

2015 OSCE

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

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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

15 June 2016

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 2015 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



**President
Federal Court of Auditors
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To the
Permanent Council of the
Organization for Security and Co-operation in Europe

8 June 2016

Sir,

I have the honour to transmit the financial statements of the Organization for Security and Co-operation in Europe for the year ended 31 December 2015, which were submitted to me by the Secretary General in accordance with Financial Regulation 7.04 and PC Decision 553 dated 27 June 2003. I have audited these statements and have expressed my opinion thereon.

Further, in accordance with Financial Regulation 8.06, I have the honour to present my report on the accounts of the Organization for Security and Co-operation in Europe for the year ended 31 December 2015.

Accept Sir, the assurances of my highest consideration.



Christian Ahrendt

Vice-President of the Federal Court of Auditors
Germany
External Auditor

on behalf of

Kay Scheller

President of the Federal Court of Auditors
Germany
External Auditor

AUDIT OPINION

INDEPENDENT AUDITOR'S REPORT

CERTIFICATE OF THE EXTERNAL AUDITOR ON THE ACCOUNTS OF THE ORGANIZATION FOR SECURITY AND CO-OPERATION IN EUROPE FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2015

To the Permanent Council of the Organization for Security and Co-operation in Europe

Identification of the financial statements

I have audited the financial statements of the Organization for Security and Co-operation in Europe (hereinafter "the OSCE") for the financial period ended 31 December 2015, comprising

- the Statement of Financial Position,
- the Statement of Financial Performance,
- the Statement of Changes in Net Assets,
- the Cash Flow Statement,
- the Statement of Comparison of Budget and Actual Amounts,
- the Accounting Policies,
- supporting Notes.

Statement of Responsibilities

The Secretary General, in accordance with the OSCE's Financial Regulations, is responsible for preparing the financial statements. My responsibility, under Article 8.06 of the Financial Regulations, is to express an opinion on these financial statements based on my audit.

Basis of Opinion

I conducted my audit in conformity with International Standards on Auditing (ISA) as adopted and expanded by the International Organization of Supreme Audit Institutions (INTOSAI) and issued as International Standards for Supreme Audit Institutions (ISSAI). These standards require that I plan and perform 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

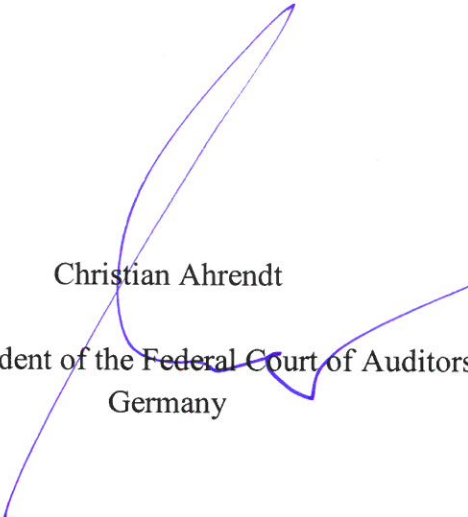
statements. An audit also includes assessing the accounting principles used and significant estimates made by the Secretary General, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for the audit opinion.

Opinion

As a result of my audit, I am of the opinion that the financial statements present fairly the financial position as at 31 December 2015 and that they were prepared in accordance with the OSCE's stated accounting policies and that the transactions were in accordance with the Financial Regulations and legislative authority.

Report Reference

In accordance with Article 8 of the Financial Regulations, I have also prepared a long-form report on the OSCE's financial statements.



Christian Ahrendt
Vice-President of the Federal Court of Auditors
Germany

on behalf of

Kay Scheller

President of the Federal Court of Auditors
Germany
External Auditor

8 June 2016

**REPORT OF THE EXTERNAL AUDITOR
ON THE AUDIT OF THE FINANCIAL STATEMENTS
OF THE
ORGANIZATION FOR SECURITY AND CO-OPERATION IN EUROPE
FOR THE YEAR ENDED 31 DECEMBER 2015**

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A. EXECUTIVE SUMMARY

A.1. Scope and Approach of the Audit

A.1.1. Scope of the audit

German Court of Auditors appointed as External Auditor of OSCE.

Responsibility of Management.

Article 8 of the OSCE Financial Regulations.

Principles governing my audit – ISA and ISSAI.

Report has been discussed with OSCE Management.

Report has been forwarded to OSCE PC.

1. Pursuant to the OSCE Permanent Council decision PC.DEC/1080 the German Federal Court of Auditors was appointed External Auditor of the Organization for Co-operation and Security in Europe (OSCE), starting on 1 May 2013 and expiring on 30 April 2016.

2. The Secretary General (SG) is responsible for preparing the financial statements in accordance with the Financial Regulations of the OSCE.

3. In accordance with Article 8 of the OSCE Financial Regulations, my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in conformity with International Standards on Auditing (ISA) as adopted and expanded by the International Organization of Supreme Audit Institutions (INTOSAI) and issued as International Standards for Supreme Audit Institutions (ISSAI). The standards oblige me 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.

5. My report for the financial year 2015 contains the principal observations, findings and recommendations. Together with my 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 my report and agreed the relevant findings.

6. A copy of this Report was forwarded to the attention of the OSCE Permanent Council (PC).

A.1.2. Audit objective

Financial audit to form the audit opinion.

Performance Audits in accordance with ISSAI deal with economy, efficiency and effectiveness.

OSCE Provident Fund.

7. The ISA as issued for the private sector require the auditor to carry out an audit of the organization's financial statements and financial transactions. According to the requirements of ISA, the main purpose of the audit was to enable me to form an opinion on whether expenditure recorded for the year had been incurred for the purposes approved by the PC; whether revenue and expenses were properly classified and recorded in accordance with the OSCE's financial regulations; and whether the financial statements present fairly the financial position at 31 December 2015.

8. In addition to this the ISSAI also provide guidance for the conduct of performance audits. I therefore make such observations as I deem necessary on the efficiency of the financial procedures, the accounting system, internal financial controls and, in general, on the financial impact of administrative practices in place. I examined OSCE's performance to assess whether expenditures were incurred according to the principles of economy, efficiency and effectiveness.

9. Regarding the OSCE Provident Fund, my audit is restricted to reviewing the presentation of the disclosures provided by management in the financial statements. Therefore the audit is limited to testing the deduction of Provident Fund payments from staff salaries as laid down in Article 6.03 of the OSCE Staff Regulations.

A.1.3. Audit approach

My team examined the accounting records as necessary.	10. My audit examination included a general review, and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances. To achieve the audit objectives, I examined the financial and accounting procedures followed by OSCE in the light of their financial regulations, assessed the internal control system regulating the financial regulations, conducted substantive testing of selected transactions, matched the receipts with bank statements, and conducted an analysis of assessed contributions. These audit procedures are designed primarily to allow forming an opinion on the OSCE's financial statements.
OSCE Secretariat and Field Operations visited.	11. While auditing the 2015 financial activities, my team visited the OSCE Secretariat and 2 OSCE Field Operations outside Vienna. The audit evidence collected during the Field Operations is an integral part of the body of evidence underlying the opinion on the OSCEs' financial standing as an entity.
Audit teams.	12. The audit was conducted by various audit teams. These audit teams held discussions with the relevant OSCE staff in their Headquarters and OSCE Field Operations. The audit teams interviewed the staff designated as key contacts for audit. In accordance with normal practice, my audit teams issued information requests and audit observations.
Areas covered in this report.	13. My report includes observations and recommendations designed to enhance financial management and control exercised by the Secretariat. As to 2015, my audit work has covered the areas described in the following paragraphs.
Overall financial situation (section B).The financial statements are prepared under IPSAS.	14. In section B of my report I comment on the overall financial situation. The financial statements 2015 are the third set of financial statements fully prepared under IPSAS. We studied whether OSCE's accounting policies and notes to the financial statements reflected the application of IPSAS requirements to all financial transactions.
We conducted a random sample check of the invoices based on statistical sampling according the principles of ISSAI 1530.	15. In addition, my team analyzed the OSCE's transactions based on statistical sampling in compliance with ISSAI 1530 using professional audit software. We used probability theory to evaluate sample results, including measurement of sampling risk and stratification based upon the risk. According to a probability of 95 per cent and a tolerable rate of deviation of max. 4 per cent we took a random selection of invoices. We verified if invoices and the related documents had been filed in accordance with the regulations and cross-checked the basis for payment and the necessary signatures. None of the 169 invoices examined gave cause for criticism.
Interim financial audit.	16. During the interim financial audit taking place in November 2015, my team covered several topics in regard of the Secretariat's staff, such as employee benefits according to IPSAS 25 and hazard pay. The team requested data such as employee benefits results consolidated per fund. These examinations revealed no cause for objection.
Field working visits undertaken (section D).	17. My staff conducted 2 field visits (section D), in particular to Astana (Programme Office in Astana) and to Montenegro (Mission to Montenegro).
Follow-up (section E).	18. Section E contains the follow-up of earlier recommendations.
Other matters (section F).	19. In section F, I inform about other matters, such as fraud, write-offs, losses and ex-gratia payments.
Cooperation with other stakeholders (section G).	20. In section G, I inform about my cooperation with other stakeholders, namely the Office of Internal Oversight and the Audit Committee.
Acknowledgement	21. I wish to convey my appreciation for the cooperation and assistance

(section H).

extended by the Secretary General, management and staff of the Secretariat. I am very grateful for their assistance during the entire external audit process (section H).

A.2. Audit conclusion

There were no material weaknesses that affected the audit opinion. I placed an unqualified audit opinion on the financial statements.

22. Notwithstanding the observations in this report, my examination revealed no weaknesses or errors which I considered material to the accuracy, completeness and validity of the financial statements as a whole. Recommendations for improved procedures or more comprehensive disclosures were taken up by the Secretariat. None of my findings affect my audit opinion on the OSCE's financial statements, and I have placed an unqualified opinion on the OSCE's financial statements for 2015.

B. ANALYSIS OF THE FINANCIAL STATEMENTS

I report on the OSCE's financial development.

23. In the following paragraphs, I will report on trends, tendencies and background information. For that purpose, my staff analysed several of the OSCE's key figures and their development over the years since 2013.

B.1.1. Conversion to IPSAS and Accounting Policies

The financial statements provided by the Secretariat fulfil the structural requirements of IPSAS.

24. The significant accounting policies are presented in Note 2 to the financial statements.

The financial statements provided by the Secretariat fulfil the structural requirements of IPSAS 1 (IPSAS 1.21), since the statements are supported by a presentation of the financial policies and notes to the financial statements and comprise the following 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,
- statement of changes in net assets summarising the residual value of the assets of the Organization after deducting all liabilities,
- cash flow statement providing details of how cash resources have been utilized during the year, and
- statement of comparison of budget and actual amounts showing expenditure against budget appropriations on the (modified cash) basis on which the budget was approved.

B.2. Statement of Financial Position

B.2.1. Assets and Liabilities

My team examined the Statement of Financial Position regarding compliance with IPSAS.

25. Full reporting of assets and liabilities in a balance sheet enables a reader to consider the financial position of an organisation. Such a statement of financial position is required under IPSAS. My team examined this statement regarding compliance with IPSAS and the presentation of the underlying accounts.

B.2.2. Cash, Cash equivalents and Investments

The OSCE's overall cash situation is satisfactory.

26. The OSCE's overall cash situation is satisfactory. Cash, cash equivalents and investments in all funds amounted to approximately EUR 74,390 thousand. Cash and cash equivalents comprise cash on hand, cash at bank, and short-term deposits with an initial maturity of three months or less.

Year	Cash and Cash equivalents	Investments
2013	26,861	40,553
2014	33,659	52,790
2015	22,774	51,616

Table 1: Cash, cash equivalents and investments in EUR'000
(source: OSCE FS 2015 – Statement of Financial Position)

B.2.3. Assessed Contributions Receivable

B.2.3.1. Arrears of Assessed Contributions

Arrears of assessed contributions EUR 8,777,000 in 2015.

27. In 2015, the level of outstanding Unified Budget assessed contributions further decreased by roughly EUR 82 thousand or 1.5 per cent. However, outstanding assessed contributions for the Special Monitoring Mission to Ukraine increased by 2,628 thousand, bringing the total combined outstanding assessed contributions to EUR 8,777 thousand.

Year	2013	2014	2015
Unified Budget	5,784	5,642	5,560
Special Monitoring Mission to Ukraine	-	589	3,217
Assessed Contributions Receivable	5,784	6,231	8,777

Table 2: Assessed contributions receivable in EUR'000
(source: OSCE FS 2015 – Note 3.3)

Outstanding Unified Budget assessed contributions further decreased.

28. The Secretariat made efforts to collect outstanding assessed contributions as set out in Financial Regulation 4.09 and Financial/Administrative Instruction 5 (FAI 5 – 7.7). I welcome this development and encourage the Secretariat to continue its efforts to collect the outstanding funds.

The Secretariat recorded an allowance amounting to EUR 5,425,000 for doubtful debts.

29. The arrears, however, include an allowance for doubtful debts. In accordance with IPSAS, an allowance for doubtful contributions had to be calculated as at 31 December 2015. The allowance amounts to EUR 5,425 thousand and is equivalent to the entire outstanding contributions receivable from participating States whose arrears equalled or exceeded the amount of contributions due for the preceding two full years, taking into account each participating State's historical pattern of payment.

Allowance for doubtful debts does not mean that the participating States' obligation to pay the arrears would not exist.

30. I would like to point out that recording an allowance for doubtful debts does not mean that the participating States' obligation to pay the arrears would no longer exist. The secretariat recorded this allowance merely to comply with IPSAS reporting requirements and reported its assessed contributions receivable at fair value.

Participating States with significant arrears should do their utmost to fulfil their obligations and to pay their contributions when due.

31. Therefore, I would like to remind the few participating States with significant arrears again to do their utmost to fulfil their obligations. It is also a question of fairness vis-à-vis the other participating States to contribute to the soundness of OSCE's financial position in accordance with the agreed scale of assessment.

Let me once more point out that the assessed contributions are due by 50 per cent on 20 January and another 50 per cent on 1 April of each year (as set out in FAI 5 – 7.2). Moreover, Regulation 4.09 (Actions in the Event of Arrears) states the following: 'If the amount of arrears of a participating State(s) equals or exceeds the amount of the contributions due for the preceding two full years the Chairman-in-Office shall refer the issue to the Permanent Council. The Permanent Council shall take concrete measures to ensure early payment by the participating State(s) concerned.'

B.2.4. Property, Plant and Equipment (PP&E)

The value of PP&E as at 31 December 2015 amounts to EUR 25,568,000.

32. On 31 December 2015, OSCE's stocktaking records showed total property, plant and equipment (PP&E) at a net book value of approximately EUR 25,568 thousand. Current values were determined by reducing the original cost over the estimated useful life of the items. Compared to the value as of year-end 2014, it shows an increase of approximately EUR 9,000 thousand.

The Secretariat recognized assets.

33. The Secretariat recognized assets ranging from IT equipment, vehicles, fixtures and fittings, safety and other equipment. PP&E was recognized at cost and depreciated using the straight-line method over a reasonable period. The Secretariat's treatment is IPSAS compliant.

B.2.5. Intangible Assets

Intangible assets are recorded accordingly to IPSAS 31.

34. The statement of financial position recognizes intangible assets. Intangible assets are initially recognized at cost when future economic benefits are likely to flow to the entity and the cost can be measured reliably. The OSCE recognised as intangible assets both acquired and internally generated software at a cost of EUR 1,000 and above. The Secretariat's treatment is IPSAS compliant.

Secretariat's treatment of intangible assets is IPSAS compliant.

35. As at 31 December 2015 approximately 33 per cent of the total net book value of intangible assets totalling EUR 4,085 thousand relates to acquired software. The greater part of intangible assets relates to the ERP System (67 per cent). The value of the computer software is measured at cost, whereas the ERP System also includes, in addition to the software licenses purchased, the cost of OSCE staff working hours spent on developing and testing the software and professional fees.

B.2.6. Employee Benefit Liabilities and Actuarial Valuation

Pertinent information on employee benefit liabilities and expenses are disclosed.

36. In accordance with IPSAS, the Secretariat disclosed pertinent information regarding the nature of its defined benefit plans and the financial aspects of changes in those plans during the period. The Secretariat reported in detail on short-term and long-term (non-current and current) liabilities and employee benefit expenses.

An external consultant is in charge to perform the annual actuarial valuation of employee benefits.

37. The Secretariat engaged an external consultant (actuary) to perform the actuarial valuation of employee benefits in accordance with the IPSAS 25 standard, as it may apply for non-current employee benefits. Each year, the Secretariat provides the actuary with the most recent data relevant for performing the

No payments need to be made in the immediate future.

valuation. The valuation is based on a range of demographic, financial and economic assumptions as laid down in Note 4.5.

38. It is important to understand that this actuarial valuation is an estimate of long-term liabilities and does not represent a payment that needs to be made in the immediate future. It has been calculated by actuaries after taking into consideration various assumptions. Changes in these assumptions and the discount rate as well as the rate of inflation may significantly change the estimate of this liability. Actual cash payments required to meet these expenses and other separation benefits will occur in future years.

B.3. Statement of Financial Performance

OSCE experienced an excess of income over expenditure.

39. In 2015, the OSCE experienced an overall excess of revenue over expenses of EUR 12,065 thousand.

Year	2013	2014	2015
Total Revenue	168,998	204,813	242,856
Total Expenses	163,281	184,113	230,790
Surplus/Deficit	5,717	20,701	12,065

Table 3: Revenue and Expenses; Surplus/ (Deficit) for the Period in EUR'000
(source: OSCE FS 2015 – Statement of Financial Performance)

B.3.1. Extra-budgetary Contributions

Member States provided voluntary contributions.

40. Member States still met demands for the OSCE's services by providing voluntary contributions. However, it needs to be understood that under IPSAS, revenue from voluntary contributions is recognized upon the signing of a binding agreement between the OSCE and the donor.

B.3.2. Finance Revenue

Investment income totalled EUR 101,000.

41. In 2015, interest revenue represented only 0.04 per cent of total revenue. Interest income significantly decreased from EUR 251 thousand in 2014 to EUR 101 thousand in 2015 because interest rates generally are very low for secure investments.

C. PERFORMANCE AUDIT

C.1. Information Technology

My staff ran audited aspects of the user and

42. The ORACLE Enterprise Resource Planning (ERP) system provides budget, finance, procurement, human resources and asset management. My staff

rights management and of existing controls.

audited aspects of the ERP user and rights management and of existing controls.

C.1.1. Sensitive data in the testing system

Production data is copied into other system instances without removal of sensitive data.

43. The OSCE deploys ORACLE system instances for production, support, testing, training and development. For purposes like testing, production data is copied into other system instances without removal of sensitive data like employee names or date of birth.

As user access rights are also copied from the production, normal users have the same access in these instances as the production systems. However, administrators and external developers would be able to access data in testing, training and development systems.

OSCE should use a data scrambling system.

44. I recommend implementing a data scrambling system that removes sensitive data when production data is copied into other system instances.

Answer of the Secretariat.

45. The Secretariat accepts this finding and is ready to review the implementation of data scrambling system based on OSCE management request.

C.1.2. Too many users with extensive access rights

Extensive access rights enable users to generate transactions, to bypass implemented workflows and to cover its activities.

46. Developers should have access to the development and testing but not to the production instance, even if developers are internal staff. Users with extensive access rights would be able to change vendor information and transactions, to generate transactions/payments bypassing all implemented workflows and to delete the transaction protocols afterwards. Furthermore, a high number of users with extensive access rights increase the risk for misuse when intruders capture their accounts. According to best practices, user authorizations should be limited to the minimum possible.

The Secretariat should review user authorizations and the number of system administrators.

47. The Secretariat should review the required number of system administrators. User rights should be in line with FAI 13 - Annex 5 -Trusted User Policy, No. 5.2 - Standard on privileged use. The access of application developers should be restricted to development and test instances only.

Answer of the Secretariat.

48. The Secretariat accepts this recommendation. A review of the list of privileged admin users will be conducted, with the aim to limit the number of developers having access to the production system.

C.1.3. Staff with more than one user account and generic accounts

My staff found staff members having more than one user names.

49. My staff found five staff members having more than one 'user_name' in the production database, thereof a maximum of 22 entries for one employee. There was no explanation for having more accounts than one.

Generic users were created by Oracle.

50. Generic user accounts were mostly created by Oracle itself during installation or implementing patches. My staff found 20 generic user accounts assigned to the production instance, thereof the 'sysadmin' and the 'guest'. Furthermore, they found 119 users without an employee assigned to it in the production instance (= possible generic user), thereof the 'sysadmin', the 'guest' and 11 'iRecruitment External Candidate's.

Generic user accounts

51. I recommend following the best practice that a user should have only one

should regularly be reviewed.

user account. Generic user accounts should regularly be reviewed and disabled if not required. The activities of required generic user accounts (e.g. 'sysadmin' and 'guest') should be monitored.

Answer of the Secretariat.

52. The Secretariat accepts this recommendation. Remediation action has already been implemented during 2016.

C.1.4. Extension of user rights by using Authorization menus

Authorization menus can cause segregation of duty issues.

53. Authorization menus allow users to access submenus and functions bypassing existing controls and workflows and violate the segregation of duties.

My staff identified users having access in the production system.

54. My staff identified 13 user accounts having access to up to 8 authorization menus, thereof the 'sysadmin' (1 AZN menu) and the 'XXEis_RS_Admin' (1). Seven of the remaining 11 users are also having full access as 'system administrators'. Hence there are four user accounts assigned with the questionable access.

No use of Authorization menus in production system.

55. I recommend disabling the Authorization menu functionality in production systems.

Answer of the Secretariat.

56. The Secretariat accepts this recommendation. Remediation action has already been implemented during 2016.

C.1.5. ERP – Password expiration violations

For security reasons password have to be changed regularly.

57. Best practice requires that passwords expire automatically after a certain time. IT systems usually have a 'password expiration date' and a 'user expiration date'. If there are substantiated deviations these should be sufficiently documented and accepted/signed by the management.

In the OSCE password expire after 90 days.

58. In the OSCE in each IT system passwords expire after 90 days and have to be changed according to FAI 13 - Annex 1 - No. 1.1 'Passwords and access credentials: User responsibilities and password management'.

