivable relates to the agreements and pledges acceptances with donors which are due for payment. At the end of the reporting period the outstanding receivables amounted to EUR 14,314 thousand for the following funds:

EUR' 000	2016
Fund to Support OSCE Action for Peace, Democracy and Stability in Bosnia and Herzegovina	389
Fund for Activities Relating to Economic and Environmental Aspects of Security	250
Fund for Activities Related to Special Monitoring Mission to Ukraine	4,000
Other Activities and Special Projects	9,675
<b>Total</b>	<b>14,314</b>

### 3.4 – Accounts Receivable

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

EUR '000	2016	2015
Tax Receivable from Governments	1,504	1,856
Receivable from Customers	755	684
Other Receivables	718	538
Accrued Interest Receivable	23	14
Allowance for Doubtful Debts	0	(495)
<b>Total</b>	<b>3,000</b>	<b>2,597</b>

### 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	2016	2015
Prepayments to Suppliers	3,016	2,447
Prepayments to Implementing Partners	1,067	1,180
Prepayments to Staff	385	324
Other Prepayments	57	73
<b>Total</b>	<b>4,525</b>	<b>4,024</b>

### 3.6 – Inventory

Inventory recognized in the Statement of Financial Position consists of project assets held for distribution to beneficiaries, and vehicle spare parts held by SMM. The total amount of inventories recognized as an expense during 2016 was EUR 690 thousand (EUR 761 thousand in 2015). Total value of inventory in 2016 was EUR 751 thousand (EUR 26 thousand in 2015):

EUR '000	2016	2015
Project assets held for distribution to beneficiaries	99	26
SMM vehicle spare parts	652	0
<b>Total</b>	<b>751</b>	<b>26</b>

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

### 3.7 – Other Current and Non-Current Assets

Other non-current assets include prepayments to implementing partners 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.

#### 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
<b>Net Carrying Amount as at 31 December 2016</b>	<b>1,925</b>	<b>22,221</b>	<b>992</b>	<b>699</b>	<b>2,419</b>	<b>112</b>	<b>28,368</b>

#### 2015

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 2015</i>	7,485	22,140	5,679	1,204	4,317	430	41,254
Additions	1,633	12,827	557	385	64	140	15,604
Disposals	(874)	(2,081)	(790)	(103)	0	(43)	(3,892)
<i>Cost as at 31 December 2015</i>	8,244	32,885	5,445	1,485	4,381	526	52,967
<i>Accumulated Depreciation as at 1 January 2015</i>	6,246	10,660	4,911	1,011	1,511	340	24,679
Depreciation	778	4,208	296	96	226	28	5,632
Disposals	(810)	(1,888)	(589)	(17)	0	(13)	(3,317)
Impairments	6	395	0	0	0	4	405
<i>Accumulated Depreciation and Impairment Losses as at 31 December 2015</i>	6,221	13,375	4,617	1,090	1,738	358	27,399
<b>Net Carrying Amount as at 31 December 2015</b>	<b>2,023</b>	<b>19,510</b>	<b>828</b>	<b>395</b>	<b>2,643</b>	<b>168</b>	<b>25,568</b>

The total gross value of fully depreciated PP&E which was still in use at the end of the period, included in the total cost at 31 December 2016 of EUR 59,607 thousand, amounted to EUR 15,818 thousand (EUR 16,706 thousand in 2015).

### 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.

#### 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)
<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
<b>Net Carrying Amount as at 31 December 2016</b>	<b>1,957</b>	<b>2,308</b>	<b>200</b>	<b>4,465</b>

#### 2015

EUR'000	Software Licenses Purchased	Internally Developed Software	Intangible Assets under Development	Total Intangible Assets
<i>Cost as at 1 January 2015</i>	1,202	3,522	0	4,725
Additions	656	0	0	656
Disposals	(50)	0	0	(50)
<i>Cost as at 31 December 2015</i>	1,809	3,522	0	5,331
<i>Accumulated Amortization as at 1 January 2015</i>	149	294	0	443
Amortization	312	503	0	815
Disposals	(12)	0	0	(12)
Impairments	0	0	0	0
<i>Accumulated Amortization and Impairment Losses as at 31 December 2015</i>	449	797	0	1,246
<b>Net Carrying Amount as at 31 December 2015</b>	<b>1,360</b>	<b>2,726</b>	<b>0</b>	<b>4,085</b>

### 3.10 - Impairment of Assets

No impairment losses were recorded in 2016. Losses of EUR 405 thousand were recorded in 2015, mainly due to damage to vehicles deployed in the Special Monitoring Mission to Ukraine. No reversals of impairment took place 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	2016	2015
Payables to Suppliers	3,910	3,481
Payables to Implementing Partners	28	38
Amounts Owed to Staff	187	425
<b>Total</b>	<b>4,125</b>	<b>3,944</b>

### 4.2 – Accruals

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

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.

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.

EUR '000	2016	2015
Credits Against Future Unified Budget Assessed Contributions	2,898	2,766
Advance Payments by Participating States for the Special Monitoring Mission to Ukraine	23	2,799
Extra-Budgetary Contributions Subject to Conditions	46,086	25,362
<b>Total Deferred Revenue</b>	<b>49,007</b>	<b>30,928</b>

### 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. The services of these staff, about two-thirds of whom serve with SMM, 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 SMM mandate period, large sums may be held at the end of the reporting period pending disbursement during the remainder of the mandate period.



#### 4.5 – Employee Benefits

Actuarial assumptions are required to be disclosed in the Financial Statements in accordance with *IPSAS 25 – 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 0.06% (0.24% in 2015) derived in reference to market yields of high quality corporate bonds - iBoxx Euro Corporates AA, with a duration of 1.62 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 2016:

EUR'000	Defined Benefit Obligation as at 1 January 2016	Current and Past Service Cost	Interest Cost	Actual Payments	Actuarial (Gains)/ Losses	Defined Benefit Obligation as at 31 December 2016
Home leave and rest and recuperation	358	932	0	(899)	0	391
Annual leave	4,236	708	0	(423)	0	4,521
<i>Total annual leave, home leave and rest and recuperation</i>	<i>4,594</i>	<i>1,640</i>	<i>0</i>	<i>(1,322)</i>	<i>0</i>	<i>4,912</i>
Repatriation grant	2,190	509	5	(381)	453	2,776
Repatriation shipment	726	213	1	(177)	51	814
Repatriation travel	322	133	1	(163)	69	362
<i>Total repatriation benefits</i>	<i>3,238</i>	<i>855</i>	<i>7</i>	<i>(721)</i>	<i>573</i>	<i>3,952</i>
<b>Total</b>	<b>7,832</b>	<b>2,495</b>	<b>7</b>	<b>(2,043)</b>	<b>573</b>	<b>8,864</b>

Liabilities for current employee benefits also include payroll-related accruals for EUR 713 thousand, for total current liabilities of EUR 5,625 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 2016 was EUR 105,804 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 2015 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 2016 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.

No close family members of key management personnel were employed by OSCE during the year.

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 2016	Outstanding Advances Against Entitlements
SG and Heads of Institutions	4	4	651	54	108	812	-
Secretariat's Directors	8	7	886	98	149	1,134	-
Heads of Mission and Personal Representative	27	17	-	801	2	803	-
<b>Key Management Personnel</b>	<b>40</b>	<b>28</b>	<b>1,537</b>	<b>953</b>	<b>259</b>	<b>2,749</b>	<b>-</b>

## 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 2014 Financial Statements were formally accepted by the Permanent Council at the same time as those for 2015, on 7 July 2016. It was not possible to reach unanimous agreement of the Unified Budget for 2017 before the start of Financial Year and the accumulated cash surpluses will be credited to the first available bill.

The original 2014 cash surplus of EUR 2,678 thousand was partially utilized for the funding of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border and for an exceptional Supplementary Budget for the activities of the ODIHR Elections Programme, as detailed in the following table.