My team found a huge number of users without current passwords and a huge number of stale users.

59. My team found 133,287 'user_name's that had no entry for the 'password_lifespan_days' in the production database. Probably most of them are iRecruitment candidates. That means these passwords stay unchanged unless the users change them. Furthermore there were 120,937 user accounts not logged in for 60 days or more. These accounts had no 'end-date'. They will never be disabled. Since each staff member was an iRecruitment candidate at the beginning all staff members stay active without responsibilities/rights but with all their personal data stored.

Leaving former staff members activated violates the renewed FAI 13.

60. The current procedure could create license problems when ORACLE applications will be based on named users. Furthermore it is a violation of the recently renewed FAI 13 - Annex 2 - User Access and Authorisation, No. 2.7. '*User-IDs will be permanently terminated when users leave OSCE*'.

I recommend executing a risk assessment.

61. I recommend a risk assessment that documents and rates the risks and provides appropriate measures.

Answer of the Secretariat.

62. The Secretariat accepts this recommendation and will initiate a formal risk assessment on the password expiry and end-dating of the candidates' user accounts.

C.2. Key Performance Indicators

Review of Results Based Management (RBM).	63. My staff has audited the plans of the Secretariat to review the Results Based Management (RBM) tool Key Performance Indicators (KPIs), part of the Performance Based Programme Budgeting (PBPB) system.
The OSCE uses the management tool RBM to measure the progress of its operations.	64. The OSCE uses its PBPB system to assess and measure the progress and contributions of its activities and outputs toward its planned outcomes and objectives. As part of PBPB system, KPIs indicate progress toward these results using both quantitative and qualitative formats. Those indicators provide a simple and reliable means to measure programmatic progress and achievements. Indicators can demonstrate whether projects completed their activities, delivered their intended results and achieved their objectives. The Secretariat has used KPIs for the purpose of internal management since its inception in 2007. Among the participating States (pS) there are different attitudes towards measuring the performance of the Organization. Some pS urge the Secretariat to improve the transparency of their progress reporting. These pS have repeatedly and consistently expressed their strong determination for transparent assessment, evaluation and presentation of the results achieved.
In 2006 expressed the Ministerial Council its wish to improve the effectiveness of the OSCE institutions and field operations.	65. In 2006 the Ministerial Council expressed its wish to improve the effectiveness of the OSCE, including the Secretariat, the institutions and field operations. It requested the Secretary General to report regularly to the participating States on the progress of introducing and implementing Performance Based Programme Budgeting and to propose further developments of the systems; it invites the Secretary to further strengthen the evaluation of the management of the funds and to regularly inform the participating States of the results. ¹
OSCE the participating states have divergent views and asymmetric positions on the use and utility of KPI.	66. In the discussion about KPIs the pS have divergent views about their use and utility. Some states view the disclosure of KPIs as essential to improving the linkages between the OSCE's strategic priorities work and budget and as a tool to better communicate to their capitals the added values of the Organization's operations in results-based management term. At the same time other participating states are against the disclosure of KPIs, emphasizing that the OSCE has no mandate to measure the progress of its pS, even though KPIs are not used to assess pS.
The OSCE conducts and presents KPI assessments.	67. The OSCE conducts and presents KPI assessments exclusively for measuring the Organization's success in implementing programmes and projects as well as progress toward results. The KPI instrument is expressly not intended and therefore not designed or used to measure the performance of individual pS in implementing programs and projects in its field operations.
The Secretariat has recognized the necessity reviewing and realigning the process.	68. The Secretariat has recognized the necessity of reviewing and strengthening the OSCE PBPB after ten year of use and has already initiated a process to do so. This process focuses on the work of the Secretariat only. The Field Operations and Institutions are not part of this review.
I welcome the Secretariat's initiative.	69. I welcome the Secretariat's initiative to review and strengthen the PBPB system, including KPIs, and recommend continuing this work in the following steps: <ul style="list-style-type: none"> • Define specifications for a future PBPB system, increasing the focus on results and adoption of the revised system for the Secretariat, • Assessing the experience with the modified system over an adequate period

¹ MC.DEC18/06 "Further Strengthening the Effectiveness of OSCE Executive structures" (5 December 2006)

- of time and implementing required adjustments,
- Extending the revised PBPB system to the Institutions and Field Operations,
- During the on-going process maintain consultations between Secretariat and pS.

The Secretariat has made substantive progress and should continue with the first four steps. And Presenting the pS with information about the Organization’s planned outcomes and objectives using performance indicators will provide pS with a greater understanding of the Organization’s progress toward their planned results. This will also help support development of a consensus-based model of information sharing for the pS on the performance of the OSCE’s programmes and projects. In this process towards a future strengthening of the PBPB system, the Secretariat should explore the most efficient and effective means of achieving system improvement. This might include employing the internal experience and expertise of OSCE-staff combined with external expertise and independent review, as needed.

C.3. Common Regulatory Management System

My team audited the CRMS.

Prior to the CRMS the regulatory framework consisted of Financial Regulations and Organizational Directives only.

With establishing the CRMS in 2005 a middle layer was introduced consisting of Staff Rules and Instructions.

As shown in the table the first layer (Level I) was redefined by adding relevant MC/PC decisions to the Regulations. Level 1 remains the participating States’ prerogative.

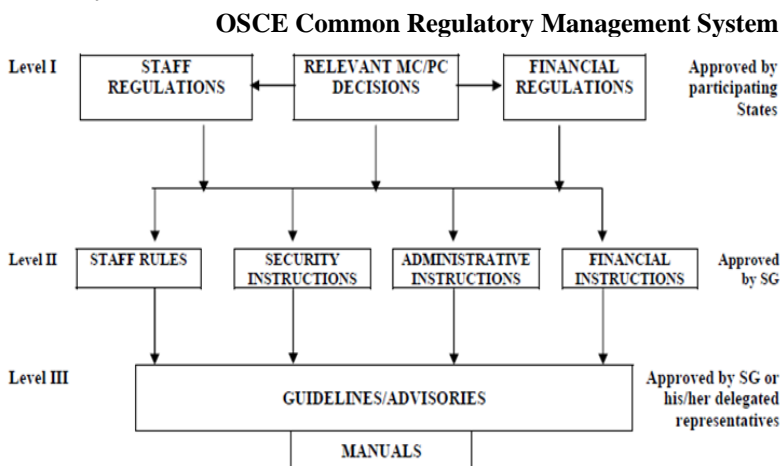
The Secretary General is responsible for the middle layer (Level II) and for the third layer (Level III).

In 2000 the Financial Regulations were last

70. With reference to paragraphs 29 and 30 of my previous audit report of 8 June 2015 my team has audited the OSCE Common Regulatory Management System (CRMS).

71. Until 2005 the then called OSCE’s Common Regulatory Management Framework (CRMF) consisted of the Financial Regulations and the Organizational Directives. The Financial Regulations were approved by the PC and provided the guiding financial principles for the OSCE. The Organizational Directives were issued by the Secretary General and provided guidance for the day-to-day business.

72. With PC Decision 705 of 1 December 2005 formally establishing the OSCE Common Regulatory Management System (CRMS), an additional middle layer was introduced into the framework consisting of Staff Rules and Security, Administrative and Financial Instructions which replaced the former Organizational Directives. Relevant Ministerial/Permanent Council decisions including the Financial and Staff Regulations were defined as comprising the first layer of the CRMS. While these provided the general framework upon which the other regulatory layers were built upon and remained the prerogative of the participating States, the Secretary General, as Chief Administrative Officer of the OSCE, was made responsible for preparing, issuing and revising the second and third layers of the CRMS:



73. The Financial Regulations were approved in 1996 and last revised in

revised. Further revision incorporating relevant PC decisions were never approved.

Hence, Financial Rules deriving from still not approved revised Financial Regulations are not in place.

Expecting an approval of revised Financial Regulations a significant number of Instructions were labelled as “provisional”.

Since amongst all provisions contradictory decisions are possible a critical analysis of the entire field of provisions is required.

The currently valid Financial Regulations are outdated and incomplete. This represents a risk to the robustness of the internal control framework which was several times emphasized by SG and all Audit instances.

I strongly recommend updating the Financial Regulations.

2000. They have been modified since then by a number of PC Decisions. Relevant provisions of those decisions were never incorporated into a PC approved Financial Regulations document, which in some cases is requested by PC Decision. Especially PC.DEC/1040 which adopted IPSAS in the OSCE has not been incorporated into the framework (see paragraph 29 of my previous audit report of 8 June 2015).

74. The Financial Rules were to be derived from the revised Financial Regulations. As the Financial Regulations including all necessary changes and amendments were not PC approved, there was no basis for the Rules and hence there are currently no Financial Rules available. In the resulting vacuum, Financial Instructions have been de facto elevated to the second layer of the CRMS.

75. In the expectation of an imminent approval of a revised Financial Regulations document, numerous Financial and Administrative Instructions (FAIs) issued by the Secretary General were labelled as “provisional” between 2003 and 2009. Furthermore, the term “provisional” is nowhere defined in the CRMS.

76. Notwithstanding the difficulties to assess the valid provision in the current accumulation in the CRMS the single provision might be contradictory to others regulating the subject concerned. Thus my team found several conflicting samples such as the provisions concerning the acceptance of gifts, honours and other distinctions which differ from what is hereto regulated in the range from Staff Regulations, Staff Rules, Financial Instruction up to the elaborations in the OSCE Code of Conduct.

77. The existing Financial Regulations document is both outdated and incomplete and as such represents a risk to the robustness of the internal control framework, as both the Secretary General in the Statements on Internal Control and the previous External Auditor, the Audit Committee and the Office of Internal Oversight pointed out on numerous occasions. Despite MC Decision 19 of 5/12/2006 “to adopt the revised Financial Regulations by June 2007” and PC Decision 981 of 23/12/2010 “tasking the ACMF to intensify work to reaching an agreement on the Financial Regulations”, the Informal Working Group on Financial Regulations was unable to generate the necessary consensus and the process stalled in 2012.

78. I strongly recommend resuming the discussions on the approval of the consolidated Financial Regulations, and I also recommend presenting future decisions affecting any of the provisions of the Financial Regulations to the PC and MC together with the relevant decision to update the Financial Regulations document.

D. FIELD WORKING VISITS

We visited two Field Operations.

Reports were submitted to relevant stakeholders within OSCE.

79. During the period from May 2015 to April 2016, we conducted a number of field visits, in particular to

- Astana (Programme Office in Astana) and
- to Montenegro (Mission to Montenegro).

80. Field audits were designed to provide independent assessment of financial procedures and managerial activities. 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), OIO and the Audit Committee.

Independent assessment of financial procedures and managerial activities.

81. 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 2015. The audit findings were mostly related to such areas as Cash and Bank Management, Staff Costs, Travel Costs, Procurement & Contracting, IT etc. 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.

E. FOLLOW-UP ON FINDINGS

Progress on previous audit recommendations.

82. At the end of 2015 we evaluated the recommendations issued so far to ensure continuity and institutional memory. The survey was based on the updated Secretariat's Action and Work Plan. All recommendations included in the Financial Statements 2014 have been accepted and implemented or the implementation is ongoing.

Secretariat's actions taken are appreciated.

83. I appreciate the Secretariat's actions taken to implement recommendations.

F. OTHER MATTERS

F.1. Cases of Fraud and Presumptive Fraud

Cases of fraud in 2015.

84. For the financial year 2015, OSCE reported on information in regard to cases of fraud or presumptive fraud.

OIO investigated one case of misconduct where confidential and sensitive OSCE information was passed to third parties. The accused staff resigned.

85. The Office of Internal Oversight (OIO) issued one investigation report in 2015 where the subject related to misconduct of passing on confidential and sensitive OSCE information to third parties without authorization. The investigation did not reveal a financial impact. However, the OSCE's executive structure concerned had taken various actions towards strengthening controls around information security and around awareness and understanding of the OSCE code of conduct, the accused staff resigned.

Payments for fuel versus usual consumption of fuel led to a formal investigation in 2016.

86. OIO further reported on a case in one executive structure of significant discrepancies between payments for fuel and fuel recorded as received over a period of years, for which the review was not finalized in 2015. Hence, the cases became subject to formal investigation only in 2016.

Follow-up.

87. I will inform my successor to follow-up on the latter.

F.2. Losses, Write-offs and ex gratia Payments

F.2.1. Write-offs and Losses

Receivables written off.

88. Receivables amounting to EUR 1,233.88 were written-off in 2015.

Cash and other losses.

89. Cash and other losses were reported at a value of EUR 2,815.65 as lost.

F.2.2. Ex-gratia Payments

Three ex-gratia payment.

90. During 2015, three ex-gratia payments in the amount of EUR 7,982.00 were made. These were approved by the Secretary General.

G. COOPERATION WITH OTHER STAKEHOLDERS

G.1. Liaison with the Office of Internal Oversight (OIO)

Meetings with OIO.

91. During the reporting period, my team worked closely with the OIO. This cooperation included several meetings, regularly sharing ideas and knowledge, audit reports and findings and strengthening mutual ability to promote good governance and accountability practices. Cooperation with the OIO also served to better coordinate internal and external audit planning and audit activities. This approach helped both sides to enhance efficiency of field audits.

G.2. Progress Reporting to the Audit Committee

Progress reporting to the OSCE Audit Committee took place in March 2015.

92. My team met with the OSCE Audit Committee on 18 November 2016 to review the results of the external audit work carried out for the year ended 31 December 2015. Following the established practice, the OSCE Audit Committee was informed about audit findings in Field Operations carried out in 2015, interim financial audits, the preparation and focus for the OSCE FS 2015 audit, and the External Auditor's working plan.

H. ACKNOWLEDGEMENT

93. I wish to express my appreciation for the cooperation and assistance extended by the Secretary General, management and staff of the OSCE. I am very grateful for their assistance during the whole external audit process.

Kay Scheller

President of the Federal Court of Auditors
Germany
External Auditor

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

31 March 2016

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 2015.

Yours sincerely,

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

Lamberto Zannier
Secretary General

Kay Scheller
President of the Federal
Court of Auditors
Adenauerallee, 81
53113 Bonn
GERMANY

Chapter I

Financial Report of the Secretary General for the year ended 31 December 2015

Financial Report of the Secretary General for the year ended 31 December 2015

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 2015, 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 cooperating on conflict prevention, crisis management and post-conflict rehabilitation. With 57 participating States in North America, Europe and Asia, the OSCE is the world's largest regional security organization.
5. An organisational chart of OSCE Structures and Institutions as of 31 December 2015 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	2015	2014	Change	Change %
<i>Statement of Financial Position</i>				
Cash and Investments	74,390	86,449	(12,059)	(14%)
Property Plant and Equipment	25,568	16,575	8,993	54%
Net Assets	53,372	43,000	10,372	24%
Outstanding Assessed Contributions	8,777	6,231	2,546	41%
Cash Surplus	392	2,678	(2,286)	(85%)
<i>Statement of Financial Performance</i>				
Revenue from Assessed Contributions	197,037	145,108	51,929	36%
Extra-Budgetary Revenue	39,296	48,140	(8,844)	(18%)
Total Revenue	242,856	204,813	38,043	19%
Total Expenses	230,790	184,113	46,677	25%

7. During 2015, the crisis in and around Ukraine continued to dominate the OSCE's agenda and this is clearly visible in the Financial Statements. The Special Monitoring Mission to Ukraine (SMM), now in its second year of operation, consolidated its structures and expanded the number of monitors and programmatic activities, which included OSCE using for the first time advanced technology. All of this has led to an increase in total revenue of 19%, an increase in total expenses of 25% and an increase in property, plant and equipment of 54%. Furthermore it should be noted that SMM relies heavily on voluntary contributions: 61% of its staff is seconded, 21% of its revenue is extra-budgetary and 16% of all property, plant and equipment acquired in 2015 was donated.
8. A unique feature of the OSCE is the significant amount of in-kind contributions of services provided in the form of seconded staff and free rental of premises, which amounted to EUR 75,966 thousand in 2015 (EUR 44,483 thousand in 2014). In accordance with IPSAS, in-kind contributions of services are not recognized as revenue in the Financial Statements. If the Organization did not receive these in-kind contributions, it would need 39% additional revenue from assessed contributions to maintain the current level of activities.
9. Cash surplus decreased 85% or EUR 2,286 thousand, mainly due to a higher implementation rate of the budget and decreasing finance revenue, owing to low interest rates. With decreasing unified budgets and the prevailing low interest rates, the current level of cash surplus can be expected for the near future.

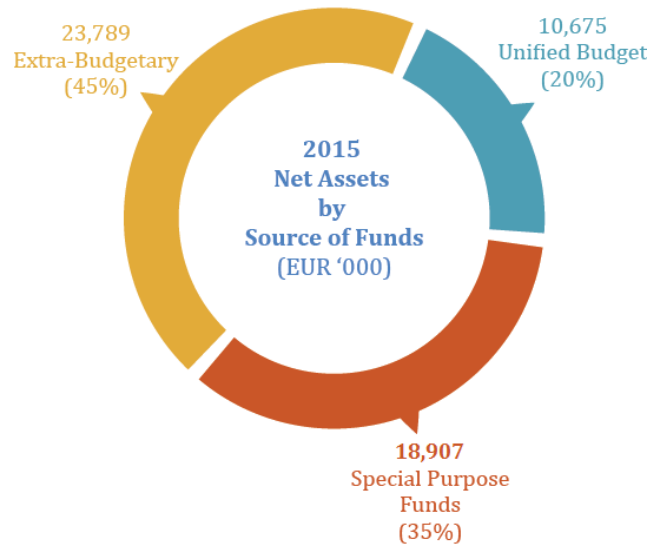
Statement of Financial Position

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

EUR'000	2015	2014	Change	Change %
Current Assets	84,391	94,200	(9,809)	(10%)
Non-Current Assets	30,218	20,871	9,347	45%
Total Assets	114,610	115,072	(462)	0%
Current Liabilities	57,596	66,495	(8,899)	(13%)
Non-current Liabilities	3,642	5,576	(1,934)	(35%)
Total Liabilities	61,238	72,071	(10,833)	(15%)
Net Assets	53,372	43,000	10,372	24%

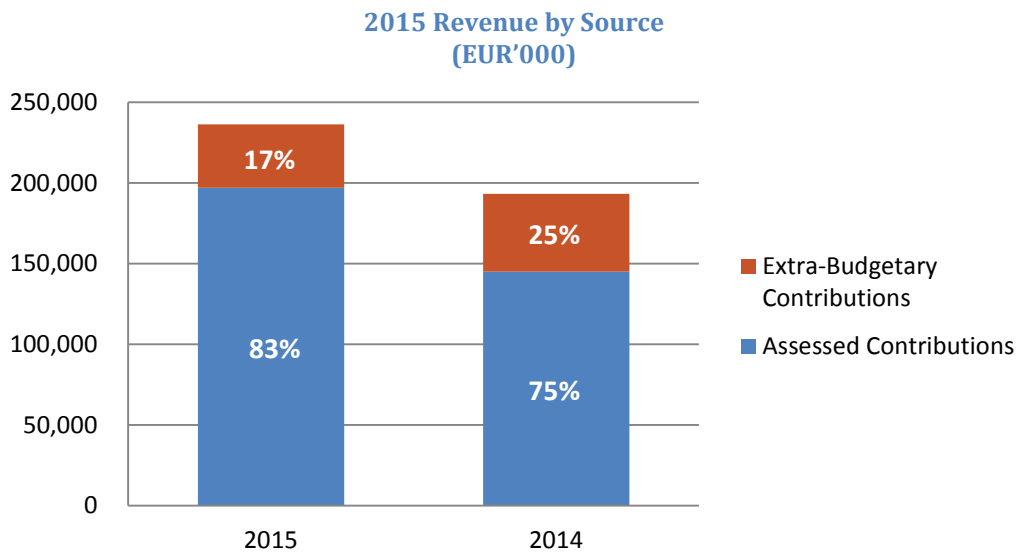
11. As in previous years, the OSCE's financial position continues to be healthy, as demonstrated by the sound liquidity indicators. Total assets are approximately 1.9 times the value of total liabilities (1.6 times in 2014). Current assets are approximately 1.5 times the value of current liabilities (1.4 times in 2014), demonstrating that the OSCE has sufficient resources to cover short-term obligations.
12. Current assets decreased by 10% or EUR 9,809 thousand, due to a decrease in cash and investments of 14% or EUR 12,059 thousand, which was mainly as a result of decreased extra-budgetary revenue and increased expenses in 2015. 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 and low and prevailing negative interest rates on the market, there were challenges in placing investments at higher rated banks in 2015. Furthermore, finance revenue decreased by 60% from EUR 251 thousand to EUR 111 thousand. 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.
13. Total current assets also include outstanding assessed contributions in the amount of EUR 8,777 thousand which increased by 41% (EUR 6,231 thousand in 2014). The increase in overall outstanding contributions is mainly due to unpaid assessed contributions for the SMM. Other current assets consist of taxes receivable, prepayments to implementing partners and other suppliers, and inventory.
14. Total non-current assets amount to EUR 30,218 thousand, out of which the property, plant and equipment represents the largest portion, amounting to EUR 25,568 thousand. There was a 54% increase in property, plant and equipment compared to the previous year mainly due to the new SMM equipment. This includes donated vehicles and other assets for EUR 1,955 thousand.
15. Total liabilities decreased 15% or EUR 10,833 mainly due to a decrease in deferred revenue. A deferred revenue liability is recorded for extra-budgetary contributions received from donors, which are subject to conditions. The decrease is due to a significant amount of such contributions received in 2014 for which conditions were met in 2015.
16. Total net assets increased 24% or EUR 10,372 thousand to EUR 53,372 thousand, mainly due to the growth in SMM. Net assets include OSCE fund balances and reserves, broken out as follows: EUR 10,675 thousand for Unified Budget Funds, EUR 23,789 thousand for Extra-Budgetary Funds and EUR

18,907 thousand for Special Purpose Funds. The chart below clearly shows that 80% of net assets are related to funds other than the Unified Budget.



Statement of Financial Performance

- 17. In 2015 total revenue increased 19% or EUR 38,043 thousand to EUR 242,856 thousand. Most of this increase is due to the expansion of the SMM. Excluding SMM, revenue from assessed contributions and extra-budgetary revenue are almost unchanged compared to 2014.
- 18. Revenue from assessed contributions, amounting to EUR 197,037 thousand in 2015, represents OSCE's main source of revenue, whereby EUR 138,287 thousand relates to the Unified Budget and EUR 58,750 thousand to SMM. Revenue from assessed contributions increased by 36% due to SMM.
- 19. Extra-budgetary revenue continues to be an important source of funding for the OSCE. However, it should be noted that as a percent of total revenue it decreased from 24% in 2014 to 16% in 2015, as can be clearly seen in the below chart:



20. The remaining portion of total revenue (EUR 6,523 thousand in 2015) relates to currency exchange adjustments, finance revenue, sale of assets and other revenue. Other revenue includes in-kind contributions of goods donated to the SMM (EUR 1,960 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.
21. Total expenses increased by 25% or EUR 46,711, mainly due to the SMM. The following table provides details of the changes by cost category:

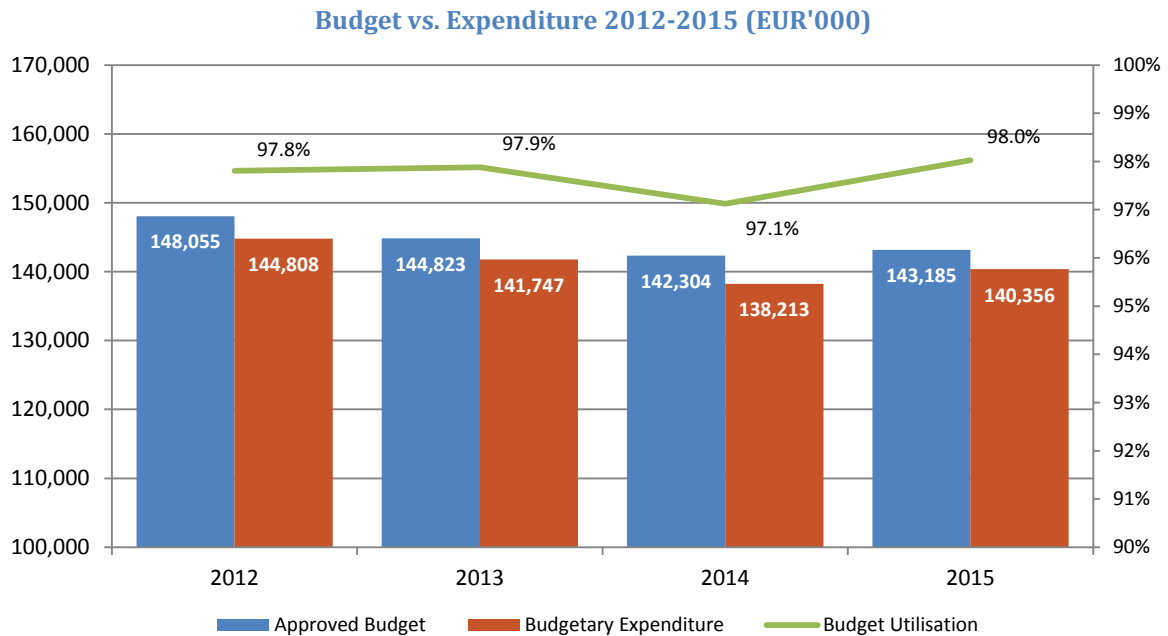
EUR'000	2015	2014	Change	Change %
Staff Costs	124,638	100,415	24,223	24%
Consultancy and Subcontracting	23,814	23,469	345	1%
Travel Expenses	21,637	19,607	2,030	10%
Services and Office Costs	26,338	21,954	4,384	20%
Consumables and Supplies	7,284	4,860	2,424	50%
Depreciation and Amortization	6,447	3,098	3,349	108%
Equipment Purchases	3,869	4,352	(483)	(11%)
Other Operating Expenses	16,764	6,359	10,405	164%
Total Expenses	230,790	184,113	46,677	25%

22. The most significant part of the total increase (EUR 24,223 thousand of the total EUR 46,711 thousand increase or 52%) relates to a 24% increase in staff costs, due to the engagement of new SMM monitors and the overall growth in SMM.
23. With the SMM, for the first time OSCE began using advanced technical services such as unmanned aerial vehicle services, which together with the medical support costs caused the increase of 164% or EUR 10,405 thousand in other operating expenses.
24. The expansion of SMM also explains the increases in the remaining cost categories. In particular, the increase in depreciation and amortization by EUR 3,349 thousand or 108% is in line with the increase in property, plant and equipment. Equipment purchases represent expenses for minor assets which do not exceed the value of EUR 1 thousand.

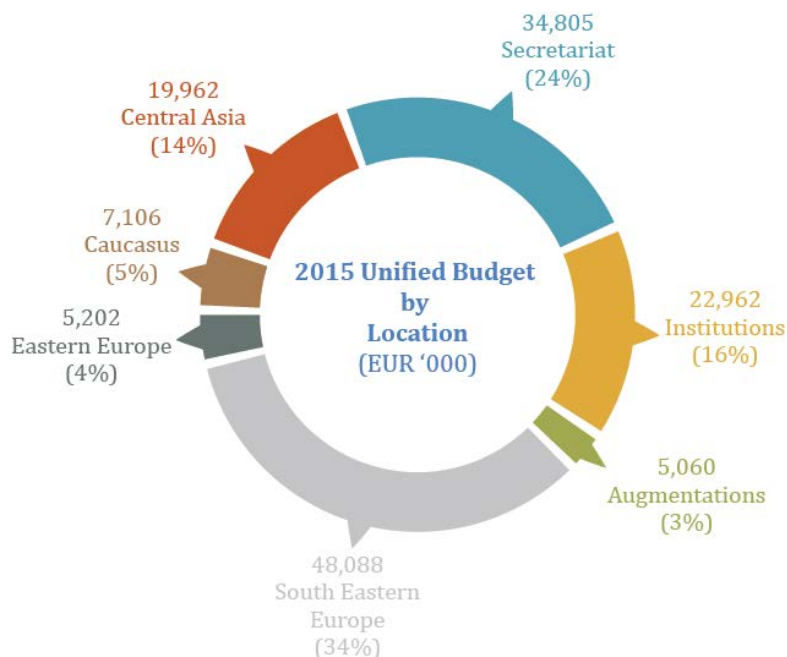
UNIFIED BUDGET ANALYSIS

25. 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.
26. The approved 2015 Unified Budget amounted to EUR 141,108 thousand (PC.DEC/1158 of 30 December 2014). A supplementary budget for the Office for Democratic Institutions and Human Rights (ODHIR) amounting to EUR 2,077 thousand was approved with PC.DEC/1177 of 25 August 2015. Of the total available of EUR 143,185 thousand, total expenditure was EUR 140,356 thousand and resulted in a year-end revision to reduce the total budget by EUR 2,820 thousand to EUR 140,364 thousand (PC.DEC/1201 of 3 March 2016).

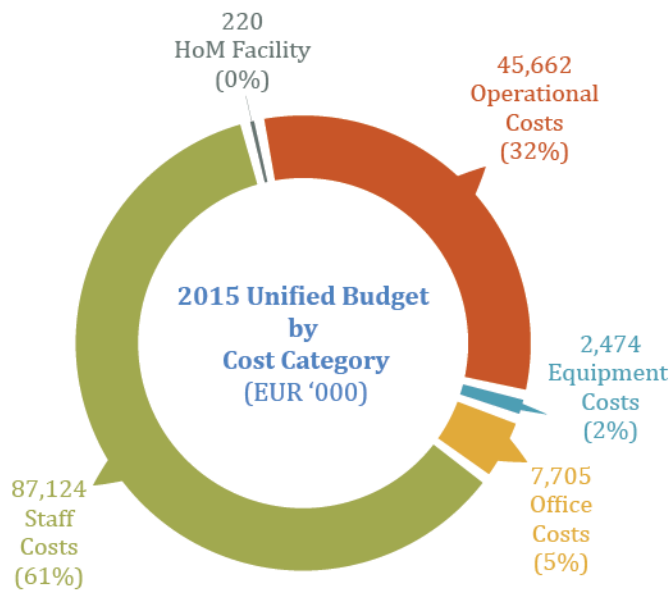
27. Budgetary expenditure gradually decreased over the last years, in line with decreases in the Unified Budget. As can be seen below, the unified budget decreased 5% from EUR 148,055 thousand in 2012 to EUR 141,108 thousand in 2015 (excluding the ODIHR supplementary budget), without accounting for any inflation adjustment. In 2015, the implementation rate increased to 98% and would have been higher if it were not for the closure of the OSCE Project Co-ordinator in Baku in July 2015, for which only 46% of the budget was spent. The approved Unified Budget and actual expenditure for the periods 2012 to 2015 are shown in the chart below:



28. Of the 2015 Unified Budget (including the EUR 2,077 thousand supplementary budget for ODIHR), Field Operations represent EUR 85,418 thousand or 60% and Secretariat and Institutions represent EUR 57,767 thousand or 40% of the total. The geographical distribution of the budget is shown below:

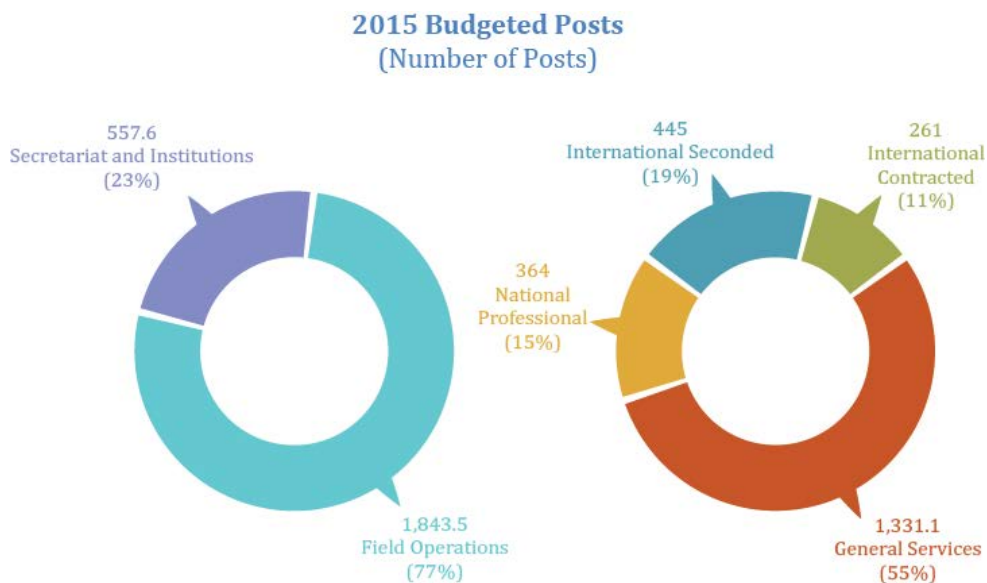


29. As to be expected, the distribution of the budget by main cost category in the chart below shows that staff costs continue to represent the largest share with 61% of the total (unchanged from 2014) and operational costs is the second largest category with 32% of the total (31% in 2014).



30. Although staff costs account for the most significant share in the overall cost structure, the OSCE continues to operate with less staff than budgeted. Namely, of the 2,401.1 Unified Budget posts, only 2,212.5 were occupied as at 31 December 2015, representing a vacancy rate of 8%. This can be further broken down into a vacancy rate of 4% for locally contracted posts, 9% for international contracted and 20% for seconded posts.

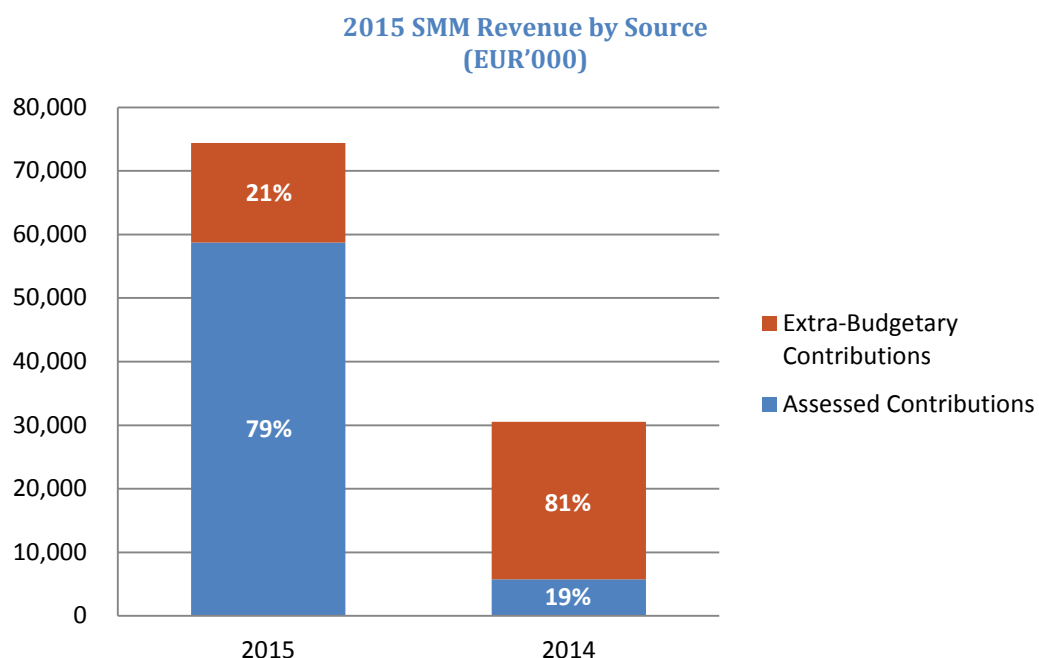
31. The distribution of Unified Budget posts and staff in post by fund is shown in Chapter II. The following chart indicates the number of Unified Budget posts by post category in 2015.



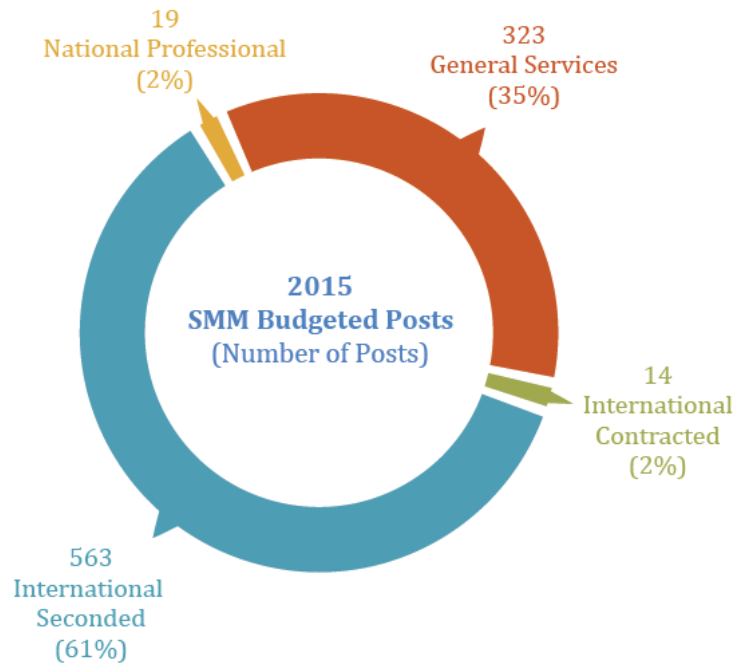
32. The above charts show that 55% of the Unified Budget posts are at the General Services level and 77% are in the Field Operations. Furthermore, 19% of posts are seconded posts for which the Organization does not pay a salary, but only a board and lodging allowance. In other words, if it weren't for these seconded posts, 19% 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

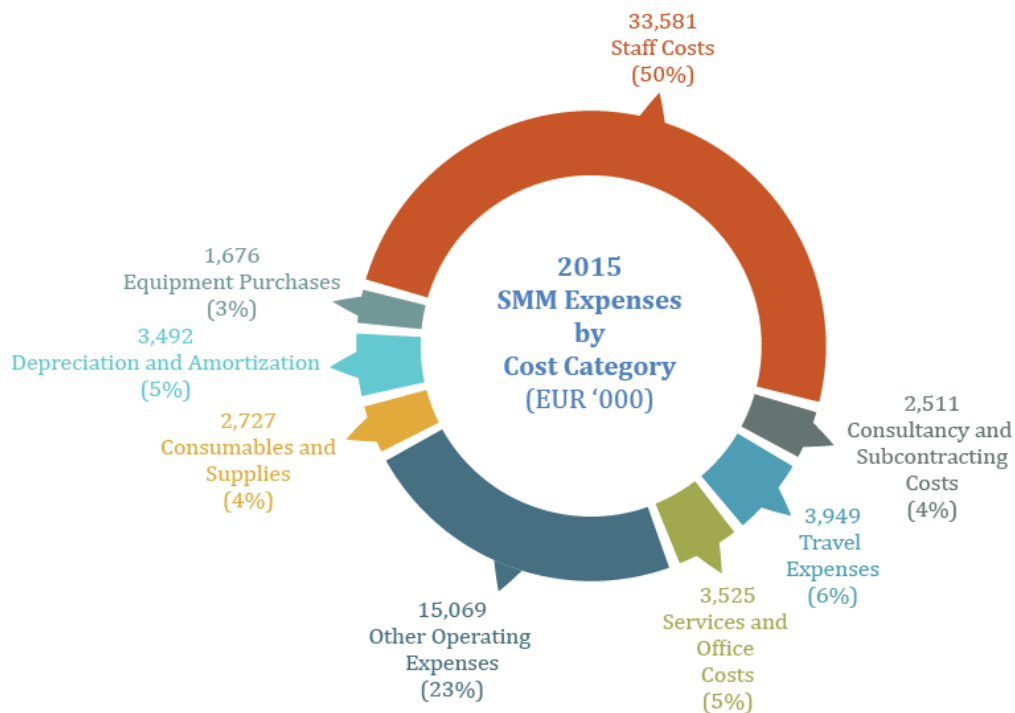
33. The SMM was originally established pursuant to PC.DEC/1117 of 21 March 2014 for a period of six months and was subsequently extended through 31 March 2016 with PC.DEC/1129 of 22 July 2014 and PC.DEC/1162 of 12 March 2015.
34. The successive mandates of the SMM in 2015 did not correspond to the calendar year. The mandate under PC.DEC/1129 ended on 20 March 2015, while the mandate under PC.DEC/1162 lasts until 31 March 2016. The figures reported in the financial statements and in this report represent an apportionment of the two mandates to the calendar year 2015, i.e. revenue and expenses were reported on an accrual basis as incurred in 2015.
35. As can be seen in Statement VI.2.G Segment Reporting, assessed contributions amounted to EUR 58,750 thousand in 2015 (EUR 5,758 thousand for the 9 months to 31 December 2014). The remaining budget is financed through extra-budgetary contributions which amounted to EUR 15,674 thousand in 2015 as can be seen in the Statement VI.2.H Segment Reporting (EUR 24,772 thousand for the 9 months to 31 December 2014). The following chart clearly shows a shift in financing from mainly extra-budgetary contributions in 2014 to assessed contributions in 2015, which was required to ensure stable and secure funding of SMM operations.



36. As of 31 December 2015 there are 919 budgeted posts for the SMM (500 monitors and 419 other staff), compared to 2,401.1 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 61% of SMM's budgeted posts are seconded posts, demonstrating the Mission's high reliance on voluntary resources. In 2015 the value of in-kind contributions of services for the SMM amounted to EUR 42,730 thousand.



37. Total expenses for the SMM amounted to EUR 66,529 thousand (EUR 20,836 thousand in the 9 months to 31 December 2014). Staff costs represent the highest share amounting to EUR 33,581 thousand or 50% of total expenses, followed by other operating expenses for EUR 15,069 thousand or 23%, mainly due to unmanned aerial vehicle services and paramedical services. Expenses are reported on an accrual basis, which requires the capitalization, rather than expensing, for purchases of property, plant and equipment. The EUR 1,676 thousand expenses for equipment purchases refer only to equipment below the capitalization threshold of EUR 1 thousand. Capitalized assets almost doubled from EUR 9,261 thousand in 2014 to EUR 17,856 in 2015. The chart below details SMM 2015 expenses by cost category.



INTERNAL CONTROLS

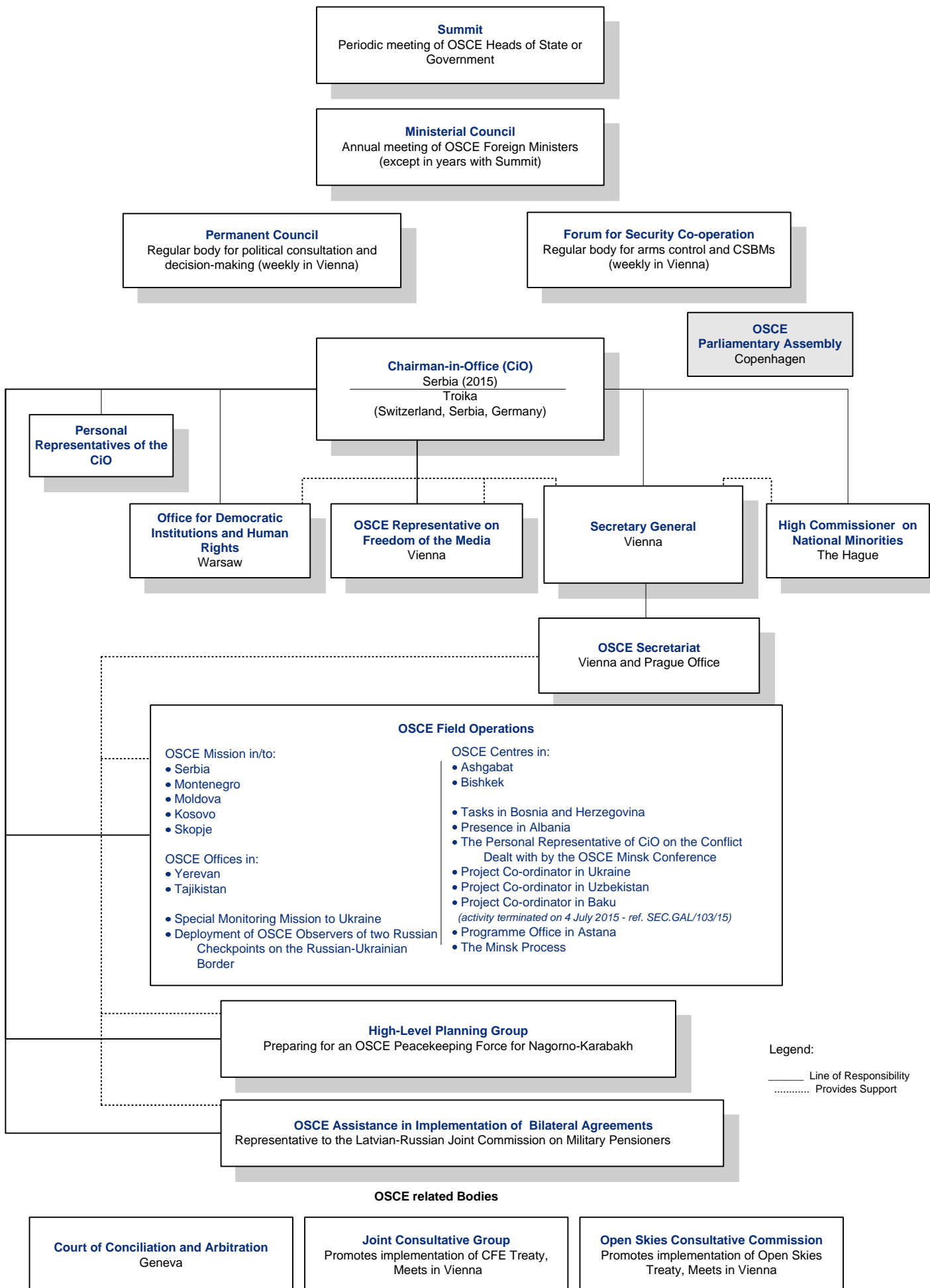
38. The OSCE issued for the first time a Statement of Internal Control (SIC) along with the Financial Statements for the year ending 31 December 2012. The SIC is the means by which the Secretary General declares his approach to, and responsibility for, risk management, internal control and corporate governance. Please refer to Chapter V - Statement of Internal Control.
39. The Statement of Internal Control highlights significant matters pertaining to 2015. Other significant matters reported in the previous years in the Statement on Internal Controls which continue to be monitored and worked on include: staffing levels and structure including the conditions and periods of service and the availability of seconded employees; and the lack of a uniform set of privileges and immunities within the Organization.