EUR '000	Institutions	Field Operations	Total
<i>Original Cash Surplus 2014</i>	1,212	1,466	2,678
PC.DEC/1178 – Extension of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border until 31 January 2016	(44)	(52)	(96)
PC.DEC/1198 – Extension of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border until 30 April 2016	(166)	(201)	(367)
PC.DEC/1205 – Extension of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border until 31 July 2016	(81)	(99)	(180)
PC.DEC/1212 – Extension of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border until 31 October 2016	(141)	(170)	(311)
PC.DEC/1220 – ODIHR Supplementary Budget	(428)	(518)	(946)
PC.DEC/1221 – Extension of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border until 31 January 2017	(147)	(179)	(326)
<b>Remaining 2014 Cash Surplus as at 31 December 2016</b>	<b>205</b>	<b>247</b>	<b>452</b>

In addition to the above, further cash surpluses for 2015 (EUR 392 thousand) and the ERP Fund (EUR 671 thousand) were retained at the end of the reporting period, making a total of EUR 1,515 thousand.

#### 4.7.2 - Cash Surplus Non-Current

The cash surplus for 2016 is not due for settlement until 2018, and it is therefore classified as a non-current liability. The total cash surplus for 2016 is calculated as shown in the table below.

EUR '000	Institutions	Field Operations	Total
Budgetary Surplus/(Deficit)	188	156	344
Add: Assessed Contributions Receivable at Beginning of Period	3,413	2,147	5,560
Less: Assessed Contributions Receivable at End of Period	(3,598)	(2,158)	(5,756)
<b>Cash Surplus for 2016</b>	<b>3</b>	<b>145</b>	<b>148</b>

The budgetary surplus or deficit for the period does not include IPSAS adjustments. See Note 7.9 - 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 2016 amounts to EUR 7,349 thousand.

EUR '000	2016	2015
Provision for Pending Refunds to Donors	7,349	2,549

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

Other current liabilities consist primarily of 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. The longest outstanding cash surplus withheld is from 1999.

EUR '000	2012 and Prior Years	2013	2014	Total
Kyrgyzstan	49	0	0	49
Uzbekistan	203	0	0	203
<b>Total Cash Surplus Withheld</b>	<b>252</b>	<b>0</b>	<b>0</b>	<b>252</b>

#### 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 2,261 thousand (EUR 1,688 thousand in 2015).

### 5.4 – Accumulated Surplus/(Deficit)

Changes that affected Accumulated Surplus/Deficit during 2016 include the allocation of the Cash Surplus for 2016 in amount of EUR 148 thousand (see Note 4.7.2 - Cash Surplus Non-Current), credit of ERP Fund remaining balances in amount of EUR 671 thousand (see Note 4.7.1 – Cash Surplus Current), deficit for the period in amount of EUR 1,785 thousand (see Note 7.9 - 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	2016	2015
Fund to Support OSCE Action for Peace, Democracy and Stability in Bosnia and Herzegovina	0	34
Fund for Activities Relating to Economic and Environmental Aspects of Security	99	15
Fund for Activities Related to Special Monitoring Mission to Ukraine	92	1
Partnership Fund	35	57
Other Activities and Special Projects	1,752	1,609
<b>Total Cash Refunds</b>	<b>1,978</b>	<b>1,716</b>
Provision for Pending Refunds to Donors	(1,640)	(1,301)
<b>Refund of Unspent Extra-Budgetary Contributions</b>	<b>338</b>	<b>415</b>

## NOTE 6: REVENUE

### 6.1 – Assessed Contributions

Accrued revenue from assessed contributions amounted to EUR 207,778 thousand (EUR 197,037 thousand in 2015). It includes the original 2016 Unified Budget and its revisions, as well as assessed contributions for the Special Monitoring Mission to Ukraine amounting to EUR 69,563 thousand (EUR 58,750 thousand in 2015).

EUR '000	2016
PC.DEC/1197 - Approval of the 2016 Unified Budget	141,108
PC.DEC/1243 – 2016 Year-End Unified Budget Revision	(2,893)
<b>Total Unified Budget Revenue from Assessed Contributions</b>	<b>138,215</b>
PC.DEC/1199 – Extension of the mandate of the OSCE Special Monitoring Mission to Ukraine – First Bill	69,563
<b>Total Special Purpose Funds Revenue from Assessed Contributions</b>	<b>69,563</b>
<b>Total Revenue from Assessed Contributions</b>	<b>207,778</b>

### 6.2 – Extra-Budgetary Contributions

Revenue from extra-budgetary contributions includes revenue received in 2016, as well as revenue from conditional agreements previously recorded as deferred revenue, for which conditions were satisfied in 2016.

EUR '000	2016	2015
Revenue from Extra-Budgetary Contributions	52,900	28,567
Revenue from Conditional Agreements Recognized/(Deferred) during the period	(27,163)	10,664
Reallocation of Project Funds	627	65
<b>Total</b>	<b>26,364</b>	<b>39,296</b>

The reallocation of project funds resulted in a net inflow of EUR 627 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	2016	2015
Interest received from banks	82	111
Accrual adjustments	9	(10)
<b>Total</b>	<b>91</b>	<b>101</b>

### 6.4 – Revenue from Exchange Transactions

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

### 6.5 – Foreign Exchange Gains/(Losses)

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

EUR '000	2016	2015
Realized Gains/(Losses)	(293)	199
Unrealized Gains/(Losses)	516	749
<b>Total</b>	<b>223</b>	<b>948</b>

### 6.6 – Other Revenue

Revenue Reallocated from Internal Sources represents funds reallocated from Cash Surplus to finance the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border and Office for Democratic Institutions and Human Rights (ODIHR). Other revenue includes, inter alia, revenue from insurance claims and discounts taken.

EUR '000	2016	2015 (Restated)
Revenue Reallocated from Internal Sources	2,130	3,050
Revenue from Goods In-Kind	5,557	6,817
Other Revenue	430	203
<b>Total</b>	<b>8,117</b>	<b>10,070</b>

Contributions in-kind in the form of goods (including supplies, inventory, property, plant and equipment and intangible assets) are measured at fair value and recorded as Other Revenue in the Statement of Financial Performance. Premises and equipment provided free of rental charges are included following the expiry of transitional provisions permitted under IPSAS 23, and the 2015 comparative figures are restated accordingly. The total fair value of goods in-kind received consists of the following items:

EUR '000	2016	2015 (Restated)
<i>Supplies</i>	22	5
Communication Equipment	1	29
Security and Safety Equipment	-	14
Vehicles	687	1,912
<i>Donated Property, Plant and Equipment</i>	<i>688</i>	<i>1,955</i>
Premises	4,657	4,639
Equipment	190	218
<i>Premises and Equipment provided rent-free</i>	<i>4,847</i>	<i>4,857</i>
<b>Total Revenue from Goods In-Kind</b>	<b>5,557</b>	<b>6,817</b>

## 6.7 – Contributions In-Kind of Services

Seconded staff assigned to both approved unified budget posts and extra-budgetary posts saved approximately EUR 24,707 thousand in salaries (EUR 25,879 thousand in 2015). In addition, the estimated total value of in-kind contributions related to seconded staff deployed to the Special Monitoring Mission to Ukraine and the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border amounts to EUR 49,357 thousand (EUR 44,517 thousand in 2015). The total value of contributions in-kind of the services of seconded staff in 2016 was therefore EUR 74,064 thousand (EUR 70,396 thousand in 2015).

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 773 thousand.

EUR '000	2016	2015 (Restated)
Ancillary Services	773	714
Seconded Staff	74,064	70,397
<b>Total Contributions In-Kind of Services</b>	<b>74,837</b>	<b>71,111</b>

## NOTE 7: EXPENSES

### 7.1 – Staff Costs

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

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

<b>EUR '000</b>	<b>2016</b>	<b>2015</b>
Salaries	63,629	62,397
BLA for seconded staff	47,118	38,877
Provident fund	8,866	8,619
Other staff costs	6,059	4,333
BLA for international Staff	2,387	2,497
Insurance	2,351	2,377
Other employee benefits	5,880	5,538
<b>Total</b>	<b>136,288</b>	<b>124,638</b>

## 7.2 – Consultancy and Subcontracting

Other contractual services include, inter alia, subcontracting services related to the implementation of extra-budgetary projects, costs related to services to support Election Observation Missions including related travel.