RESPONSIBILITY

40. 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.
41. 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, fairly present the financial position of the OSCE as at 31 December 2015 and its performance for the year ended 31 December 2015.

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 Statements	

OSCE Structures and Institutions As at 31 December 2015



Chapter II – Budget and Expenditure Report
and
Staffing Overview

Budget and Expenditure Report

Unified Budget

As at 31 December 2015

Fund	Approved Budget ¹	PC Authorized Revisions	Revised Budget ²	Expenditure	Utilization Rate %
Main Programme					
Programme					
EUR '000					
I. FUNDS RELATED TO SECRETARIAT AND INSTITUTIONS					
The Secretariat					
Secretary General and Central Services					
Executive Management	1,144	56	1,200	1,200	100
Security Management	391	(36)	356	356	100
External Co-operation	676	(80)	596	596	100
Legal Services	545	(10)	535	534	100
Communications and Media Relations Section	1,223	(14)	1,210	1,210	100
Conference and Language Services	5,002	(143)	4,860	4,859	100
Records Management	301	5	306	306	100
Prague Office	388	(29)	360	359	100
Gender Issues	374	(3)	371	371	100
TOTAL	10,045	(253)	9,792	9,792	100
Chairman-in-Office					
Short-Term Mission/Visits of CiO and PR of the CiO	540	(138)	402	402	100
Advisory Committee on Management and Finance (ACMF)	15	(7)	8	8	99
Panel of Adjudicators	39	(30)	9	9	100
Audit Committee	49	(22)	27	27	100
External Auditors	100	(30)	70	70	100
TOTAL	743	(228)	515	515	100
Internal Oversight					
Internal Oversight	1,298	(87)	1,211	1,211	100
TOTAL	1,298	(87)	1,211	1,211	100
Office of the Special Representative/Co-ordinator for Combating Trafficking in Human Beings					
Office of the Special Representative/Co-ordinator for Combating Trafficking in Human Beings	897	(65)	832	831	100
TOTAL	897	(65)	832	831	100

Fund	Approved Budget ¹	PC Authorized Revisions	Revised Budget ²	Expenditure	Utilization Rate %
Main Programme					
Programme					
EUR '000					
Addressing Transnational Threats					
Co-ordination of TNT Activities	542	(39)	504	504	100
Strategic Police Matters Unit	675	(102)	573	573	100
Action Against Terrorism	855	(34)	822	821	100
Border Security and Management	464	(15)	450	450	100
TOTAL	2,537	(189)	2,348	2,347	100
Activities Related to the Economic and Environmental Aspects of Security					
Co-ordinator of OSCE Economic and Environmental Activities	1,570	61	1,631	1,631	100
Economic and Environmental Forum	449	(15)	433	433	100
TOTAL	2,019	45	2,065	2,064	100
Conflict Prevention					
CPC Direction and Management	414	12	426	425	100
Policy Support Service	1,014	(10)	1,003	1,003	100
Operations Service	796	(20)	776	776	100
Programming and Evaluation Support Unit	367	10	376	376	100
FSC Chairmanship	33	(1)	32	32	100
FSC Support	574	26	600	600	100
Communications Network	576	(4)	572	572	100
TOTAL	3,774	12	3,786	3,785	100
Human Resources Management					
HR Direction and Management	447	3	450	450	100
HR Services	1,064	(54)	1,011	1,011	100
Common Staff Costs	1,911	565	2,476	2,476	100
Talent Management	1,785	(42)	1,743	1,743	100
TOTAL	5,207	473	5,680	5,679	100
Department of Management and Finance					
Management and Co-ordination	582	(24)	558	558	100
Budget and Finance Services	1,238	87	1,325	1,325	100
Information and Communication Technology Services	1,806	(34)	1,772	1,772	100
Mission Support Services	1,431	68	1,499	1,499	100
Secretariat Common Operational Costs	3,229	(79)	3,150	3,150	100
TOTAL	8,286	19	8,305	8,304	100
TOTAL FOR THE SECRETARIAT	34,805	(274)	34,531	34,529	100

Fund	Approved Budget ¹	PC Authorized Revisions	Revised Budget ²	Expenditure	Utilization Rate %
Main Programme					
Programme					
EUR '000					
Office for Democratic Institutions and Human Rights					
Direction and Policy	1,293	21	1,314	1,314	100
Fund Administration Unit	2,152	(23)	2,129	2,129	100
Common Operational Costs	770	(56)	714	714	100
Human Dimension Meetings	606	(0)	606	605	100
Democratization	1,520	(3)	1,518	1,518	100
Human Rights	1,242	8	1,250	1,250	100
Elections	6,480	0	6,481	6,481	100
Supplementary Budget for Elections	2,077	0	2,077	2,077	100
Tolerance and Non-Discrimination	1,381	(34)	1,348	1,348	100
Roma and Sinti Issues	551	(43)	508	508	100
TOTAL	18,072	(129)	17,943	17,943	100
High Commissioner on National Minorities					
Fund Administration Unit	369	(55)	314	314	100
Common Operational Costs	176	(36)	141	140	100
Office of the High Commissioner	2,862	(100)	2,763	2,763	100
TOTAL	3,408	(190)	3,218	3,217	100
Representative on Freedom of the Media					
Freedom of the Media	1,482	(2)	1,480	1,480	100
TOTAL	1,482	(2)	1,480	1,480	100
TOTAL FOR FUNDS RELATED TO THE SECRETARIAT AND INSTITUTIONS	57,767	(595)	57,172	57,170	100

Fund	Approved Budget ¹	PC Authorized Revisions	Revised Budget ²	Expenditure	Utilization Rate %
Main Programme					
Programme					
EUR '000					
II. FUNDS RELATED TO OSCE FIELD OPERATIONS					
AUGMENTATIONS					
Secretariat Augmentations					
Communication and Media Relations Section	269	(0)	268	268	100
Internal Oversight	257	(17)	240	240	100
Policy Support Service	390	(35)	355	355	100
Programming and Evaluation Support Unit	63	7	70	70	100
Operations Service	190	1	191	191	100
Management and Co-ordination	75	(15)	61	61	100
HR Services	357	1	358	358	100
Talent Management	309	(16)	294	293	100
Budget and Finance Services	702	(66)	636	636	100
Information and Communication Technology Services	1,240	7	1,247	1,247	100
Mission Support Service	973	(36)	937	937	100
TOTAL	4,826	(170)	4,656	4,655	100
ODIHR Augmentations					
ODIHR Democratization	234	(6)	228	228	100
TOTAL	234	(6)	228	228	100
TOTAL FOR AUGMENTATIONS	5,060	(176)	4,884	4,883	100

Fund	Approved Budget ¹	PC Authorized Revisions	Revised Budget ²	Expenditure	Utilization Rate %
Main Programme					
Programme					
EUR '000					
SOUTH-EASTERN EUROPE					
Mission in Kosovo					
Office of Head of Mission	2,931	141	3,072	3,072	100
Fund Administration Unit	2,541	254	2,794	2,794	100
Common Operational Costs	3,311	(255)	3,056	3,056	100
Security and Public Safety	1,296	21	1,316	1,316	100
Democratization	2,209	(147)	2,062	2,062	100
Human Rights and Communities	6,600	(61)	6,540	6,540	100
TOTAL	18,887	(47)	18,840	18,839	100
Tasks in Bosnia and Herzegovina					
Office of Head of Mission	1,529	26	1,555	1,555	100
Fund Administration Unit	1,777	90	1,867	1,867	100
Common Operational Costs	2,338	(89)	2,249	2,249	100
Human Dimension	5,672	(63)	5,609	5,609	100
TOTAL	11,316	(36)	11,280	11,280	100
Regional Stabilization/Arms Control					
Implementation of Article IV	135	(46)	88	88	100
TOTAL	135	(46)	88	88	100
Grand Total for Tasks in Bosnia and Herzegovina	11,450	(82)	11,368	11,368	100
Mission to Serbia					
Office of Head of Mission	1,039	29	1,067	1,067	100
Fund Administration Unit	647	6	652	652	100
Common Operational Costs	1,072	14	1,087	1,086	100
Police Affairs	989	(23)	966	966	100
Democratization	1,193	(18)	1,176	1,176	100
Media	430	12	442	442	100
Rule of Law and Human Rights	1,060	(58)	1,002	1,002	100
TOTAL	6,429	(37)	6,392	6,392	100

Fund	Approved Budget ¹	PC Authorized Revisions	Revised Budget ²	Expenditure	Utilization Rate %
Main Programme					
Programme					
EUR '000					
Presence in Albania					
Office of Head of Mission	474	12	486	485	100
Fund Administration Unit	393	39	432	431	100
Common Operational Costs	626	(48)	578	578	100
Security Co-operation	357	(29)	329	329	100
Governance in Economic and Environmental Issues	303	(27)	276	276	100
Democratization	433	31	463	463	100
Rule of Law and Human Rights	333	23	356	356	100
TOTAL	2,919	0	2,919	2,918	100
Mission to Skopje					
Office of Head of Mission	992	18	1,010	1,010	100
Fund Administration Unit	761	38	799	799	100
Common Operational Costs	974	105	1,079	1,079	100
Public Safety and Community Outreach	1,765	(69)	1,696	1,696	100
Human Dimension	1,766	(98)	1,668	1,668	100
TOTAL	6,257	(6)	6,252	6,251	100
Mission to Montenegro					
Office of Head of Mission	326	18	344	344	100
Fund Administration Unit	265	6	270	270	100
Common Operational Costs	417	(5)	412	412	100
Security Co-operation	366	(27)	339	339	100
Democratization	407	(29)	378	378	100
Media	115	(7)	108	108	100
Rule of Law and Human Rights	251	(10)	241	241	100
TOTAL	2,146	(54)	2,093	2,092	100
TOTAL FOR SOUTH-EASTERN EUROPE	48,088	(225)	47,863	47,861	100

Fund	Approved Budget ¹	PC Authorized Revisions	Revised Budget ²	Expenditure	Utilization Rate %
Main Programme					
Programme					
EUR '000					
EASTERN EUROPE					
Mission to Moldova					
Office of Head of Mission	429	(35)	394	394	100
Fund Administration Unit	228	15	243	243	100
Common Operational Costs	532	(0)	531	531	100
Conflict Prevention/Resolution	457	(62)	395	395	100
Human Rights Monitoring/Democratization	291	(26)	265	265	100
Anti-Trafficking/Gender	264	(2)	262	261	100
TOTAL	2,200	(110)	2,090	2,090	100
Project Co-ordinator in Ukraine					
Office of Head of Mission	220	11	230	230	100
Fund Administration Unit	349	9	358	358	100
Common Operational Costs	425	(38)	387	387	100
Democratization and Good Governance	313	(41)	272	272	100
Rule of Law and Human Rights	931	3	933	933	100
Economic, Environmental and Politico-Military Projects	755	(2)	753	753	100
TOTAL	2,993	(59)	2,934	2,934	100
Representative to the Latvian-Russian Joint Commission on Military Pensioner					
Office of Head of Mission	9	(1)	8	8	99
TOTAL	9	(1)	8	8	99
TOTAL FOR EASTERN EUROPE	5,202	(170)	5,032	5,031	100

Fund	Approved Budget ¹	PC Authorized Revisions	Revised Budget ²	Expenditure	Utilization Rate %
Main Programme					
Programme					
EUR '000					
CAUCASUS					
Office in Yerevan					
Office of Head of Mission	303	(12)	291	291	100
Fund Administration Unit	224	(6)	218	218	100
Common Operational Costs	397	(12)	385	385	100
Politico-Military Activities	533	(40)	494	494	100
Economic and Environmental Activities	526	(23)	504	503	100
Democratization	307	9	316	316	100
Human Rights	330	18	348	348	100
Good Governance	334	(8)	326	326	100
TOTAL	2,954	(73)	2,882	2,881	100
Project Co-ordinator in Baku					
Office of Head of Mission	230	(62)	168	168	100
Fund Administration Unit	216	(35)	181	181	100
Common Operational Costs	306	(134)	172	172	100
Politico-Military Activities	313	(111)	203	202	100
Economic and Environmental Activities	292	(311)	(19)	(19)	100
Human Dimension Activities	444	(317)	127	127	100
TOTAL	1,800	(969)	831	831	100
High-Level Planning Group					
Office of Head of Mission	251	(48)	203	203	100
TOTAL	251	(48)	203	203	100
The Minsk Process					
Office of Head of Mission	928	(475)	453	453	100
TOTAL	928	(475)	453	453	100
Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference					
Office of Head of Mission	473	(56)	416	416	100
Fund Administration Unit	218	24	242	242	100
Common Operational Costs	483	(39)	443	443	100
TOTAL	1,173	(71)	1,102	1,102	100
TOTAL FOR CAUCASUS	7,106	(1,636)	5,471	5,469	100

Fund	Approved Budget ¹	PC Authorized Revisions	Revised Budget ²	Expenditure	Utilization Rate %
Main Programme					
Programme					
EUR '000					
CENTRAL ASIA					
Programme Office in Astana					
Office of Head of Mission	212	(15)	197	197	100
Fund Administration Unit	251	4	255	255	100
Common Operational Costs	398	(31)	368	367	100
Politico-Military Activities	428	44	472	472	100
Economic and Environmental Activities	432	12	444	444	100
Human Dimension Activities	428	(14)	414	414	100
TOTAL	2,149	0	2,149	2,149	100
Centre in Ashgabat					
Office of Head of Mission	333	(19)	315	315	100
Fund Administration Unit	175	0	175	175	100
Common Operational Costs	284	15	298	298	100
Conflict Prevention and Confidence and Security Building	263	(6)	257	257	100
Economic and Environmental Activities	250	(3)	247	247	100
Human Dimension Activities	267	13	279	279	100
TOTAL	1,571	(1)	1,570	1,570	100
Centre in Bishkek					
Office of Head of Mission	1,157	75	1,231	1,231	100
Fund Administration Unit	623	(2)	621	621	100
Common Operational Costs	928	(58)	871	870	100
Politico-Military Activities	1,845	(18)	1,826	1,826	100
Economic and Environmental Activities	1,299	(7)	1,293	1,293	100
Human Dimension Activities	1,058	9	1,067	1,067	100
TOTAL	6,910	(1)	6,909	6,909	100
Project Co-ordinator in Uzbekistan					
Office of Head of Mission	199	11	210	210	100
Fund Administration Unit	107	17	124	124	100
Common Operational Costs	266	(8)	258	258	100
Politico-Military Activities	405	(25)	380	380	100
Economic and Environmental Activities	534	(3)	531	531	100
Human Dimension Activities	484	(10)	474	474	100
TOTAL	1,995	(18)	1,977	1,976	100

Fund	Approved Budget ¹	PC Authorized Revisions	Revised Budget ²	Expenditure	Utilization Rate %
Main Programme					
Programme					
EUR '000					
Office in Tajikistan					
Office of Head of Mission	1,185	110	1,295	1,295	100
Fund Administration Unit	587	54	641	641	100
Common Operational Costs	1,446	2	1,448	1,448	100
Political and Military Aspects of Security	1,928	(98)	1,830	1,830	100
Economic and Environmental Activities	1,107	(93)	1,014	1,014	100
Human Dimension Activities	1,085	26	1,110	1,110	100
TOTAL	7,338	0	7,338	7,338	100
TOTAL FOR CENTRAL ASIA	19,962	(19)	19,943	19,942	100
TOTAL FOR FUNDS RELATED TO THE OSCE FIELD OPERATIONS	85,418	(2,226)	83,192	83,187	100
TOTAL OSCE UNIFIED BUDGET	143,185	(2,820)	140,364	140,356	100

¹ Includes the original Unified Budget under PC.DEC/1158, as well as a supplementary budget of EUR 2,077 thousand for the Office for Democratic Institutions and Human Rights pursuant to PC.DEC/1177.

² According to PC.DEC/1201, OSCE 2015 Year-end Unified Budget Revision.

Staffing Overview - Budget and Actual Staff Positions
Unified Budget
as at 31 December 2015

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	139	125	50	38	189	163	0	0	186.6	175	186.6	175	375.6	338
Office for Democratic Institutions and Human Rights High Commissioner on National Minorities Representative on Freedom of the Media	63	60	17	9	80	69	0	0	56	56	56	56	136	125
	16	13	5	4	21	17	0	0	9	9	9	9	30	26
	7	6	6	6	13	12	0	0	3	3	3	3	16	15
Secretariat and Institutions	225	204	78	57	303	261	0	0	254.6	243	254.6	243	557.6	504
Mission in Kosovo	10	9	141	108	151	117	84	79	332.5	322.5	416.5	401.5	567.5	518.5
Tasks in Bosnia and Herzegovina	6	6	38	29	44	35	123	121	155	150.5	278	271.5	322	306.5
Mission to Serbia	1	1	24	19	25	20	30	28	73	71	103	99	128	119
Presence in Albania	1	1	19	17	20	18	17	16	46	45	63	61	83	79
Mission to Skopje	2	2	40	34	42	36	18	16	88	87	106	103	148	139
Mission to Montenegro	1	1	9	8	10	9	7	7	24	24	31	31	41	40
South-Eastern Europe	21	20	271	215	292	235	279	267	718.5	700	997.5	967	1289.5	1202
Mission to Moldova	1	1	12	11	13	12	9	9	30	29	39	38	52	50
Project Co-ordinator in Ukraine	1	1	2	2	3	3	22	22	21	17	43	39	46	42
Eastern Europe	2	2	14	13	16	15	31	31	51	46	82	77	98	92
Office in Yerevan	1	1	6	4	7	5	12	12	29	28	41	40	48	45
Project Co-ordinator in Baku	1	0	4	0	5	0	6	0	10	0	16	0	21	0
High-Level Planning Group	0	0	8	5	8	5	0	0	1	1	1	1	9	6
Personal Representative of the CiO on the Conflict	1	1	5	5	6	6	0	0	11	11	11	11	17	17
Caucasus	3	2	23	14	26	16	18	12	51	40	69	52	95	68
Programme Office in Astana	1	1	5	5	6	6	4	4	18	17.5	22	21.5	28	27.5
Centre in Ashgabat	1	1	5	5	6	6	2	2	17	17	19	19	25	25
Centre in Bishkek	4	4	22	19	26	23	12	12	85	81	97	93	123	116
Project Co-ordinator in Uzbekistan	0	0	3	3	3	3	5	5	17	16	22	21	25	24
Office in Tajikistan	4	4	24	23	28	27	13	12	119	115	132	127	160	154
Central Asia	10	10	59	55	69	65	36	35	256	246.5	292	281.5	361	346.5
Total for Funds Related to OSCE Field Operations	36	34	367	297	403	331	364	345	1,076.5	1,032.5	1,440.5	1,377.5	1,843.5	1,708.5
Total OSCE 2015 Unified Budget Post Table	261	238	445	354	706	592	364	345	1,331.1	1,275.5	1,695.1	1,620.5	2,401.1	2,212.5

Staffing Overview - Budget and Actual Staff Positions
Special Purpose Funds
as at 31 December 2015

Fund number of positions as per PC DECs in 2015	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		
Observer Mission at the two Russian Checkpoints	0	1	22	19	22	20	0	0	3	0	3	0	25	20
Special Monitoring Mission to Ukraine	14	13	563	726	577	739	19	14	323	249	342	263	919	1002
Total Special Purpose Funds	14	14	585	745	599	759	19	14	326	249	345	263	944	1022