<b>EUR '000</b>	<b>2016</b>	<b>2015</b>
Special Services Agreements	11,673	11,556
Implementing Partner costs	5,484	6,369
Other contractual services	7,324	5,889
<b>Total</b>	<b>24,481</b>	<b>23,814</b>

## 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.

<b>EUR '000</b>	<b>2016</b>	<b>2015</b>
Travel of non-OSCE officials	8,839	9,132
Other duty travel	12,234	11,403
Travel for training	1,022	1,102
<b>Total</b>	<b>22,095</b>	<b>21,637</b>



## 7.4 – Services and Office Costs

Communication services include, among others, internet access fees, rental of communication equipment and leased lines. IT services refer to software maintenance and support fees, as well as rental and installation of IT equipment. The 2015 comparative figures are restated to reflect the recognition of rent-free premises.

EUR '000	2016	2015 (Restated)
Rental and maintenance of buildings	15,474	14,681
Conferences, seminars, workshops	6,034	5,902
Communication services	2,336	2,324
Interpreters, translators and typing services	2,026	1,908
IT services	2,647	2,276
Printing and copying services	897	1,054
Other office costs	987	719
Freight and transportation	378	734
Insurance other than staff	946	836
Bank charges	727	543
<b>Total</b>	<b>32,452</b>	<b>30,977</b>

## 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	2016	2015
Fuel and lubricants	1,001	1,264
Other supplies	1,437	3,107
Communication and IT supplies	903	949
Publications, newspapers and printed materials	420	511
Spare parts	1,208	689
Building/Household Supplies	459	765
<b>Total</b>	<b>5,427</b>	<b>7,284</b>

## 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	2016	2015
Amortization	1,017	816
Depreciation	7,209	5,632
<b>Total</b>	<b>8,226</b>	<b>6,447</b>

## 7.7 – Equipment Expense

Equipment expenses include costs related to the acquisition of equipment which would otherwise meet the definition of PP&E 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	2016	2015 (Restated)
Equipment Purchased	3,545	3,864
Equipment Donated	22	5
Equipment Provided Rent-Free	190	218
<b>Total Equipment Expenses</b>	<b>3,757</b>	<b>4,087</b>

## 7.8 – Other Operating Expenses

EUR '000	2016	2015
Unmanned Aerial Vehicle Services	4,374	11,200
Paramedical Services	4,178	3,462
Other Expenses	1,659	760
Representation Costs	612	576
Project Costs	529	433
Impairment of Assets	0	405
Change in Allowance for Doubtful Debts	374	(72)
<b>Total</b>	<b>11,726</b>	<b>16,764</b>

### 7.8.1 - Ex Gratia Payments

Ex gratia payments are made in extraordinary situations when the OSCE has a moral obligation or it is in the overall interest of the Organization to do so. Disclosure of ex gratia payments is required by Financial Regulation 6.05. During 2016 ex gratia payments totalling EUR 12 thousand were approved by the Secretary General. The list of Funds concerned is as follows:

EUR '000	2016
The Secretariat	2.0
Office for Democratic Institutions and Human Rights	2.5
Office in Yerevan	2.5
Mission in Kosovo	2.5
Project Co-ordinator in Uzbekistan	2.5
<b>Total</b>	<b>12</b>

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

In 2016 there were two instances of cash losses, for a total of EUR 2 thousand. Write-offs for uncollectable receivables amounted to EUR 20 thousand.

Also in 2016, the Office of Internal Oversight (OIO) investigated a case in one executive structure of significant discrepancies in the area of fuel management over a period of years. This case was originally disclosed in the Report of the External Auditor for the year ended 31 December 2015. At the time of the issuance of these financial statements, the investigation had been substantially completed but, due to the complexity of the investigation, final reports were in the process of being prepared and issued. Accordingly the final outcome of the investigation, including its financial impact, will be fully disclosed in the 2017 financial statements.

OIO further reported a case in an executive structure involving the purchase of consumables for which the investigation is still on-going. This case became subject to formal investigation only in 2016.

## 7.9 - 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
<b>Budgetary Excess of Income over Expenditure</b>	<b>344</b>	<b>2,312</b>	<b>20,291</b>	<b>22,946</b>
<b>IPSAS Adjustments:</b>				
<b>Revenue</b>				
Accrued Interest	9	0	0	9
Revenue from Conditional Funding Agreements	0	0	(27,163)	(27,163)
Revenue from Exchange Transactions	(94)	(47)	(170)	(311)
Other Revenue	6,051	(467)	(15)	5,568
<i>Subtotal Revenue</i>	<i>5,966</i>	<i>(514)</i>	<i>(27,348)</i>	<i>(21,897)</i>
<b>Expense</b>				
Allowances for Doubtful Debts	(249)	(126)	0	(374)
Unliquidated Obligations	(2,559)	0	0	(2,559)
Employee Benefits	(1,598)	(813)	(84)	(2,495)
Inventory Adjustments	(377)	0	(312)	(690)
PP&E Adjustments	(1,567)	4,961	(1,240)	2,154
Intangibles Adjustments	316	737	78	1,131
<i>Subtotal Expense</i>	<i>(6,035)</i>	<i>4,759</i>	<i>(1,558)</i>	<i>(2,833)</i>
<b>Total IPSAS Adjustments</b>	<b>(69)</b>	<b>4,245</b>	<b>(28,906)</b>	<b>(24,731)</b>
<b>IPSAS Surplus/(Deficit) for the Period</b>	<b>274</b>	<b>6,557</b>	<b>(8,616)</b>	<b>(1,785)</b>

## NOTE 8: OTHER DISCLOSURES

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

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

EUR'000	Operating Activities	Investing Activities	Financing Activities	Total
<i>Actual Amount on Comparable Basis</i>	<i>7,957</i>	<i>0</i>	<i>0</i>	<i>7,957</i>
Presentation Differences	10,113	(12,000)	(821)	(2,708)
Basis Differences	10,877	(10,877)	0	0
Timing Differences	0	0	0	0
Entity Differences	(4,598)	4,936	(338)	0
<b>Actual Amount in the Cash Flow Statement</b>	<b>24,349</b>	<b>(17,941)</b>	<b>(1,159)</b>	<b>(5,249)</b>

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 and the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border do not correspond to the calendar year, however, the budgets have been prorated to cover the full year 2016 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.

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

The original budget of EUR 141,108 thousand was approved by the Permanent Council on 30 December 2015 with PC.DEC/1197, and a supplementary budget of EUR 946 thousand was approved for the Office for Democratic Institutions and Human Rights under PC.DEC/1220. In addition, the Permanent Council approved budget revisions PC.DEC/1240 and PC.DEC/1243 reducing the budget by EUR 2,893 thousand to the final amount of EUR 139,161 thousand. There were no material differences between the final approved budget and the actual amounts.

The Unified Budget is calculated on a cash basis and covers the period from 1 January 2016 to 31 December 2016; 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.

#### 8.1.2 – 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/1162 based on the number of days of the mandate that fell in 2016, from 1 January to 31 March 2016, as well as the prorated budget for the period from 1 April 2016 to 31 December 2016 under PC.DEC/1199. Actuals differ by EUR 7,800 thousand from the prorated budget of 75,225 thousand mainly because the current mandate had not ended on 31 December 2016.

The successive mandates of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border during 2016 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 2016 under PC.DEC/1178, the whole budget under PC.DEC/1198, PC.DEC/1205 and PC.DEC/1212, and part of the budget for the mandate ending 31 January 2017 under PC.DEC/1212. Actuals differ by EUR 150 thousand from the prorated budget of EUR 1,379 thousand mainly because the current mandate had not ended on 31 December 2016.

There were no material differences between the approved budget and the actual amounts.

## 8.2 – Contingent Assets and Contingent Liabilities

The OSCE has no contingent assets.

Contingent liabilities consist of multiple claims received from different entities requesting payment of back rent for four premises, namely former logistics compound known as the BBC, the former headquarters of the Mission in Kosovo, the former Regional Centre in 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 has received a claim, in this case substantiated, for a former antenna site vacated by the Mission in May 2016. Discussions have been initiated to establish a mutually acceptable final settlement.