Chapter III – Financial Statements

I. Statement of Financial Position

Total OSCE

As at 31 December 2015

EUR '000		TOTAL OSCE	
	Note	2015	2014
ASSETS			
Current Assets			
Cash and Cash Equivalents	3.1	22,774	33,659
Investments	3.2	51,616	52,790
Assessed Contributions Receivable	3.3	3,353	709
Accounts Receivable	3.4	2,597	2,793
Prepayments	3.5	4,024	4,137
Inventory	3.6	26	110
Other Current Assets	3.7	1	2
		84,391	94,200
Non-Current Assets			
Property, Plant and Equipment	3.8	25,568	16,575
Intangible Assets	3.9	4,085	4,282
Other Non-Current Assets	3.7	565	14
		30,218	20,871
Total Assets		114,610	115,072
LIABILITIES			
Current Liabilities			
Accounts Payable	4.1	3,944	4,694
Accruals	4.2	5,575	5,891
Deferred Revenue	4.3	30,928	44,841
Funds Held for Third Parties	4.4	5,494	2,370
Employee Benefits Current	4.5	5,472	5,289
Cash Surplus Current	4.7	2,582	167
Provisions	4.8	2,549	2,679
Other Current Liabilities	4.9	1,053	564
		57,596	66,495
Non-Current Liabilities			
Employee Benefits Non-Current	4.5	3,250	2,898
Cash Surplus Non-Current	4.7	392	2,678
Other Non-Current Liabilities	4.9	0	0
		3,642	5,576
Total Liabilities		61,238	72,071
NET ASSETS			
Cash Surplus Withheld	5.1	254	254
Revolving Fund	5.2	2,710	2,710
Contingency Fund	5.2	2,180	2,180
Other Reserves	5.3	(1,688)	(801)
Accumulated Surplus/(Deficit)	5.4	49,915	38,657
Total Net Assets		53,372	43,000

II. Statement of Financial Performance

Total OSCE

For the Year Ended 31 December 2015

EUR '000		TOTAL OSCE	
	Note	2015	2014
REVENUE			
Assessed Contributions	6.1	197,037	145,108
Extra-Budgetary Contributions	6.2	39,296	48,140
Finance Revenue	6.3	101	251
Revenue from Exchange Transactions	6.4	260	184
Foreign Exchange Gains/(Losses)	6.5	948	548
Other Revenue	6.6	5,213	10,582
Total Revenue		242,856	204,813
EXPENSES			
Staff Costs	7.1	124,638	100,415
Consultancy and Subcontracting	7.2	23,814	23,469
Travel Expenses	7.3	21,637	19,607
Services and Office Costs	7.4	26,338	21,954
Consumables and Supplies	7.5	7,284	4,860
Depreciation and Amortisation	7.6	6,447	3,098
Equipment Purchases	7.7	3,869	4,352
Other Operating Expenses	7.8	16,764	6,359
Total Expenses		230,790	184,113
Surplus/(Deficit) for the Period	7.9	12,065	20,701

III. Cash Flow Statement

Total OSCE

For the Year Ended 31 December 2015

EUR '000		TOTAL OSCE	
	Note	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus/(Deficit) for the Period	7.9	12,065	20,701
Non-Cash Movements			
Deduction of Unrealized Foreign Exchange Gains/Losses on Cash and Cash Equivalents	6.5	62	36
Deduction of Depreciation, Amortisation and Impairments	7.6,3.10	6,852	3,426
Deduction of Loss on Disposal of PP&E	6.4	147	92
Deduction of Non-Cash Changes in Net Assets	5.3	(887)	(399)
(Increase) / Decrease in Assessed Contributions Receivable	3.3	(2,644)	(269)
(Increase) / Decrease in Accounts Receivable	3.4	196	(372)
(Increase) / Decrease in Prepayments	3.5	113	(1,709)
(Increase) / Decrease in Inventory	3.6	83	(110)
(Increase) / Decrease in Other Current/Non-Current Assets	3.7	(551)	(3)
Increase /(Decrease) in Accounts Payable	4.1	(750)	1,797
Increase /(Decrease) in Accruals	4.2	(316)	2,215
Increase /(Decrease) in Deferred Revenue	4.3	(13,914)	17,865
Increase /(Decrease) in Funds Held for Third Parties	4.4	3,124	(839)
Increase /(Decrease) in Employee Benefits	4.5	534	363
Increase /(Decrease) in Cash Surplus Payable	4.7	129	(2,227)
Increase /(Decrease) in Provisions	4.8	(129)	(3,420)
Increase /(Decrease) in Other Liabilities	4.9	489	139
Net Cash Flows from Operating Activities		4,605	37,285
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase) / Sale of Investments	3.2	1,174	(12,237)
(Addition) / Disposal of PP&E and Intangibles	3.8,3.9	(15,795)	(15,366)
Net Cash Flows from Investing Activities		(14,621)	(27,603)
CASH FLOWS FROM FINANCING ACTIVITIES			
Credits for Cash Surplus Withheld	5.1	0	(15)
Allocation of Current Year Cash Surplus	4.7	(392)	(2,678)
Credit of Network Operating System Fund Remaining Balance		0	(22)
Refund of Unspent Extra-budgetary Contributions	5.4	(415)	(133)
Net Cash Flows from Financing Activities		(807)	(2,848)
Net Increase/(Decrease) in Cash and Cash Equivalents	3.1	(10,823)	6,834
Cash and Cash Equivalents at Beginning of Period	3.1	33,659	26,861
Foreign Exchange Gains/(Losses) on Cash and Cash Equivalents	6.5	(62)	(36)
Cash and Cash Equivalents at End of Period		22,774	33,659

IV. Statement of Changes in Net Assets

Total OSCE

For the Year Ended 31 December 2015

EUR '000	Note	Cash Surplus Withheld	Revolving Fund	Contingency Fund	Other Reserves	Accumulated Surplus/(Deficit)	Total Net Assets
Balance as at 31 December 2014		254	2,710	2,180	(801)	38,657	43,000
Changes in Net Assets for 2015							
Increase in Cash Surplus Withheld	5.1	0					0
Allocation of Current Year Cash Surplus	4.7					(392)	(392)
Actuarial Gains/(Losses)	4.5				(887)		(887)
Refund of Unspent Extrabudgetary Contributions	5.4					(415)	(415)
Surplus/(Deficit) for the Period	7.9					12,065	12,065
Balance as at 31 December 2015		254	2,710	2,180	(1,688)	49,915	53,372

V. Statement of Comparison of Budget and Actual Amounts

Total PC Approved Budgets ¹

For the Year Ended 31 December 2015

EUR '000	Note	Approved Budget	PC Authorized Transfers	Revised Budget	Actuals	Variance
Unified Budget Funds						
The Secretariat		34,805	(274)	34,531	34,529	2
Office for Democratic Institutions and Human Rights ²		18,072	(129)	17,944	17,943	0
High Commissioner on National Minorities		3,408	(190)	3,218	3,217	0
Representative on Freedom of the Media		1,482	(2)	1,480	1,480	0
Total Secretariat and Institutions		57,767	(595)	57,172	57,170	3
Augmentations		5,060	(176)	4,884	4,883	1
South-Eastern Europe		48,088	(225)	47,863	47,861	2
Eastern Europe		5,202	(170)	5,032	5,031	1
Caucasus		7,106	(1,636)	5,471	5,469	1
Central Asia		19,962	(19)	19,943	19,942	1
Total Field Operations		85,418	(2,226)	83,192	83,187	5
Total Unified Budget	8.1.1	143,185	(2,820)	140,364	140,356	8
Special Purpose Funds						
ERP Upgrade Fund		1,287	0	1,287	593	694
Special Monitoring Mission to Ukraine		63,460	0	63,460	54,313	9,148
Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border		1,196	0	1,196	1,182	14
Total Special Purpose Funds	8.1.2	65,943	0	65,943	56,088	9,855
Total PC Approved Budgets		209,128	(2,820)	206,307	196,444	9,863

¹ The budget basis and the accounting basis differ. Actuals are reported on this statement on a budget basis and include solely Funds whose budgets are approved by the Permanent Council. Refer to Note 8.1 for more information.

² The approved budget for the Office for Democratic Institutions and Human Rights includes a supplementary budget for EUR 2,077 thousand pursuant to PC.DEC/1177.

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

As at 31 December 2015

EUR '000		Total Secretariat and Institutions		Total Field Operations		Total Unified Budget		Total Special Purpose Funds		Total Extra-Budgetary Funds		TOTAL OSCE	
	Note	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
ASSETS													
Current Assets													
Cash and Cash Equivalents	3.1	20,864	18,299	1,221	1,734	22,085	20,033	689	626	0	13,000	22,774	33,659
Investments	3.2	9,890	18,890	0	0	9,890	18,890	0	0	41,726	33,900	51,616	52,790
Assessed Contributions Receivable	3.3	127	65	53	56	180	121	3,172	589	0	0	3,353	709
Accounts Receivable	3.4	1,411	2,011	874	652	2,285	2,663	312	131	0	0	2,597	2,793
Prepayments	3.5	2,025	2,398	1,577	1,695	3,601	4,093	423	44	0	0	4,024	4,137
Inventory	3.6	0	0	18	106	18	106	0	0	8	4	26	110
Inter-Fund Balances		(12,973)	(21,231)	4,490	5,004	(8,483)	(16,226)	6,682	4,351	1,801	11,875	0	0
Other Current Assets	3.7	1	2	0	0	1	2	0	0	0	0	1	2
		21,345	20,433	8,234	9,248	29,579	29,681	11,278	5,740	43,534	58,779	84,391	94,200
Non-Current Assets													
Property, Plant and Equipment	3.8	3,249	3,461	3,734	3,417	6,983	6,878	8,567	4,283	10,018	5,415	25,568	16,575
Intangible Assets	3.9	587	553	175	75	763	628	2,921	3,384	401	270	4,085	4,282
Other Non-Current Assets	3.7	442	14	8	0	450	14	116	0	0	0	565	14
		4,279	4,027	3,917	3,492	8,196	7,519	11,604	7,668	10,419	5,684	30,218	20,871
Total Assets		25,624	24,461	12,150	12,739	37,774	37,200	22,882	13,408	53,953	64,464	114,610	115,072
LIABILITIES													
Current Liabilities													
Accounts Payable	4.1	2,402	2,494	1,402	1,999	3,805	4,493	140	202	0	0	3,944	4,694
Accruals	4.2	1,169	1,122	2,066	1,995	3,235	3,117	526	152	1,814	2,621	5,575	5,891
Deferred Revenue	4.3	2,766	6,437	0	0	2,766	6,437	2,799	1,207	25,362	37,198	30,928	44,841
Funds Held for Third Parties	4.4	5,469	2,349	25	21	5,494	2,370	0	0	0	0	5,494	2,370
Employee Benefits Current	4.5	1,942	1,786	2,983	3,078	4,925	4,864	346	165	201	260	5,472	5,289
Cash Surplus Current	4.7	1,168	65	1,414	103	2,582	167	0	0	0	0	2,582	167
Provisions	4.8	0	0	0	0	0	0	0	0	2,549	2,679	2,549	2,679
Other Current Liabilities	4.9	731	264	131	68	861	332	21	4	171	228	1,053	564
		15,648	14,517	8,020	7,263	23,668	21,780	3,831	1,729	30,097	42,985	57,596	66,495
Non-Current Liabilities													
Employee Benefits Non-Current	4.5	2,761	2,461	278	328	3,039	2,789	143	50	67	59	3,250	2,898
Cash Surplus Non-Current	4.7	164	1,212	228	1,466	392	2,678	0	0	0	0	392	2,678
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0	0	0	0	0
		2,925	3,673	507	1,794	3,431	5,467	143	50	67	59	3,642	5,576
Total Liabilities		18,572	18,190	8,527	9,057	27,099	27,247	3,975	1,780	30,164	43,045	61,238	72,071
NET ASSETS													
Cash Surplus Withheld	5.1	194	194	60	60	254	254	0	0	0	0	254	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	(1,885)	(1,056)	398	368	(1,487)	(688)	(85)	(13)	(116)	(100)	(1,688)	(801)
Accumulated Surplus/(Deficit)	5.4	3,853	2,243	3,165	3,254	7,018	5,497	18,992	11,641	23,905	21,519	49,915	38,657
Total Net Assets		7,052	6,271	3,623	3,682	10,675	9,953	18,907	11,628	23,789	21,419	53,372	43,000

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

For the Year Ended 31 December 2015

EUR '000	Note	Total Secretariat and Institutions		Total Field Operations		Total Unified Budget		Total Special Purpose Funds		Total Extra-Budgetary Funds		Total OSCE	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
REVENUE													
Assessed Contributions	6.1	55,095	53,261	83,192	86,090	138,287	139,350	58,750	5,758	0	0	197,037	145,108
Extra-Budgetary Contributions	6.2	0	0	0	0	0	0	0	0	39,296	48,140	39,296	48,140
Finance Revenue	6.3	95	246	5	5	101	251	0	0	0	0	101	251
Revenue from Exchange Transactions	6.4	7	12	299	210	307	222	(7)	0	(40)	(38)	260	184
Foreign Exchange Gains/(Losses)	6.5	(31)	(8)	(9)	(68)	(41)	(76)	110	14	880	611	948	548
Other Revenue	6.6	2,247	62	66	24	2,313	86	2,897	10,496	3	0	5,213	10,582
Total Revenue		57,414	53,572	83,553	86,260	140,967	139,832	61,750	16,268	40,139	48,713	242,856	204,813
EXPENSES													
Staff Costs	7.1	34,497	32,378	50,388	51,362	84,885	83,740	29,148	5,694	10,605	10,982	124,638	100,415
Consultancy and Subcontracting	7.2	6,214	5,783	7,487	7,818	13,701	13,601	2,281	133	7,831	9,735	23,814	23,469
Travel Expenses	7.3	4,918	4,453	8,008	8,116	12,926	12,569	3,555	397	5,156	6,640	21,637	19,607
Services and Office Costs	7.4	7,732	7,259	11,671	11,018	19,403	18,277	3,321	391	3,614	3,286	26,338	21,954
Consumables and Supplies	7.5	754	834	2,605	2,683	3,359	3,517	2,146	80	1,780	1,263	7,284	4,860
Depreciation and Amortisation	7.6	723	691	1,474	1,393	2,197	2,084	1,918	613	2,332	401	6,447	3,098
Equipment Purchases	7.7	270	441	1,261	1,394	1,531	1,834	1,287	607	1,051	1,910	3,869	4,352
Other Operating Expenses	7.8	531	783	519	674	1,051	1,457	10,744	333	4,969	4,569	16,764	6,359
Total Expenses		55,639	52,622	83,414	84,456	139,054	137,078	54,399	8,248	37,337	38,787	230,790	184,113
Surplus/(Deficit) for the Period	7.9	1,774	951	139	1,804	1,913	2,754	7,351	8,020	2,802	9,926	12,065	20,701

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

For the Year Ended 31 December 2015

EUR '000		Total Secretariat and Institutions		Total Field Operations		Total Unified Budget		Total Special Purpose Funds		Total Extra-Budgetary Funds		Total OSCE	
	Note	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES													
Surplus/(Deficit) for the Period	7.9	1,774	951	139	1,804	1,913	2,754	7,351	8,020	2,802	9,926	12,065	20,701
Non-Cash Movements													
Deduction of Unrealized Foreign Exchange Gains/Losses on Cash and Cash Equivalents	6.5	(52)	(29)	40	42	(13)	13	75	23	0	0	62	36
Deduction of Depreciation, Amortisation and Impairments	7.6,3.10	723	691	1,474	1,393	2,197	2,084	1,918	941	2,736	401	6,852	3,426
Deduction of Loss on Disposal of PP&E	6.4	(79)	14	118	53	39	67	71	(15)	37	40	147	92
Deduction of Non-Cash Changes in Net Assets	5.3	(829)	(484)	31	99	(799)	(385)	(72)	(13)	(17)	(0)	(887)	(399)
(Increase) / Decrease in Assessed Contributions Receivable	3.3	(62)	156	3	164	(60)	319	(2,584)	(589)	0	0	(2,644)	(269)
(Increase) / Decrease in Accounts Receivable	3.4	600	(144)	(222)	(98)	378	(241)	(182)	(131)	0	0	196	(372)
(Increase) / Decrease in Prepayments	3.5	373	(1,016)	119	(649)	492	(1,665)	(379)	(44)	0	0	113	(1,709)
(Increase) / Decrease in Inventory	3.6	0	0	87	(106)	87	(106)	0	0	(4)	(4)	83	(110)
(Increase) / Decrease in Other Current/Non-Current Assets	3.7	(428)	(12)	(8)	9	(435)	(3)	(116)	0	0	0	(551)	(3)
Increase /(Decrease) in Accounts Payable	4.1	(92)	1,033	(596)	72	(688)	1,104	(62)	203	0	489	(750)	1,797
Increase /(Decrease) in Accruals	4.2	47	483	71	185	118	668	374	148	(807)	1,399	(316)	2,215
Increase /(Decrease) in Deferred Revenue	4.3	(3,671)	1,271	0	0	(3,671)	1,271	1,593	1,207	(11,835)	15,387	(13,914)	17,865
Increase /(Decrease) in Funds Held for Third Parties	4.4	3,120	(839)	4	0	3,124	(839)	0	0	0	0	3,124	(839)
Increase /(Decrease) in Employee Benefits	4.5	455	124	(145)	(63)	310	61	274	215	(51)	87	534	363
Increase /(Decrease) in Cash Surplus Payable	4.7	56	(882)	73	(1,345)	129	(2,227)	0	0	0	0	129	(2,227)
Increase /(Decrease) in Provisions	4.8	0	0	0	(275)	0	(275)	0	0	(129)	(3,145)	(129)	(3,420)
Increase /(Decrease) in Other Liabilities	4.9	467	55	63	(41)	530	14	17	4	(57)	121	489	139
Increase /(Decrease) in Inter-Fund Balances		(8,257)	11,477	514	1,450	(7,743)	12,926	(2,331)	(2,070)	10,075	(10,856)	0	0
Net Cash Flows from Operating Activities		(5,856)	12,848	1,764	2,693	(4,092)	15,541	5,947	7,899	2,749	13,845	4,605	37,285
CASH FLOWS FROM INVESTING ACTIVITIES													
(Purchase) / Sale of Investments	3.2	9,000	(12,182)	0	0	9,000	(12,182)	0	0	(7,826)	(56)	1,174	(12,237)
(Addition) / Disposal of PP&E and Intangibles	3.8,3.9	(467)	(750)	(2,010)	(1,725)	(2,477)	(2,475)	(5,810)	(7,228)	(7,508)	(5,662)	(15,795)	(15,366)
Net Cash Flows from Investing Activities		8,533	(12,932)	(2,010)	(1,725)	6,523	(14,657)	(5,810)	(7,228)	(15,334)	(5,718)	(14,621)	(27,603)
CASH FLOWS FROM FINANCING ACTIVITIES													
Credits for Cash Surplus Withheld	5.1	0	(9)	0	(6)	0	(15)	0	0	0	0	0	(15)
Allocation of Current Year Cash Surplus	4.7	(164)	(1,212)	(228)	(1,466)	(392)	(2,678)	0	0	0	0	(392)	(2,678)
Credit of Network Operating System Fund Remaining Balance		0	0	0	0	0	0	0	(22)	0	0	0	(22)
Refund of Unspent Extra-budgetary Contributions	5.4	0	0	0	0	0	0	0	0	(415)	(133)	(415)	(133)
Net Cash Flows from Financing Activities		(164)	(1,221)	(228)	(1,472)	(392)	(2,693)	0	(22)	(415)	(133)	(807)	(2,848)
Net Increase/(Decrease) in Cash and Cash Equivalents	3.1	2,513	(1,305)	(473)	(504)	2,039	(1,809)	138	649	(13,000)	7,995	(10,823)	6,834
Cash and Cash Equivalents at Beginning of Period	3.1	18,299	19,574	1,734	2,281	20,033	21,855	626	0	13,000	5,005	33,659	26,861
Foreign Exchange Gains/(Losses) on Cash and Cash Equivalents	6.5	52	29	(40)	(42)	13	(13)	(75)	(23)	0	0	(62)	(36)
Cash and Cash Equivalents at End of Period		20,864	18,299	1,221	1,734	22,085	20,033	689	626	(0)	13,000	22,774	33,659

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

As at 31 December 2015

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	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
ASSETS											
Current Assets											
Cash and Cash Equivalents	3.1	20,743	17,950	99	297	22	51	0	0	20,864	18,299
Investments	3.2	9,890	18,890	0	0	0	0	0	0	9,890	18,890
Assessed Contributions Receivable	3.3	80	38	37	20	7	4	3	2	127	65
Accounts Receivable	3.4	1,264	1,847	80	92	67	72	0	0	1,411	2,011
Prepayments	3.5	1,500	1,859	405	405	123	134	(3)	0	2,025	2,398
Inventory	3.6	0	0	0	0	0	0	0	0	0	0
Inter-Fund Balances		(14,797)	(21,743)	1,739	494	47	(22)	38	41	(12,973)	(21,231)
Other Current Assets	3.7	0	0	2	2	(1)	0	0	0	1	2
		18,679	18,841	2,362	1,310	265	239	39	43	21,345	20,433
Non-Current Assets											
Property, Plant and Equipment	3.8	3,071	3,214	161	223	16	21	1	3	3,249	3,461
Intangible Assets	3.9	474	440	111	109	3	4	0	0	587	553
Other Non-Current Assets	3.7	442	14	0	0	0	0	0	0	442	14
		3,988	3,668	272	332	18	24	1	3	4,279	4,027
Total Assets		22,667	22,509	2,633	1,642	284	263	40	46	25,624	24,461
LIABILITIES											
Current Liabilities											
Accounts Payable	4.1	2,094	2,129	281	326	29	39	(1)	(1)	2,402	2,494
Accruals	4.2	714	678	357	349	81	84	17	12	1,169	1,122
Deferred Revenue	4.3	2,766	6,437	0	0	0	0	0	0	2,766	6,437
Funds Held for Third Parties	4.4	5,106	1,976	363	373	0	0	0	0	5,469	2,349
Employee Benefits Current	4.5	1,359	1,217	376	406	134	88	72	75	1,942	1,786
Cash Surplus Current	4.7	1,060	43	82	17	20	3	6	1	1,168	65
Provisions	4.8	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	4.9	671	205	0	0	60	59	0	0	731	264
		13,771	12,685	1,460	1,471	324	274	93	88	15,648	14,517
Non-Current Liabilities											
Employee Benefits Non-Current	4.5	1,692	1,555	801	668	177	156	90	81	2,761	2,461
Cash Surplus Non-Current	4.7	140	1,100	24	85	(0)	20	(1)	6	164	1,212
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0	0	0
		1,833	2,655	825	753	177	176	90	88	2,925	3,673
Total Liabilities		15,603	15,340	2,285	2,224	501	450	183	176	18,572	18,190
NET ASSETS											
Cash Surplus Withheld	5.1	181	181	8	8	4	4	1	1	194	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	(1,070)	(523)	(706)	(469)	(91)	(62)	(19)	(3)	(1,885)	(1,056)
Accumulated Surplus/(Deficit)	5.4	3,063	2,621	1,046	(121)	(131)	(129)	(125)	(128)	3,853	2,243
Total Net Assets		7,064	7,169	349	(582)	(217)	(187)	(143)	(129)	7,052	6,271