## 8.3 – 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 2016 amounted to EUR 7,087 thousand (EUR 6,748 thousand in 2015).

Future minimum lease payments include payments for such rented premises (EUR 1,461 thousand) and equipment (EUR 105 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	1,292	274	0	1,566

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.

## 8.4 – Events After the Reporting Date

The Financial Statements were authorized for issuance by the Secretary General on 30 March 2017, and they were submitted to the External Auditors on 31 March 2017.

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

### 8.4.1 - Adjusting Events

The 2016 Year-End Unified Budget Revision (PC.DEC/1243 dated 2 March 2017) resulted in the reduction of the 2016 Unified Budget by EUR 2,893 thousand.

#### 8.4.2 - Non-Adjusting Events

In accordance with PC.DEC/1246 dated 16 March 2017, the mandate of the Special Monitoring Mission to Ukraine was extended until 31 March 2018. This extension is funded by assessed contributions in the sum of EUR 84,401 thousand, and through extra-budgetary contributions.

In addition, according to PC.DEC/1239 dated 27 January 2017, the mandate of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border was extended until 30 April 2017. This extension is funded from the 2014 Cash Surplus by an amount of EUR 318 thousand.

## Chapter V – Statement on Internal Control





## **Statement on Internal Control for 2016**

**30 March 2017**

### **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 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:

- 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 2016, and up to the date of approval of the OSCE's financial statements.

### **Risk management and control framework**

The OSCE has established a risk management framework, which includes the:

- Identification of risks classified according to relevance, impact and probability of occurrence,
- Publication of guidance on risk management for administrative, security and project related risks, setting out the scope, basic concepts and mechanisms underlying risk management and enabling OSCE staff to identify, evaluate and manage risk as applicable to their executive structures,
- Assessment of the major risks affecting the OSCE's mandate and objectives at senior management level,
- Continued training and awareness-raising in risk management,
- Periodic and ad hoc reviews of risk management and the operation of the risk management framework.

In addition, a comprehensive internal control framework that includes, along with the Risk Management process, the support of executive management, the OSCE ethical framework, the Common Regulatory Management System, and established automated and manual control and monitoring activities has been designed to ensure that the OSCE's objectives are achieved efficiently, underpinned by appropriate ethical values. The framework comprises, but is not limited to, the OSCE Code of Conduct, Financial and Staff Regulations, other Ministerial/Permanent Council decisions related to management of the OSCE's activities, current Staff Rules and financial, staff, administrative and security instructions, which provide the mechanisms for managing the financial, human and material resources of the OSCE's activities. The Framework also includes the coordinated review in the Secretariat of all Extra-Budgetary Projects planned to ensure compliance with the Common Regulatory Management System and with respective mandates; and the review of all executive structures' Unified Budget programmes and application of Performance Based Programme Budgeting. Furthermore, 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**

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, implementation of the Financial/Administrative Instruction 04/2004 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 2016, Letters of Representation received from the Fund Managers of the executive structures in connection with the issuance and audit of the Annual Financial Statements.
- The Department of Management and Finance, 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.

### **Significant matters to report in 2016**

Below are a number of significant matters affecting the integrity of the internal control environment organization wide. The significant matters are identified through the consolidated analysis of strategic risks at executive structure level.

### Strengthening the Legal Framework of the OSCE

- The lack of a uniform set of privileges and immunities within the Organization continues to trigger legal and compliance risks for the OSCE in relation to local staff income tax and social security liabilities. Furthermore, in some situations, the lack of a uniform status, privileges and immunities also poses a risk regarding the level of protection that OSCE officials will enjoy and may create a liability for the OSCE if it is considered deficient in meeting its duty of care. Despite continued robust discussions throughout the reporting period, including at meetings of the open-ended Informal Working Group on Strengthening the Legal Framework of the OSCE, the OSCE's lack of formal international legal status and its related complications look set to continue for the foreseeable future. As a consequence, this critical issue remains unaddressed due to the inability of participating States to reach consensus on a comprehensive multilateral solution. As an interim measure, the "Standing Arrangement" initiative, which I proposed in 2015, continues to be pursued with interested participating States on a bilateral basis.