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

For the Year Ended 31 December 2015

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	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
REVENUE											
Assessed Contributions	6.1	34,531	32,743	15,867	15,805	3,218	3,262	1,480	1,451	55,095	53,261
Extra-Budgetary Contributions	6.2	0	0	0	0	0	0	0	0	0	0
Finance Revenue	6.3	95	245	1	1	0	0	0	0	95	246
Revenue from Exchange Transactions	6.4	1	(3)	6	15	0	0	(0)	0	7	12
Foreign Exchange Gains/(Losses)	6.5	(43)	0	13	(8)	(2)	(0)	(1)	(0)	(31)	(8)
Other Revenue	6.6	168	61	2,079	1	0	0	0	0	2,247	62
Total Revenue		34,752	33,045	17,967	15,815	3,216	3,262	1,479	1,450	57,414	53,572
EXPENSES											
Staff Costs	7.1	23,017	21,188	7,949	7,668	2,389	2,407	1,142	1,114	34,497	32,378
Consultancy and Subcontracting	7.2	1,077	1,045	4,816	4,373	280	303	42	63	6,214	5,783
Travel Expenses	7.3	2,658	2,355	1,693	1,527	377	381	190	190	4,918	4,453
Services and Office Costs	7.4	5,813	5,552	1,734	1,493	104	121	81	94	7,732	7,259
Consumables and Supplies	7.5	394	415	328	373	26	36	5	10	754	834
Depreciation and Amortisation	7.6	591	557	119	118	11	14	2	2	723	691
Equipment Purchases	7.7	143	230	108	199	16	6	3	6	270	441
Other Operating Expenses	7.8	477	611	28	136	14	21	12	15	531	783
Total Expenses		34,170	31,952	16,775	15,886	3,217	3,289	1,478	1,494	55,639	52,622
Surplus/(Deficit) for the Period	7.9	582	1,093	1,192	(71)	(1)	(27)	2	(44)	1,774	951

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

As at 31 December 2015

EUR '000		Augmentations		South-Eastern Europe		Eastern Europe		Caucasus		Central Asia		Total Regions		Closed Funds		Total Field Operations	
	Note	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
ASSETS																	
Current Assets																	
Cash and Cash Equivalents	3.1	0	0	508	936	249	192	141	225	323	382	1,221	1,734	0	0	1,221	1,734
Investments	3.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Assessed Contributions Receivable	3.3	3	3	28	30	3	4	4	4	13	12	51	54	2	2	53	56
Accounts Receivable	3.4	0	0	517	284	151	282	0	0	206	86	874	652	0	0	874	652
Prepayments	3.5	0	0	920	857	290	244	20	130	346	465	1,577	1,695	0	0	1,577	1,695
Inventory	3.6	0	0	0	74	0	18	18	0	0	13	18	106	0	0	18	106
Inter-Fund Balances		804	854	1,881	1,943	(397)	(355)	194	328	1,970	2,202	4,452	4,972	39	32	4,490	5,004
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		807	858	3,855	4,124	296	384	377	688	2,858	3,160	8,193	9,214	41	34	8,234	9,248
Non-Current Assets																	
Property, Plant and Equipment	3.8	0	0	1,890	1,516	239	210	297	338	1,309	1,353	3,734	3,417	0	0	3,734	3,417
Intangible Assets	3.9	0	0	114	50	13	7	2	3	46	15	175	75	0	0	175	75
Other Non-Current Assets	3.7	0	0	0	0	8	0	0	0	0	0	8	0	0	0	8	0
		0	0	2,004	1,566	259	217	299	341	1,355	1,368	3,917	3,492	0	0	3,917	3,492
Total Assets		807	858	5,859	5,690	556	601	676	1,029	4,212	4,528	12,110	12,706	41	34	12,150	12,739
LIABILITIES																	
Current Liabilities																	
Accounts Payable	4.1	0	0	294	757	115	113	4	19	990	1,110	1,402	1,999	0	0	1,402	1,999
Accruals	4.2	2	17	1,211	765	126	165	68	324	660	724	2,066	1,995	0	0	2,066	1,995
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	24	20	0	0	0	0	0	0	25	21	0	0	25	21
Employee Benefits Current	4.5	250	272	2,130	2,068	122	119	109	121	372	498	2,983	3,079	0	(1)	2,983	3,078
Cash Surplus Current	4.7	15	6	667	62	25	5	213	8	480	22	1,400	102	14	1	1,414	103
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	66	58	24	0	0	1	41	8	131	68	0	0	131	68
		267	294	4,391	3,730	412	404	393	473	2,543	2,362	8,007	7,263	14	0	8,020	7,263
Non-Current Liabilities																	
Employee Benefits Non-Current	4.5	152	213	79	76	7	6	5	8	36	26	278	328	0	0	278	328
Cash Surplus Non-Current	4.7	5	15	161	692	(86)	26	31	221	110	498	220	1,452	8	14	228	1,466
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		157	228	240	767	(79)	32	35	228	145	524	499	1,780	8	14	507	1,794
Total Liabilities		424	522	4,632	4,498	332	435	429	701	2,688	2,886	8,505	9,043	22	14	8,527	9,057
NET ASSETS																	
Cash Surplus Withheld	5.1	0	0	28	27	2	2	10	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 Func	5.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserves	5.3	209	147	303	316	(4)	(4)	(12)	(12)	(97)	(78)	398	369	0	(1)	398	368
Accumulated Surplus/(Deficit)	5.4	174	188	897	849	226	169	250	330	1,616	1,715	3,162	3,251	2	3	3,165	3,254
Total Net Assets		384	335	1,227	1,192	223	166	247	328	1,524	1,642	3,604	3,663	19	19	3,623	3,682

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

For the Year Ended 31 December 2015

EUR '000	Note	Augmentations		South-Eastern Europe		Eastern Europe		Caucasus		Central Asia		Total Regions		Closed Funds		Total Field Operations	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
REVENUE																	
Assessed Contributions	6.1	4,884	5,288	47,863	49,876	5,032	4,866	5,471	6,397	19,943	19,663	83,192	86,090	0	0	83,192	86,090
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	4	3	2	2	0	0	0	0	5	5	0	0	5	5
Revenue from Exchange Transactions	6.4	0	0	305	185	32	5	19	11	(56)	8	299	210	0	0	299	210
Foreign Exchange Gains/(Losses)	6.5	0	0	58	(6)	(116)	(14)	(4)	27	52	(74)	(9)	(68)	0	0	(9)	(68)
Other Revenue	6.6	0	0	36	34	2	(34)	(59)	1	87	22	66	24	0	0	66	24
Total Revenue		4,884	5,288	48,265	50,091	4,952	4,826	5,426	6,436	20,026	19,619	83,553	86,260	0	0	83,553	86,260
EXPENSES																	
Staff Costs	7.1	4,715	4,732	33,930	34,981	2,250	2,237	2,342	2,542	7,150	6,870	50,387	51,362	1	0	50,388	51,362
Consultancy and Subcontracting	7.2	70	31	2,314	2,384	802	689	682	909	3,619	3,804	7,487	7,818	0	0	7,487	7,818
Travel Expenses	7.3	104	138	2,776	2,672	684	605	1,101	1,179	3,342	3,523	8,008	8,116	0	0	8,008	8,116
Services and Office Costs	7.4	6	7	6,508	6,227	884	850	947	1,126	3,326	2,808	11,671	11,018	0	0	11,671	11,018
Consumables and Supplies	7.5	2	2	1,116	1,154	159	134	147	182	1,180	1,211	2,605	2,683	0	0	2,605	2,683
Depreciation and Amortisation	7.6	0	0	740	720	77	69	106	111	551	494	1,474	1,393	0	0	1,474	1,393
Equipment Purchases	7.7	0	0	477	566	88	97	102	81	595	650	1,261	1,394	0	0	1,261	1,394
Other Operating Expenses	7.8	(4)	11	194	251	38	88	49	83	251	255	528	688	(8)	(14)	519	674
Total Expenses		4,893	4,922	48,056	48,956	4,981	4,767	5,476	6,212	20,016	19,614	83,421	84,470	(7)	(14)	83,414	84,456
Surplus/(Deficit) for the Period	7.9	(9)	366	209	1,135	(29)	59	(50)	225	11	6	132	1,790	7	14	139	1,804

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

As at 31 December 2015

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	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
ASSETS															
Current Assets															
Cash and Cash Equivalents	3.1	59	68	119	121	122	313	130	128	70	199	7	107	508	936
Investments	3.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Assessed Contributions Receivable	3.3	11	12	6	7	4	4	2	2	4	4	1	1	28	30
Accounts Receivable	3.4	(0)	(0)	432	162	0	0	24	20	61	102	0	0	517	284
Prepayments	3.5	29	12	6	6	673	666	3	23	45	52	164	97	920	857
Inventory	3.6	0	62	0	0	0	12	0	0	0	0	0	0	0	74
Inter-Fund Balances		2,042	2,043	(173)	267	(367)	(448)	143	132	264	39	(28)	(89)	1,881	1,943
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		2,141	2,196	390	564	432	547	302	305	445	396	144	116	3,855	4,124
Non-Current Assets															
Property, Plant and Equipment	3.8	827	528	492	431	265	312	63	62	191	143	51	41	1,890	1,516
Intangible Assets	3.9	57	15	25	6	5	6	1	1	26	22	0	0	114	50
Other Non-Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		884	543	517	436	271	319	64	63	218	164	51	41	2,004	1,566
Total Assets		3,025	2,739	907	1,000	703	866	366	368	663	561	195	157	5,859	5,690
LIABILITIES															
Current Liabilities															
Accounts Payable	4.1	86	275	24	85	28	257	91	49	32	47	33	45	294	757
Accruals	4.2	500	209	61	95	297	174	102	73	215	205	35	9	1,211	765
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	10	6	0	0	0	0	14	14	0	0	24	20
Employee Benefits Current	4.5	1,071	955	524	579	200	208	65	65	208	202	64	59	2,130	2,068
Cash Surplus Current	4.7	421	25	61	16	34	8	86	4	37	7	28	2	667	62
Provisions	4.8	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	4.9	63	56	2	1	(0)	0	(0)	0	0	1	0	0	66	58
		2,141	1,520	682	783	558	646	343	190	506	476	161	115	4,391	3,730
Non-Current Liabilities															
Employee Benefits Non-Current	4.5	41	39	12	10	6	5	7	7	10	11	3	3	79	76
Cash Surplus Non-Current	4.7	39	436	98	64	7	35	11	89	5	38	2	30	161	692
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		80	475	110	74	13	40	18	96	15	50	5	33	240	767
Total Liabilities		2,220	1,995	792	856	571	687	361	287	521	526	166	148	4,632	4,498
NET ASSETS															
Cash Surplus Withheld	5.1	21	21	7	7	2	2	4	4	(6)	(6)	0	0	28	27
Revolving Fund	5.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contingency Fund	5.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserves	5.3	216	222	31	37	29	30	11	10	18	16	(1)	1	303	316
Accumulated Surplus/(Deficit)	5.4	569	501	77	100	101	148	(10)	67	130	25	30	7	897	849
Total Net Assets		805	744	115	144	132	179	5	81	142	35	29	9	1,227	1,192

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

For the Year Ended 31 December 2015

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	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
REVENUE															
Assessed Contributions	6.1	18,840	19,598	11,368	12,278	6,392	6,497	2,919	2,967	6,252	6,394	2,093	2,142	47,863	49,876
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	2	0	0	0	2	2	0	0	4	3
Revenue from Exchange Transactions	6.4	123	56	83	101	38	28	(0)	0	61	0	0	0	305	185
Foreign Exchange Gains/(Losses)	6.5	(0)	(0)	65	0	(8)	(1)	6	4	(5)	(10)	0	0	58	(6)
Other Revenue	6.6	19	(4)	14	36	4	1	(2)	1	1	(0)	0	0	36	34
Total Revenue		18,982	19,650	11,530	12,415	6,428	6,525	2,923	2,972	6,310	6,387	2,093	2,142	48,265	50,091
EXPENSES															
Staff Costs	7.1	14,472	14,610	8,474	9,115	3,834	4,051	1,817	1,736	4,125	4,279	1,209	1,192	33,930	34,981
Consultancy and Subcontracting	7.2	650	702	321	349	590	500	256	296	340	364	158	173	2,314	2,384
Travel Expenses	7.3	482	442	824	768	635	628	219	206	394	368	222	259	2,776	2,672
Services and Office Costs	7.4	2,304	2,243	1,309	1,351	1,089	954	507	433	911	852	387	394	6,508	6,227
Consumables and Supplies	7.5	437	398	281	273	105	101	94	108	169	235	30	39	1,116	1,154
Depreciation and Amortisation	7.6	346	314	177	179	104	103	24	27	72	83	17	15	740	720
Equipment Purchases	7.7	185	148	62	205	61	79	34	42	126	81	8	11	477	566
Other Operating Expenses	7.8	(1)	23	7	35	50	62	37	23	63	70	37	38	194	251
Total Expenses		18,876	18,881	11,454	12,276	6,467	6,477	2,990	2,870	6,200	6,332	2,068	2,120	48,056	48,956
Surplus/(Deficit) for the Period	7.9	106	770	75	139	(39)	49	(67)	102	110	55	24	21	209	1,135

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

As at 31 December 2015

EUR '000		Mission to Moldova		Project Co-ordinator in Ukraine		Representative on the Latvian-Russian Joint Commission on Military Pensioners		Total Eastern Europe	
	Note	2015	2014	2015	2014	2015	2014	2015	2014
ASSETS									
Current Assets									
Cash and Cash Equivalents	3.1	7	8	242	184	0	0	249	192
Investments	3.2	0	0	0	0	0	0	0	0
Assessed Contributions Receivable	3.3	1	1	2	3	0	0	3	4
Accounts Receivable	3.4	23	33	127	248	0	0	151	282
Prepayments	3.5	32	40	258	204	0	0	290	244
Inventory	3.6	0	0	0	18	0	0	0	18
Inter-Fund Balances		223	160	(620)	(515)	0	0	(397)	(355)
Other Current Assets	3.7	0	0	0	0	0	0	0	0
		287	242	9	142	0	0	296	384
Non-Current Assets									
Property, Plant and Equipment	3.8	183	170	55	40	0	0	239	210
Intangible Assets	3.9	6	2	8	5	0	0	13	7
Other Non-Current Assets	3.7	0	0	8	0	0	0	8	0
		189	171	70	45	0	0	259	217
Total Assets		476	414	79	187	0	0	556	601
LIABILITIES									
Current Liabilities									
Accounts Payable	4.1	35	40	81	73	0	0	115	113
Accruals	4.2	102	104	24	61	0	0	126	165
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	37	41	84	78	0	0	122	119
Cash Surplus Current	4.7	32	2	(8)	3	0	0	25	5
Provisions	4.8	0	0	0	0	0	0	0	0
Other Current Liabilities	4.9	0	0	24	0	0	0	24	0
		207	188	205	215	0	0	412	404
Non-Current Liabilities									
Employee Benefits Non-Current	4.5	6	5	1	1	0	0	7	6
Cash Surplus Non-Current	4.7	14	34	(100)	(8)	0	0	(86)	26
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0
		19	39	(99)	(7)	0	0	(79)	32
Total Liabilities		226	227	106	209	0	0	332	435
NET ASSETS									
Cash Surplus Withheld	5.1	1	1	1	1	0	0	2	2
Revolving Fund	5.2	0	0	0	0	0	0	0	0
Contingency Fund	5.2	0	0	0	0	0	0	0	0
Other Reserves	5.3	(6)	(7)	2	2	0	0	(4)	(4)
Accumulated Surplus/(Deficit)	5.4	255	193	(30)	(25)	0	0	226	169
Total Net Assets		250	187	(27)	(21)	0	0	223	166

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

For the Year Ended 31 December 2015

EUR '000		Mission to Moldova		Project Co-ordinator in Ukraine		Representative on the Latvian-Russian Joint Commission on Military Pensioners		Total Eastern Europe	
	Note	2015	2014	2015	2014	2015	2014	2015	2014
REVENUE									
Assessed Contributions	6.1	2,090	2,128	2,934	2,729	8	8	5,032	4,866
Extra-Budgetary Contributions	6.2	0	0	0	0	0	0	0	0
Finance Revenue	6.3	0	0	2	2	0	0	2	2
Revenue from Exchange Transactions	6.4	18	5	13	0	0	0	32	5
Foreign Exchange Gains/(Losses)	6.5	(8)	6	(107)	(20)	0	0	(116)	(14)
Other Revenue	6.6	2	2	0	(36)	0	0	2	(34)
Total Revenue		2,102	2,142	2,842	2,676	8	8	4,952	4,826
EXPENSES									
Staff Costs	7.1	1,038	1,043	1,212	1,193	0	0	2,250	2,237
Consultancy and Subcontracting	7.2	197	175	604	514	0	0	802	689
Travel Expenses	7.3	185	209	492	388	8	8	684	605
Services and Office Costs	7.4	427	452	457	398	(0)	(0)	884	850
Consumables and Supplies	7.5	82	56	78	78	0	0	159	134
Depreciation and Amortisation	7.6	58	47	19	22	0	0	77	69
Equipment Purchases	7.7	19	41	69	56	0	0	88	97
Other Operating Expenses	7.8	21	35	16	53	0	0	38	88
Total Expenses		2,026	2,058	2,947	2,701	8	8	4,981	4,767
Surplus/(Deficit) for the Period	7.9	76	84	(105)	(25)	0	0	(29)	59

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

As at 31 December 2015

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	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
ASSETS													
Current Assets													
Cash and Cash Equivalents	3.1	38	13	0	132	0	0	0	0	104	79	141	225
Investments	3.2	0	0	0	0	0	0	0	0	0	0	0	0
Assessed Contributions Receivable	3.3	2	2	1	1	0	0	0	0	1	1	4	4
Accounts Receivable	3.4	0	0	0	0	0	0	0	0	0	0	0	0
Prepayments	3.5	18	49	0	80	0	0	0	0	2	2	20	130
Inventory	3.6	18	0	0	0	0	0	0	0	0	0	18	0
Inter-Fund Balances		68	38	128	240	40	40	(146)	(150)	104	160	194	328
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0
		143	102	129	453	40	40	(146)	(149)	211	242	377	688
Non-Current Assets													
Property, Plant and Equipment	3.8	150	119	0	82	0	0	0	0	146	137	297	338
Intangible Assets	3.9	2	3	0	0	0	0	0	0	0	0	2	3
Other Non-Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0
		152	122	0	82	0	0	0	0	146	137	299	341
Total Assets		296	223	129	535	40	40	(146)	(149)	357	380	676	1,029
LIABILITIES													
Current Liabilities													
Accounts Payable	4.1	3	(9)	0	25	0	0	0	0	0	3	4	19
Accruals	4.2	52	19	3	293	1	0	3	1	10	11	68	324
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	64	59	20	35	8	7	0	0	17	20	109	121
Cash Surplus Current	4.7	45	3	99	3	2	0	10	0	57	1	213	8
Provisions	4.8	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	4.9	0	0	0	1	0	0	0	0	0	0	0	1
		164	71	122	357	11	8	13	1	84	36	393	473
Non-Current Liabilities													
Employee Benefits Non-Current	4.5	2	3	0	2	0	0	0	0	2	2	5	8
Cash Surplus Non-Current	4.7	9	47	13	102	0	2	2	11	6	59	31	221
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0	0	0	0	0
		12	50	13	105	0	2	2	11	9	61	35	228
Total Liabilities		176	121	134	461	11	10	15	12	92	97	429	701
NET ASSETS													
Cash Surplus Withheld	5.1	1	1	1	1	1	1	5	5	2	2	10	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)	(6)	(6)	0	0	0	0	(4)	(4)	(12)	(12)
Accumulated Surplus/(Deficit)	5.4	121	103	(0)	80	28	29	(166)	(166)	267	285	250	330
Total Net Assets		120	102	(5)	74	29	30	(161)	(161)	265	283	247	328

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

For the Year Ended 31 December 2015

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	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
REVENUE													
Assessed Contributions	6.1	2,882	2,855	831	1,800	203	195	453	454	1,102	1,094	5,471	6,397
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	9	10	10	0	0	0	0	1	(8)	19	11
Foreign Exchange Gains/(Losses)	6.5	1	31	(4)	(4)	0	0	0	0	(1)	0	(4)	27
Other Revenue	6.6	0	0	(67)	0	0	0	0	0	7	0	(59)	1
Total Revenue		2,891	2,895	770	1,806	203	195	453	454	1,109	1,087	5,426	6,436
EXPENSES													
Staff Costs	7.1	1,005	1,061	572	770	81	76	0	3	685	631	2,342	2,542
Consultancy and Subcontracting	7.2	735	732	(55)	176	0	0	0	0	2	2	682	909
Travel Expenses	7.3	389	416	144	225	32	29	430	425	106	84	1,101	1,179
Services and Office Costs	7.4	520	398	143	454	88	85	10	12	185	178	947	1,126
Consumables and Supplies	7.5	65	69	9	41	2	2	0	0	71	70	147	182
Depreciation and Amortisation	7.6	39	33	12	31	0	0	0	0	55	47	106	111
Equipment Purchases	7.7	89	67	4	2	0	1	0	1	9	10	102	81
Other Operating Expenses	7.8	23	40	8	17	0	0	10	13	8	13	49	83
Total Expenses		2,864	2,816	838	1,715	204	193	451	454	1,121	1,034	5,476	6,212
Surplus/(Deficit) for the Period	7.9	28	79	(67)	91	(0)	2	2	(0)	(12)	53	(50)	225