### 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. This critical issue remains unaddressed due to the inability of participating States to reach consensus on a way forward.

### Special Monitoring Mission in Ukraine

- The environment in which the Special Monitoring Mission to Ukraine (SMM) operates continues to be both unpredictable and volatile. The Mission has put in place extensive mitigation measures to enhance the safety of monitors and help control the security risks. These risks include road traffic accidents; being indirectly caught in exchanges of fire; and mines, unexploded ordnance and other explosive remnants of war. Threats include antagonistic behavior towards monitors and targeting of patrols and mission assets. The control measures consist of training, security equipment and the provision of the necessary procedures to utilize that equipment. Security risks are also mitigated by close liaison with the Joint Centre for Control and Co-ordination, explicitly tasked with contributing to the safety of SMM monitors; liaison with forces on both sides of the contact line; and through sharing of security threat information with other international organizations."

### Information Security

- In 2016 the OSCE faced a series of major information security incidents, putting at risk confidentiality, integrity and availability of OSCE ICT systems. For mitigating the associated risks in 2016 DMF has strengthened the Policy on Information Security (FAI 13) supported by the information security user awareness page launched on the OSCE portal. In addition, DMF developed an Information Security Plan (ISP) to reduce both the likelihood of successful advanced information security attacks through preventive controls and the impact of such attacks via early detection and quick response measures. The Information Security Plan has been submitted to participating States for approval on 28 February 2017 (PC.ACMF/7/17).

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.

Significant matters identified in previous years are reported and monitored as described in my Financial Report for the year 2016.

### **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.

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 2016.



Lamberto Zannier

OSCE Secretary General

## Appendix



## OSCE Provident Fund Summary Statement

### Unaudited - For Information Purposes Only

For the Year Ended 31 December 2016

	Deposit Administration Funds				International Equity Funds				European Equity Fund		Total Funds EUR '000
	Units '000	EUR '000	Units '000	USD '000	Units '000	EUR '000	Units '000	USD '000	Units '000	EUR '000	
<b>Opening Balance as at 1 January 2016</b>	<b>69,355</b>	<b>89,017</b>	<b>5,430</b>	<b>6,951</b>	<b>16</b>	<b>755</b>	<b>25</b>	<b>1,276</b>	<b>84</b>	<b>1,248</b>	
Contributions/Premium Allocation	11,479	14,740	1,367	1,402	1	44	4	197	21	291	
Unit Adjustments	0	0	0	0	0	0	0	0	0	0	
Surrenders	(5,793)	(7,437)	(1,091)	(1,119)	0	0	(2)	(95)	(21)	(276)	
Withdrawals	(1,398)	(1,795)	(54)	(56)	0	0	0	(19)	(2)	(24)	
Switch Out	(1)	(1)	(5,432)	(6,953)	0	0	0	(5)	0	(5)	
Switch In	4	5	6,813	6,957	0	0	0	1	0	1	
Transfer Out	(144)	(185)	0	0	0	0	0	0	0	0	
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	
<b>Total movements during year</b>	<b>4,147</b>	<b>5,327</b>	<b>1,603</b>	<b>231</b>	<b>1</b>	<b>44</b>	<b>2</b>	<b>79</b>	<b>(2)</b>	<b>(13)</b>	
Guaranteed Interest on Opening Balance	0	90	0	0	0	0	0	0	0	0	
Guaranteed Interest on units accumulated during year	0	1	0	77	0	0	0	0	0	0	
Deposit Administration Bonus Units (additional interest)	677	870	41	42	0	0	0	0	0	0	
Market Value Adjustment	0	0	0	0	0	75	0	81	0	35	
<b>Closing Balance as at 31 December 2016</b>	<b>74,179</b>	<b>95,305</b>	<b>7,074</b>	<b>7,301</b>	<b>17</b>	<b>874</b>	<b>27</b>	<b>1,436</b>	<b>82</b>	<b>1,270</b>	<b>105,804</b>