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

As at 31 December 2015

EUR '000		Programme Office in Astana		Centre in Ashgabat		Centre in Bishkek		Project Co-ordinator in Uzbekistan		Office in Tajikistan		Total Central Asia	
	Note	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
ASSETS													
Current Assets													
Cash and Cash Equivalents	3.1	22	88	15	40	61	66	188	88	37	101	323	382
Investments	3.2	0	0	0	0	0	0	0	0	0	0	0	0
Assessed Contributions Receivable	3.3	1	1	1	1	4	4	1	1	5	5	13	12
Accounts Receivable	3.4	0	(0)	0	0	131	53	13	0	62	33	206	86
Prepayments	3.5	44	118	5	6	8	152	164	62	125	127	346	465
Inventory	3.6	0	0	0	0	0	0	0	13	0	0	0	13
Inter-Fund Balances		113	98	145	145	446	472	97	109	1,169	1,378	1,970	2,202
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0
		180	305	166	191	651	747	463	273	1,397	1,644	2,858	3,160
Non-Current Assets													
Property, Plant and Equipment	3.8	68	22	77	102	424	583	146	170	594	476	1,309	1,353
Intangible Assets	3.9	5	2	2	2	38	12	0	0	0	0	46	15
Other Non-Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0
		73	23	80	104	462	595	146	170	594	476	1,355	1,368
Total Assets		252	328	246	295	1,113	1,342	610	443	1,990	2,120	4,212	4,528
LIABILITIES													
Current Liabilities													
Accounts Payable	4.1	12	19	11	22	76	145	21	43	870	881	990	1,110
Accruals	4.2	59	113	19	30	111	225	333	115	138	240	660	724
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	70	84	29	30	89	79	22	19	162	286	372	498
Cash Surplus Current	4.7	63	3	104	2	155	8	22	2	136	6	480	22
Provisions	4.8	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	4.9	1	0	0	(0)	17	0	1	(0)	21	8	41	8
		205	219	163	84	448	457	399	179	1,328	1,422	2,543	2,362
Non-Current Liabilities													
Employee Benefits Non-Current	4.5	3	3	5	3	11	7	2	1	15	13	36	26
Cash Surplus Non-Current	4.7	16	66	10	107	23	161	28	23	32	141	110	498
Other Non-Current Liabilities	4.9	0	0	0	0	0	0	0	0	0	0	0	0
		20	68	15	111	34	167	30	24	47	154	145	524
Total Liabilities		225	287	178	195	482	625	430	203	1,375	1,576	2,688	2,886
NET ASSETS													
Cash Surplus Withheld	5.1	1	1	1	1	0	0	1	1	2	2	5	5
Revolving Fund	5.2	0	0	0	0	0	0	0	0	0	0	0	0
Contingency Fund	5.2	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserves	5.3	(15)	(13)	2	5	(35)	(26)	(8)	(5)	(40)	(39)	(97)	(78)
Accumulated Surplus/(Deficit)	5.4	42	54	66	94	667	743	187	244	654	580	1,616	1,715
Total Net Assets		28	41	69	100	631	717	180	240	616	543	1,524	1,642

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

For the Year Ended 31 December 2015

EUR '000		Programme Office in Astana		Centre in Ashgabat		Centre in Bishkek		Project Co-ordinator in Uzbekistan		Office in Tajikistan		Total Central Asia	
	Note	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
REVENUE													
Assessed Contributions	6.1	2,149	2,130	1,570	1,527	6,909	6,882	1,977	1,975	7,338	7,150	19,943	19,663
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	4	6	4	(6)	(75)	(20)	(12)	(2)	24	29	(56)	8
Foreign Exchange Gains/(Losses)	6.5	2	(6)	4	3	12	13	13	6	20	(89)	52	(74)
Other Revenue	6.6	5	2	1	3	60	5	13	3	8	10	87	22
Total Revenue		2,160	2,132	1,580	1,526	6,906	6,880	1,991	1,981	7,390	7,100	20,026	19,619
EXPENSES													
Staff Costs	7.1	808	813	592	567	2,266	2,126	570	429	2,913	2,936	7,150	6,870
Consultancy and Subcontracting	7.2	380	425	248	261	1,728	1,872	324	339	940	907	3,619	3,804
Travel Expenses	7.3	452	396	297	268	926	1,008	431	609	1,236	1,242	3,342	3,523
Services and Office Costs	7.4	360	300	314	250	1,035	1,041	489	358	1,128	859	3,326	2,808
Consumables and Supplies	7.5	62	43	44	21	443	486	46	76	586	585	1,180	1,211
Depreciation and Amortisation	7.6	25	17	31	29	253	227	74	77	168	143	551	494
Equipment Purchases	7.7	22	20	39	15	277	301	46	82	211	232	595	650
Other Operating Expenses	7.8	46	27	32	38	30	66	39	45	103	79	251	255
Total Expenses		2,155	2,041	1,597	1,449	6,959	7,127	2,019	2,015	7,284	6,981	20,016	19,614
Surplus/(Deficit) for the Period	7.9	5	91	(18)	77	(53)	(247)	(29)	(34)	106	119	11	6

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

As at 31 December 2015

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	2015	2014	2015	2014	2015	2014	2015	2014
ASSETS									
Current Assets									
Cash and Cash Equivalents	3.1	0	0	666	603	23	23	689	626
Investments	3.2	0	0	0	0	0	0	0	0
Assessed Contributions Receivable	3.3	0	0	3,172	589	0	0	3,172	589
Accounts Receivable	3.4	0	0	312	131	0	0	312	131
Prepayments	3.5	0	0	423	34	0	10	423	44
Inventory	3.6	0	0	0	0	0	0	0	0
Inter-Fund Balances		(821)	(97)	7,178	3,925	325	523	6,682	4,351
Other Current Assets	3.7	0	0	0	0	0	0	0	0
		(821)	(97)	11,751	5,282	348	556	11,278	5,740
Non-Current Assets									
Property, Plant and Equipment	3.8	8	14	8,476	4,163	82	106	8,567	4,283
Intangible Assets	3.9	2,848	3,337	73	48	0	0	2,921	3,384
Other Non-Current Assets	3.7	0	0	116	0	0	0	116	0
		2,856	3,351	8,665	4,211	82	106	11,604	7,668
Total Assets		2,035	3,253	20,416	9,492	431	662	22,882	13,408
LIABILITIES									
Current Liabilities									
Accounts Payable	4.1	0	0	134	190	5	12	140	202
Accruals	4.2	11	141	499	7	16	5	526	152
Deferred Revenue	4.3	0	0	2,799	1,207	0	0	2,799	1,207
Funds Held for Third Parties	4.4	0	0	0	0	0	0	0	0
Employee Benefits Current	4.5	0	0	342	164	3	1	346	165
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	21	4	0	0	21	4
		11	141	3,796	1,571	24	18	3,831	1,729
Non-Current Liabilities									
Employee Benefits Non-Current	4.5	0	0	139	50	4	1	143	50
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
		0	0	139	50	4	1	143	50
Total Liabilities		11	141	3,935	1,620	28	18	3,975	1,780
NET ASSETS									
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	(81)	(13)	(4)	(0)	(85)	(13)
Accumulated Surplus/(Deficit)	5.4	2,024	3,112	16,562	7,885	406	644	18,992	11,641
Total Net Assets		2,024	3,112	16,481	7,872	402	644	18,907	11,628

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

For the Year Ended 31 December 2015

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	2015	2014	2015	2014	2015	2014	2015	2014
REVENUE									
Assessed Contributions	6.1	0	0	58,750	5,758	0	0	58,750	5,758
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	(7)	0	0	0	(7)	0
Foreign Exchange Gains/(Losses)	6.5	0	0	111	16	(1)	(2)	110	14
Other Revenue	6.6	0	0	1,925	9,410	972	1,086	2,897	10,496
Total Revenue		0	0	60,779	15,184	971	1,084	61,750	16,268
EXPENSES									
Staff Costs	7.1	32	8	28,077	5,369	1,038	316	29,148	5,694
Consultancy and Subcontracting	7.2	278	133	2,001	0	3	0	2,281	133
Travel Expenses	7.3	0	0	3,452	315	103	82	3,555	397
Services and Office Costs	7.4	240	57	3,061	319	20	14	3,321	391
Consumables and Supplies	7.5	0	0	2,128	64	18	16	2,146	80
Depreciation and Amortisation	7.6	538	305	1,356	298	24	10	1,918	613
Equipment Purchases	7.7	0	0	1,286	607	0	1	1,287	607
Other Operating Expenses	7.8	0	1	10,741	332	3	0	10,744	333
Total Expenses		1,088	504	52,103	7,304	1,209	440	54,399	8,248
Surplus/(Deficit) for the Period	7.9	(1,088)	(504)	8,676	7,880	(238)	644	7,351	8,020

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

As at 31 December 2015

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		Fund for Activities Related to Special Monitoring Mission to Ukraine		Other PC Established Funds		Other Activities and Special Projects		Total Extra-Budgetary Funds	
	Note	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
ASSETS													
Current Assets													
Cash and Cash Equivalents	3.1	0	0	0	0	0	0	0	0	0	13,000	0	13,000
Investments	3.2	0	0	0	0	0	0	7,726	6,900	34,000	27,000	41,726	33,900
Assessed Contributions Receivable	3.3	0	0	0	0	0	0	0	0	0	0	0	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	8	4	8	4
Inter-Fund Balances		1,434	1,771	873	1,019	2,272	15,172	398	368	(3,175)	(6,455)	1,801	11,875
Other Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0
		1,434	1,772	873	1,019	2,272	15,172	8,124	7,268	30,832	33,549	43,534	58,779
Non-Current Assets													
Property, Plant and Equipment	3.8	195	0	1	2	9,380	5,098	0	0	442	315	10,018	5,415
Intangible Assets	3.9	25	0	0	0	186	220	145	0	46	50	401	270
Other Non-Current Assets	3.7	0	0	0	0	0	0	0	0	0	0	0	0
		220	0	1	2	9,566	5,318	145	0	487	365	10,419	5,684
Total Assets		1,654	1,772	874	1,021	11,838	20,490	8,268	7,268	31,319	33,913	53,953	64,464
LIABILITIES													
Current Liabilities													
Accounts Payable	4.1	0	0	0	0	0	0	0	0	0	0	0	0
Accruals	4.2	26	3	48	15	5	2,156	20	15	1,714	432	1,814	2,621
Deferred Revenue	4.3	417	432	(500)	770	(497)	7,037	5,928	5,942	20,014	23,016	25,362	37,198
Funds Held for Third Parties	4.4	0	0	0	0	0	0	0	0	0	0	0	0
Employee Benefits Current	4.5	9	6	16	13	0	51	1	0	175	190	201	260
Cash Surplus Current	4.7	0	0	0	0	0	0	0	0	0	0	0	0
Provisions	4.8	50	125	14	20	0	3	48	68	2,437	2,462	2,549	2,679
Other Current Liabilities	4.9	0	0	0	0	0	0	0	0	171	228	171	228
		502	567	(421)	818	(492)	9,248	5,997	6,026	24,512	26,328	30,097	42,985
Non-Current Liabilities													
Employee Benefits Non-Current	4.5	1	0	2	1	0	8	0	0	64	50	67	59
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	0	0	0	0
		1	0	2	1	0	8	0	0	64	50	67	59
Total Liabilities		503	567	(418)	818	(492)	9,256	5,997	6,026	24,576	26,378	30,164	43,045
NET ASSETS													
Cash Surplus Withheld	5.1	0	0	0	0	0	0	0	0	0	0	0	0
Revolving Fund	5.2	0	0	0	0	0	0	0	0	0	0	0	0
Contingency Fund	5.2	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserves	5.3	0	1	(2)	0	1	(5)	0	0	(115)	(95)	(116)	(100)
Accumulated Surplus/(Deficit)	5.4	1,151	1,204	1,294	202	12,329	11,240	2,272	1,242	6,859	7,631	23,905	21,519
Total Net Assets		1,152	1,205	1,292	202	12,330	11,234	2,272	1,242	6,744	7,536	23,789	21,419

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

For the Year Ended 31 December 2015

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		Fund for Activities Related to Special Monitoring Mission to Ukraine		Other PC Established Funds		Other Activities and Special Projects		Total Extra-Budgetary Funds	
	Note	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
REVENUE													
Assessed Contributions	6.1	0	0	0	0	0	0	0	0	0	0	0	0
Extra-Budgetary Contributions	6.2	925	802	1,988	867	15,674	24,772	182	(505)	20,527	22,205	39,296	48,140
Finance Revenue	6.3	0	0	0	0	0	0	0	0	0	0	0	0
Revenue from Exchange Transactions	6.4	0	0	0	0	0	0	0	0	(40)	(38)	(40)	(38)
Foreign Exchange Gains/(Losses)	6.5	0	0	0	0	0	0	880	611	0	0	880	611
Other Revenue	6.6	0	0	0	0	(158)	0	171	0	(9)	0	3	0
Total Revenue		925	802	1,988	867	15,515	24,772	1,232	105	20,478	22,167	40,139	48,713
EXPENSES													
Staff Costs	7.1	354	226	252	235	5,504	5,895	27	22	4,468	4,604	10,605	10,982
Consultancy and Subcontracting	7.2	61	414	373	299	509	93	31	8	6,857	8,920	7,831	9,735
Travel Expenses	7.3	103	149	165	201	497	1,234	81	84	4,309	4,972	5,156	6,640
Services and Office Costs	7.4	76	179	95	84	464	637	19	54	2,961	2,332	3,614	3,286
Consumables and Supplies	7.5	308	38	2	7	599	619	5	0	866	598	1,780	1,263
Depreciation and Amortisation	7.6	11	0	1	1	2,136	227	26	0	158	173	2,332	401
Equipment Purchases	7.7	57	0	1	9	390	995	0	0	603	906	1,051	1,910
Other Operating Expenses	7.8	0	2	8	10	4,328	3,831	12	3	621	723	4,969	4,569
Total Expenses		971	1,008	896	844	14,426	13,532	201	173	20,843	23,229	37,337	38,787
Surplus/(Deficit) for the Period	7.9	(46)	(207)	1,092	22	1,089	11,240	1,032	(68)	(365)	(1,062)	2,802	9,926

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 North America, Europe 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 resulting Financial Statements present the financial results of Budgetary Funds approved under PC.DEC/1158 and subsequent budget revisions, as well as Special Purpose Funds and Extra-Budgetary Funds.

For purposes of the presentation and approval of the 2015 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 2015 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 following Funds were operational in 2015. 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 2013-2015 (PC.DEC/1072 dated 7 February 2013):

- 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 2013-2015 (PC.DEC/1072 dated 7 February 2013):

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

Closed Funds (B)

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

<ul style="list-style-type: none"> - Action Against Terrorism - Assistance Group to Chechnya - Mission to Croatia - Office in Zagreb - Mission to Estonia - Representative to the Estonian Commission on Military Pensioners - Mission to Georgia 	<ul style="list-style-type: none"> - End of Mandate Procedure Mission to Georgia - Mission to Latvia - Representative to the Joint Committee on the Skrunda Radar Station - Missions of Long Duration to Kosovo, Sandjak and Vojvodina - Sanctions Assistance Missions - Office in Minsk - Expert Mission to Ukraine
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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. The Fund was financed in three instalments of EUR 1,310 thousand from the 2009, 2010 and 2011 Cash Surpluses, for a total funding of EUR 3,930 thousand. The ERP Upgrade Fund was extended until 31 December 2015 according to PC.DEC/1150 dated 18 December 2014.
- 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

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

² The 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 its operations on 4 July 2015.

Contributions for 2013-2015, through the 2013 Cash Surplus and through extra-budgetary contributions. Its mandate does not correspond with the calendar year; therefore the figures reported in the 2015 Financial Statements represent part of the mandate ending 20 March 2015 under PC.DEC/1129, and part of the mandate ending 31 March 2016 under PC.DEC/1162.

- 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 2015 Financial Statements represent part of the mandate ending 23 March 2015 under PC.DEC/1155, the whole mandate under PC.DEC/1160 and PC.DEC/1172, and part of the mandate ending 31 January 2016 under PC.DEC/1178. During 2015 the Mission was financed from the 2013 Cash Surplus 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 Fund 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 for Activities Related to the Removal and Destruction of Russian Ammunition and Armaments from Moldova (PC.DEC/329 dated 9 December 1999);
- 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 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. This may result in totals that differ by EUR 1 thousand or by 0.1%. These Financial Statements cover the calendar year ended 31 December 2015. The reporting period coincides with the calendar year.

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 six 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 month 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 2015, 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 Monthly 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 2015. Gains and losses arising from transactions and translation are recorded as currency exchange adjustments. In compliance with Financial Administrative Instruction Five 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 2015 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 2015, 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 2015 was affected by changes in market prices.
- (e) *Credit risk* – is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The largest exposures to such risk for the OSCE are Assessed Contributions Receivable and bank risk. The Treasury Unit monitors the creditworthiness of its banks on a regular basis and has strict guidelines to limit the amount deposited with each approved bank. The table below shows the amounts deposited with banks according to their credit rating. At the end of the reporting period, 98.4% of the total was held in bank accounts carrying an investment grade (BBB- and above). The table reflects the fact that due to the financial crisis most bank ratings have

been revised downwards in recent years. The remaining balances are held in non-investment grade or unrated banks to support OSCE local operational needs.

At the end of the reporting period, 97.2% of cash was held in bank accounts administered by the Secretariat. The remaining 2.8% was held in bank accounts and cash facilities throughout OSCE locations for daily operational purposes.

EUR '000	Rating	As at 31 December 2015	%	As at 31 December 2014	%
High Grade	AA- to AA+	0	0.0%	11	0.0%
Upper Medium Grade	A- to A+	19,856	26.8%	48,056	55.8%
Lower Medium Grade	BBB- to BBB+	52,958	71.5%	36,520	42.4%
Non-Investment Grade	BB- to BB+	854	1.2%	0	0.0%
Highly Speculative	B- to B+	0	0.0%	176	0.2%
Unrated	N/A	351	0.5%	1,293	1.5%
Total Bank Balances		74,019	100.0%	86,056	100.0%

- (f) Cash flow risk – is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. For the OSCE such fluctuations relate to future money-market deposits in the event of changes in interest rates. As mentioned in (b) above, the OSCE is not dependent on the cash flows resulting from money-market deposits for the continuation of its activities.

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

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.

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

2.5 - Inventories

Inventories are stated at the lower of either cost or current replacement cost. Cost is determined using a weighted average cost formula unless the inventory items are unique in nature, in which case the specific identification method is used.

Current replacement cost, which is used for inventories to be distributed to beneficiaries at no or nominal charge and also for inventories which will be used for OSCE's consumption, is the cost the OSCE would incur to acquire the asset as at the reporting date.

Consumables and supplies are expensed upon purchase, except when a material stock is purchased and stored for future consumption. The capitalization threshold is established at EUR 50 thousand.

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 assets 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	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 mandate. 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 those, there is no full transfer of the risks and rewards incidental to ownership. The buildings affected by this decision are those where the Secretariat and Institutions are located:

- The Secretariat, Wallnerstrasse 6-6a, 1010 Vienna, Austria;
- The Secretariat (Prague Office), Pod Kastany 529, Praha 6 Bubenec, Czech Republic;
- Office for Democratic Institutions and Human Rights, Ul. Miodowa 10, 00-251 Warsaw, Poland;
- 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. Amortizations 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 and the ERP system. The useful lives for the different asset classes are as follows.

Asset Class	Useful Life (Years)
Externally Purchased Software	5
ERP System	7

2.8 - Impairment of Assets

The OSCE performed a review of its assets in conjunction to 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 2015 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 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 2015 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
- Centre 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 covers the cost 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. 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).

The cash surplus calculation does not apply to Special Purpose Funds due to the revolving nature of these Funds.

Similarly, no cash surplus is 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 salaries for seconded staff and free lease of premises and equipment. No revenue is recognized for contributions in-kind of services in the financial statements; however 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 equivalent 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 2015 amounted to EUR 22,774 thousand (EUR 33,659 thousand in 2014).

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 are classified as cash equivalents. No such deposits were outstanding at the year-end.

EUR '000	As at 31 December 2015	As at 31 December 2014
Cash on Hand	372	394
Cash at Bank	22,402	20,266
Short-Term Deposits	0	13,000
Total	22,774	33,659

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 Funds. The net asset position of each fund is reflected through inter-fund receivable and payable balances.

3.2 – Investments

Investments consist of money-market deposits with initial maturity over 3 months. At the end of the reporting period, investments amounted to EUR 51,616 thousand (EUR 52,790 thousand in 2014).

3.3 – Assessed Contributions Receivable

Unified budget assessed contributions receivable as at 31 December 2015 amounted to a total of EUR 5,560 thousand. A review of amounts outstanding resulted in the recognition of an allowance of EUR 5,380 thousand to reflect the impact of doubtful debts.

An additional receivable of EUR 3,217 thousand related to assessed contributions for the Special Monitoring Mission in Ukraine was outstanding at the year-end. An allowance for doubtful debt of EUR 45 thousand was recognized in 2015.

EUR '000	2015	2014
Unified Budget Assessed Contributions Receivable	5,560	5,642
Allowance for Doubtful Debts	(5,380)	(5,522)
Net Unified Budget Assessed Contributions Receivable	180	121
Special Monitoring Mission Assessed Contributions Receivable	3,217	589
Allowance for Doubtful Debts	(45)	(0)
Net Special Purpose Funds Assessed Contributions Receivable	3,172	589
Total Net Assessed Contributions Receivable	3,353	709

3.3.1 - Unified Budget Assessed Contributions Receivable

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

Participating State	Outstanding for 2013 and Prior Years	2014	2015	Outstanding Balance as at 31 December 2015
Kyrgyzstan	977	45	44	1,066
Tajikistan	6	45	44	95
The Former Yugoslav Republic of Macedonia	0	0	85	85
Uzbekistan	3,843	237	234	4,314
Total	4,826	327	408	5,560

The allowance for doubtful debts for 2015 and its change compared to 2014 are as follows:

Participating State	Outstanding Balance as at 1 January 2015	Payments of Arrears Received in 2015	Assessments/ Credits for 2015	Outstanding Balance as at 31 December 2015	2015 Allowance	Change in Allowance from 2014
Kyrgyzstan	1,061	(39)	44	1,066	1,066	5
Tajikistan	209	(158)	44	95	0	(209)
The former Yugoslav Republic of Macedonia	172	(172)	85	85	0	(172)
Uzbekistan	4,080	0	234	4,314	4,314	234
Total	5,522	(369)	408	5,560	5,380	(141)

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. As at 31 December 2015 a total of EUR 3,217 thousand remained outstanding.

Participating State	2014	2015	Outstanding Balance as at 31 December 2015
Azerbaijan	1	12	13
Canada	0	3,137	3,137
Kyrgyzstan	1	12	13
Tajikistan	1	12	13
Turkmenistan	0	10	10
Uzbekistan	2	29	31
Total	5	3,212	3,217

An allowance for doubtful debt has been recognized in 2015, based on the same criteria used for the allowance for unified budget assessed contributions:

Participating State	Outstanding Balance as at 1 January 2015	Payments of Arrears Received in 2015	Assessments/ Credits for 2015	Outstanding Balance as at 31 December 2015	2015 Allowance	Change in Allowance from 2014
Kyrgyzstan	1	0	12	13	13	13
Uzbekistan	2	0	29	32	32	32
Total	3	0	41	45	45	45

3.4 – Accounts Receivable

Accounts receivable are carried at the original invoice amount, less estimated doubtful debts based on a review of all outstanding amounts at the year-end. An allowance of EUR 495 thousand was created in 2015 to account for potentially unrecoverable receivables. Net of this allowance, accounts receivable amounted to EUR 2,597 thousand (EUR 2,793 thousand in 2014). Accounts receivable mainly consist of recoverable VAT and staff income tax reimbursements receivable from host Governments.

EUR '000	2015	2014
Tax Receivable from Governments	1,856	1,523
Receivable from Customers	684	1,266
Other Receivables	538	(13)
Accrued Interest Receivable	14	24
Allowance for Doubtful Debts	(495)	(6)
Total	2,597	2,793

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	2015	2014
Prepayments to Suppliers	2,447	2,722
Prepayments to Implementing Partners	1,180	1,152
Prepayments to Staff	324	232
Other Prepayments	73	31
Total	4,024	4,137

3.6 – Inventory

Inventory amounted to EUR 26 thousand (EUR 110 thousand in 2014) and consisted of project assets held for distribution to beneficiaries. The total amount of inventories recognized as an expense during 2015 was EUR 761 thousand (EUR 573 thousand in 2014).

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.

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
Net Carrying Amount as at 31 December 2015	2,023	19,510	828	395	2,643	168	25,568

The total gross value of fully depreciated PP&E which was still in use as of 31 December 2015 amounted to EUR 16,706 thousand (EUR 17,972 thousand in 2014).

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.

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

3.10 - Impairment of Assets

An impairment loss of EUR 405 thousand was recorded in 2015 (EUR 328 thousand in 2014), mainly due to damage to vehicles deployed in the Special Monitoring Mission to Ukraine. No reversals of impairment took place in 2015.

NOTE 4: LIABILITIES

4.1 – Accounts Payable

Accounts Payable amounted to EUR 3,944 thousand as at 31 December 2015 (EUR 4,694 thousand in 2014).

EUR '000	2015	2014
Payables to Suppliers	3,481	4,639
Payables to Implementing Partners	38	36
Amounts Owed to Staff	425	19
Total	3,944	4,694

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. Accruals for 2015 amounted to EUR 5,575 thousand (EUR 5,891 thousand in 2014).

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	2015	2014
Credits Against Future Unified Budget Assessed Contributions	2,766	6,437
Advance Payments by Participating States for the Special Monitoring Mission to Ukraine	2,799	1,207
Extra-Budgetary Contributions Subject to Conditions	25,362	37,198
Total Deferred Revenue	30,928	44,841

4.4 – Funds Held for Third Parties

Funds held for Third Party Funds amounted to EUR 5,494 thousand (EUR 2,370 thousand in 2014). This amount consists primarily of funds received from participating States for payment of salaries to seconded staff on their behalf.

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 0.24% (0.29% in 2014) derived in reference to market yields of high quality corporate bonds - iBoxx Euro Corporates AA, with a duration of 1.79 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;
- 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 2015:

EUR'000	Defined Benefit Obligation as at 1 January 2015	Current Service Cost	Interest Cost	Actual Payments	Actuarial (Gains) / Losses	Defined Benefit Obligation as at 31 December 2015
Home leave and rest and recuperation	330	762	0	(734)	0	358
Annual leave	4,228	505	0	(497)	0	4,236
<i>Total annual leave, home leave and rest and recuperation</i>	<i>4,558</i>	<i>1,267</i>	<i>0</i>	<i>(1,231)</i>	<i>0</i>	<i>4,594</i>
Repatriation grant	1,994	449	5	(771)	512	2,190
Repatriation shipment	663	173	2	(352)	240	726
Repatriation travel	241	84	0	(138)	135	322
<i>Total repatriation benefits</i>	<i>2,898</i>	<i>706</i>	<i>7</i>	<i>(1,261)</i>	<i>887</i>	<i>3,238</i>
Total	7,456	1,973	7	(2,492)	887	7,832

Liabilities for current employee benefits also include payroll-related accruals for EUR 877 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 2015 was EUR 98,506 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 2014 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 2015 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 12 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.

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.

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.

4.6.2 - Key Management Personnel

The Secretary General, Heads of Institutions and Heads of Mission, 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 pension 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 2015	Outstanding Advances Against Entitlements
SG and Heads of Institutions	4	4	712	45	119	876	0
Secretariat's Directors	8	7	1,025	144	166	1,335	0
Heads of Mission and Personal Representative	20	18	0	855	2	857	0
Key Management Personnel	32	29	1,737	1,044	287	3,068	0

4.7 – Cash Surplus or Deficit

4.7.1 - Cash Surplus Current

The cash surplus is credited against assessed contributions of the participating States in the year following the year in which the accounts are accepted by the Permanent Council. The 2014 Financial Statements were not formally accepted by the Permanent Council, therefore the Cash Surplus for 2014 will not be credited until such acceptance takes place.

The original amount of EUR 2,678 thousand was partially utilized for the funding of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border, as detailed in the following table.

EUR '000	Institutions	Field Operations	Total
<i>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	(44)	(52)	(96)
Remaining Cash Surplus 2014	1,168	1,414	2,582

4.7.2 - Cash Surplus Non-Current

The cash surplus for 2015 is not due for settlement until 2017, and it is therefore classified as a non-current liability. The total cash surplus for 2015 is EUR 392 thousand, and is calculated as shown in the table below.

EUR '000	Institutions	Field Operations	Total
Budgetary Surplus/(Deficit)	175	136	311
Add: Assessed Contributions Receivable at Beginning of Period	3,402	2,240	5,642
Less: Assessed Contributions Receivable at End of Period	(3,413)	(2,148)	(5,560)
Cash Surplus for 2015	164	228	392

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.

The cash surplus calculation does not apply to Special Purpose Funds due to the revolving nature of these Funds.

4.8 – Provisions

The provision for pending refunds to extra-budgetary donors for closed projects amounts to EUR 2,549 thousand.

EUR '000	2015	2014
Provision for Pending Refunds to Donors	2,549	2,679

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	2011 and Prior Years	2012	2013	Total
Kyrgyzstan	51	0	0	51
Uzbekistan	203	0	0	203
Total Cash Surplus Withheld	254	0	0	254

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 1,688 thousand (EUR 801 thousand in 2014).

5.4 – Accumulated Surplus/(Deficit)

Changes that affected Accumulated Surplus/Deficit during 2015 include the allocation of the Cash Surplus for 2015 (see 4.7.2 - Cash Surplus Non-Current), and the refund of unspent extra-budgetary contributions to donors, as shown in the following table:

EUR '000	2015	2014
Fund to Support OSCE Action for Peace, Democracy and Stability in Bosnia and Herzegovina	34	133
Fund for Activities Relating to Economic and Environmental Aspects of Security	15	66
Fund for Activities Related to Special Monitoring Mission to Ukraine	1	0
Partnership Fund	57	7
Other Activities and Special Projects	1,609	1,776
Total Cash Refunds	1,716	1,982
Provision for Pending Refunds to Donors	(1,301)	(1,850)
Refund of Unspent Extra-Budgetary Contributions	415	132

NOTE 6: REVENUE

6.1 – Assessed Contributions

Accrued revenue from assessed contributions amounted to EUR 197,037 thousand (EUR 145,108 thousand in 2014). It includes the original 2015 Unified Budget and its revisions, as well as assessed contributions for the Special Monitoring Mission to Ukraine amounting to EUR 58,750 thousand.

EUR '000	2015
PC.DEC/1158 - Approval of the 2015 Unified Budget	141,108
PC.DEC/1201 – 2015 Year-End Unified Budget Revision	(2,820)
Total Unified Budget Revenue from Assessed Contributions	138,287
PC.DEC/1157 – Revised financing Modalities for the Special Monitoring Mission to Ukraine	10,000
PC.DEC/1162 – Extension of the Mandate of the Special Monitoring Mission to Ukraine – First Bill	48,750
Total Special Purpose Funds Revenue from Assessed Contributions	58,750
Total Revenue from Assessed Contributions	197,037

6.2 – Extra-Budgetary Contributions

Revenue from extra-budgetary contributions includes revenue received in 2015, as well as revenue from conditional agreements previously recorded as deferred revenue, for which conditions were satisfied in 2015.

EUR '000	2015	2014
Revenue from Extra-Budgetary Contributions	28,567	61,373
Revenue from Conditional Agreements Recognized/(Deferred) During the Period	10,664	(14,089)
Reallocation of Project Funds	65	856
Total	39,296	48,140

The reallocation of project funds resulted in a net inflow of EUR 65 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	2015	2014
Interest received from banks	111	252
Accrual adjustments	(10)	(1)
Total	101	251

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.

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, in 2014, the Special Monitoring Mission to Ukraine. Other revenue includes, inter alia, revenue from insurance claims and discounts taken.

EUR '000	2015	2014
Revenue Reallocated from Internal Sources	3,050	8,627
Revenue from Goods In-Kind	1,960	1,853
Other Revenue	203	102
Total	5,213	10,582

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. The total fair value of goods in-kind received in 2015 amounts to EUR 1,960 thousand and consists of the following items:

EUR '000	2015	2014
<i>Supplies</i>	5	0
Communication Equipment	29	0
Security and Safety Equipment	14	0
Vehicles	1,912	1,853
<i>Property, Plant and Equipment</i>	1,955	1,853
Total Revenue from Goods In-Kind	1,960	1,853

6.7 – Contributions In-Kind of Services

The OSCE does not recognize revenue from contributions in-kind of services in the financial statements, but it discloses the fair value of the contributions received.

In 2015 the estimated value of in-kind contributions for free use of premises is approximately EUR 5,352 thousand (EUR 5,283 thousand in 2014). Free lease of equipment amounts to EUR 218 thousand.

Seconded staff assigned to both approved unified budget posts and extra-budgetary posts saved approximately EUR 25,879 thousand in salaries (EUR 23,228 thousand in 2014 - restated). 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 44,517 thousand (EUR 15,972 thousand in 2014 - restated).

The estimates of in-kind contributions as at 31 December 2014 have been restated to incorporate a change in methodology in counting seconded staff. The new calculation includes the actual number of the encumbered posts at the year-end instead of the budgeted posts. This adjustment resulted in a decrease of EUR 13,056 thousand for unified budget and extra-budgetary posts and an increase of EUR 4,496 thousand for Special Monitoring Mission to Ukraine and Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border.

EUR '000	2015	2014 Restated
Free Rental of Premises	5,352	5,283
Free Lease of Equipment	218	0
Seconded Staff	70,396	39,200
Total Contributions In-Kind of Services	75,966	44,483

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.

EUR '000	2015	2014
Salaries	62,397	57,370
BLA for Seconded Staff	38,877	23,542
Provident Fund	8,619	8,315
Other Employee Benefits	5,538	4,629
Other Staff Costs	4,333	2,024
BLA for International Contracted Staff	2,497	2,297
Insurance	2,377	2,238
Total	124,638	100,415

7.2 – Consultancy and Subcontracting

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

EUR '000	2015	2014
Special Services Agreements	11,556	10,498
Implementing Partner Costs	6,369	7,329
Other Contractual Services	5,889	5,642
Total	23,814	23,469

7.3 – Travel Expenses

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

EUR '000	2015	2014
Duty Travel	11,403	9,673
Travel of Non-OSCE Officials	9,132	9,284
Training-Related Travel	1,102	650
Total	21,637	19,607

7.4 – Services and Office Costs

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

EUR '000	2015	2014
Rental and Maintenance of Buildings	10,043	8,529
Conferences, Seminars, Workshops	5,902	4,631
Communication Services	2,323	1,847
IT Services	2,276	2,119
Interpreters, Translators and Typing Services	1,908	1,883
Printing and Copying Services	1,054	1,238
Insurance Other than Staff	836	416
Freight and Transportation	734	421
Other Office Costs	719	484
Bank Charges	543	386
Total	26,338	21,954

7.5 – Consumables and Supplies

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

EUR '000	2015	2014
Other Supplies	3,106	1,942
Fuel and Lubricants	1,264	1,055
ICT Supplies	949	712
Building/Household Supplies	765	327
Spare Parts	689	365
Publications, Newspapers and Printed Materials	511	459
Total	7,284	4,860

7.6 – Depreciation and Amortization

EUR '000	2015	2014
Depreciation	5,632	2,679
Amortization	815	419
Total	6,447	3,098

7.7 – Equipment Purchases

Equipment purchases 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.

EUR '000	2015	2014
Equipment Purchases	3,869	4,352

7.8 – Other Operating Expenses

The following table includes details of costs classified as Other Operating Expenses.

EUR '000	2015	2014
Unmanned Aerial Vehicle Services	11,200	3,820
Paramedical Services	3,462	0
Other Expenses	760	858
Representation Costs	576	578
Project Costs	433	597
Impairment of Assets	405	328
Change in Allowance for Doubtful Debts	(72)	177
Total	16,764	6,359

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 2015 ex gratia payments totalling EUR 8 thousand were approved by the Secretary General. The list of Funds concerned is as follows:

EUR '000	2015
Project Co-ordinator in Baku	4
Special Monitoring Mission to Ukraine	3
Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border	1
Total	8

7.8.2 – Cash and Other Losses and Write-Offs

In 2015 there were two instances of cash losses, for a total of EUR 3 thousand. Write-offs for uncollectable receivables amounted to EUR 1 thousand.

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
Budgetary Excess of Income over Expenditure	311	3,773	(12,667)	(8,584)
IPSAS Adjustments:				
Revenue				
Accrued Interest	(10)	0	0	(10)
Revenue from Conditional Funding Agreements	0	0	10,664	10,664
Revenue from Exchange Transactions	(113)	0	(41)	(153)
Other Revenue	68	1,889	3	1,961
Subtotal Revenue	(55)	1,889	10,627	12,461
Expenses				
Allowances for Doubtful Debts	117	(45)	0	72
Unliquidated Obligations	3,238	0	0	3,238
Employee Benefits	(1,312)	(557)	(105)	(1,975)
Inventory	(434)	0	(327)	(761)
Property, Plant and Equipment	(329)	2,207	5,186	7,064
Intangible Assets	377	83	89	549
Subtotal Expenses	1,657	1,689	4,842	8,154
Total IPSAS Adjustments	1,602	3,578	15,469	20,649
IPSAS Surplus/(Deficit) for the Period	1,913	7,351	2,802	12,065

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

EUR'000	Operating Activities	Investing Activities	Financing Activities	Total
Actual Amount on Comparable Basis	9,863	0	0	9,863
Presentation Differences	(16,294)	9,000	(392)	(7,686)
Basis Differences	8,286	(8,286)	0	(0)
Timing Differences	0	0	0	0
Entity Differences	2,749	(15,334)	(415)	(13,000)
Actual Amount in the Cash Flow Statement	4,605	(14,621)	(807)	(10,823)

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 2015 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 2014 with PC.DEC/1158, and a supplementary budget of EUR 2,077 thousand was approved for the Office for Democratic Institutions and Human Rights under PC.DEC/1177. In addition, the Permanent Council approved budget revisions PC.DEC/1195 and PC.DEC/1201 reducing the budget by EUR 2,820 thousand to the final amount of EUR 140,364 thousand. Other than the savings due to the closure of the Project Coordinator in Baku on 4 July 2015, 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 2015 to 31 December 2015; 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 ERP Upgrade Fund was extended until 31 December 2015 according to PC.DEC/1150. From the available budget of EUR 1,287 thousand, EUR 694 thousand was unspent due to other ERP post-upgrade operational commitments that left a limited capacity to absorb the allocated ERP enhancements funds in 2015. Secretariat ICT Services implemented enhancements with the highest priority for the business and also initiated a few complex enhancements that will be continued and finalized in the future as part of unified budget activities. The remaining funds after settlement of all liabilities amount to EUR 671 thousand and will be credited to participating States against the 2017 assessed contributions, unless otherwise decided by the Permanent Council.

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/1129 based on the number of days of the mandate that fell in 2015, from 1 January to 20 March 2015, as well as the prorated budget for the period from 21 March to 31 December 2015 under PC.DEC/1162. Actuals differ by EUR 9,148 thousand from the prorated budget of 63,460 thousand mainly because the current mandate had not ended on 31 December 2015.

The successive mandates of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border during 2015 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 23 March 2015 under PC.DEC/1155, the whole budget under PC.DEC/1160 and PC.DEC/1172, and part of the budget for the mandate ending 31 January 2016 under PC.DEC/1178. There were no material differences between the approved budget and the actual amounts.

8.2 – Contingent Assets and Contingent Liabilities

Contingent assets consist of extra-budgetary pledges received in 2015, which have not yet been paid as at 31 December 2015 and amount to EUR 4,133 thousand.

Contingent liabilities consist of multiple claims received from different entities requesting payment of back rent for four premises, namely the BBC logistics compound, 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.

No claimant has yet submitted convincing proof of legal ownership of 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.

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 expense over the period of the lease. The total lease expense for the year 2015 amounted to EUR 6,748 thousand (EUR 5,854 thousand in 2014).

Future minimum lease payments include payments for such rented premises (EUR 1,753 thousand) and equipment (EUR 211 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	677	1,287	0	1,964

In the majority of cases operating lease arrangements for field office premises can be generally 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 31 March 2016, on which date they were submitted to the External Auditors.

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 2015 Year-End Unified Budget Revision (PC.DEC/1201 dated 3 March 2016) resulted in the reduction of the 2015 Unified Budget by EUR 2,820 thousand.

8.4.2 - Non-Adjusting Events

According to PC.DEC/1199 dated 18 February 2016, the mandate of the Special Monitoring Mission to Ukraine was extended until 31 March 2017. This extension is funded by assessed contributions by an amount of EUR 79,020 thousand, as well as through extra-budgetary contributions.

In addition, according to PC.DEC/1198 dated 21 January 2016, the mandate of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border was extended until 30 April 2016. This extension is funded from the 2014 Cash Surplus by an amount of EUR 367 thousand.

Chapter V – Statement on Internal Control



Organization for Security and Co-operation in Europe

Statement on Internal Control for 2015

May 2016

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 2015, 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 2015, 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 and advisory services 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 matter(s) to report in 2015

- 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. In the meantime, as a stop gap interim measure, I have proposed conclusion of bilateral Standing Arrangements, consistent with the 1993 Rome Council decision, and am pursuing that with interested participating States.

- Monitors of the Special Monitoring Mission in Ukraine continue to operate in a dangerous security environment, despite the SMM taking all necessary security precautions. In general, the security situation remains tense, unstable and unpredictable and there is a growing number of violent incidents, particularly around known hotspots. Belligerents continue to take over settlements previously located in areas where effective control was not clear and checkpoints have come under fire and have been temporarily closed. Tension is largely caused by continued presence and movement of armed formations on both sides close to the Contact Line. Ceasefire violations, explosions, provocations, shelling, usage of mortars and even MLRS "Grad" systems continue and there have been casualties among military personal and civilians on both sides. The mitigation measures that have been put in place to prevent physical harm to monitors can be defined in three different categories: preparation and training, security equipment, and procedural measures. All SMM monitors undergo hostile environment training with the Austrian military, receive comprehensive security briefings and undertake a mine awareness training programme. The mission has available to it hard security measures, such as armoured vehicles, personal protection equipment, medical support, effective communications networks, and GPS tracking of vehicles. Finally, the establishment of liaison with both sides in the conflict, the regional presence of professional security officers who conduct continuous security assessments, and established operating procedures ensure additional mitigation.
- 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. To enhance the efficiency and attractiveness of the OSCE, a modified tenure policy which foresees the preservation of the non-career nature of the OSCE's employment policy was developed and was put forward for consideration to the participating States but consensus was not reached.

I am committed to taking all necessary measures 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 2015.

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 2015.



Lamberto Zannier
OSCE Secretary General

Appendix

OSCE Provident Fund Summary Statement

Unaudited - For Information Purposes Only

For the Year Ended 31 December 2015

	Deposit Administration Funds				International Equity Funds				European Equity Fund		Total Funds
	Units '000	EUR '000	Units '000	USD '000	Units '000	EUR '000	Units '000	USD '000	Units '000	EUR '000	EUR '000
Opening Balance as at 1 January 2015	66,297	84,455	5,348	6,796	16	681	24	1,244	83	1,141	93,593
Contributions/Premium Allocation	11,423	14,610	912	1,163	0	45	4	231	18	278	16,201
Unit Adjustments	0	0	0	0	0	0	0	0	0	0	0
Surrenders	(6,775)	(8,651)	(582)	(742)	0	(11)	(2)	(100)	(11)	(171)	(9,599)
Withdrawals	(1,443)	(1,844)	(327)	(417)	0	0	(1)	(55)	(3)	(50)	(2,324)
Switch Out	(5)	(7)	7	9	(0)	(15)	(1)	(26)	0	0	(38)
Switch In	4	6	0	0	0	0	0	18	1	17	38
Transfer Out	(918)	(1,173)	0	0	0	0	0	0	(5)	(72)	(1,245)
Transfer In	0	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	0
Total movements during year	2,286	2,940	10	14	0	18	1	67	0	1	3,033
Guaranteed Interest on Opening Balance	0	636	0	51	0	0	0	0	0	0	683
Guaranteed Interest on units accumulated during year	0	(7)	0	(1)	0	0	0	0	0	0	(8)
Deposit Administration Bonus Units (additional interest)	772	991	72	92	0	0	0	0	0	0	1,075
Market Value Adjustment	0	0	0	0	0	56	0	(35)	0	107	131
Closing Balance as at 31 December 2015	69,355	89,016	5,430	6,951	15	755	25	1,276	84	1,248	98,506

