



**Organization for Security and Co-operation in Europe
Permanent Council**

PC.DEC/1225
24 November 2016

Original: ENGLISH

1120th Plenary Meeting

PC Journal No. 1120, Agenda item 4

**DECISION No. 1225
AMENDING OSCE FINANCIAL REGULATIONS**

The Permanent Council,

Referring to Decision No. 1040 of 10 May 2012 on the adoption of International Public Sector Accounting Standards (IPSAS) in the OSCE and acting in accordance with the relevant provisions of Financial Regulation 10.01,

Takes note of the proposed revision for IPSAS only as communicated under PC.ACMF/41 of 15 July 2016,

Approves the enclosed amendments to the OSCE Financial Regulations as highlighted in the annex.

AMENDMENTS TO THE OSCE FINANCIAL REGULATIONS

Please note that the amendments below are made only in relation to the implementation of IPSAS and only those paragraphs affected by this change are shown below.

CURRENT TEXT OF THE FINANCIAL REGULATIONS	AMENDMENTS
<p>Regulation 1.02 – Terminology</p> <p><i>External Auditor:</i> The individual(s) or institution appointed by the Permanent Council pursuant to Regulation 8.01 to audit the accounts of the OSCE.</p> <p><i>Income:</i> Income of the OSCE from assessed contributions and miscellaneous income derived from these contributions.</p> <p><i>Miscellaneous Income:</i> All income, except assessed and voluntary contributions, direct refunds of expenditure during the current year and internal transfers.</p>	<p>Regulation 1.02 – Terminology</p> <p><i>Accrual Basis:</i> Under the accrual basis of accounting, transactions are recognized in the financial statements when they occur (and not only when cash or its equivalent is received or paid).</p> <p><i>External Auditor:</i> The individual(s) or institution appointed by the Permanent Council pursuant to Regulation 8.01 to audit the accounts financial statements of the OSCE.</p> <p><i>Income Revenue:</i> Income Revenue of the OSCE from assessed contributions and miscellaneous income derived from these contributions other sources.</p> <p><i>Miscellaneous Income:</i> All income, except assessed and voluntary contributions, direct refunds of expenditure during the current year and internal transfers.</p>
ARTICLE II: THE BUDGET	ARTICLE II: THE BUDGET
<p>Regulation 2.03 – Form of the Budget</p> <p>(b) <u>Anticipated Income</u></p> <p style="padding-left: 40px;">Assessed contributions and miscellaneous income.</p>	<p>Regulation 2.03 – Form of the Budget</p> <p>(b) <u>Anticipated Income Revenue</u></p> <p style="padding-left: 40px;">Revenue from assessed contributions and miscellaneous income other sources.</p>

**AMENDMENTS TO THE OSCE FINANCIAL REGULATIONS
(continued)**

CURRENT TEXT OF THE FINANCIAL REGULATIONS	AMENDMENTS
ARTICLE IV: INCOME	ARTICLE IV: INCOME REVENUE
<p>Regulation 4.07 – Reports on Collection of Contributions</p> <p>(b) In the event of insufficient income during the year to meet authorized expenditures the Secretary General shall report this to the Permanent Council for appropriate action.</p>	<p>Regulation 4.07 – Reports on Collection of Contributions</p> <p>(b) In the event of insufficient income cash flow during the year to meet authorized expenditures the Secretary General shall report this to the Permanent Council for appropriate action.</p>
<p>Regulation 4.09 – Actions in the Event of Arrears</p> <p>(b) The Secretary General’s quarterly statements of income and expenditure will specify the position of arrears, stating the names of all States in arrears, the amounts due and the length of delays in payment. The statement will include the Secretary General's analysis of the impact of the arrears on the operational capability of the OSCE.</p>	<p>Regulation 4.09 – Actions in the Event of Arrears</p> <p>(b) The Secretary General’s quarterly statements of income and expenditure reports on the collection of assessed contributions will specify the position of arrears, stating the names of all States in arrears, the amounts due and the length of delays in payment. The statement will include the Secretary General's analysis of the impact of the arrears on the operational capability of the OSCE.</p>
ARTICLE V: CUSTODY AND INVESTMENT OF FUNDS	ARTICLE V: CUSTODY AND INVESTMENT OF FUNDS
<p>Regulation 5.02 – Investments</p> <p>The Secretary General may make short-term investments in the form of time-deposits of monies not needed for immediate requirement. All bank interest shall be credited as miscellaneous income to the General Fund.</p>	<p>Regulation 5.02 – Investments</p> <p>The Secretary General may make short-term investments in the form of time-deposits of monies not needed for immediate requirement. All bank interest shall be credited as miscellaneous income finance revenue to the General Fund Secretariat.</p>
ARTICLE VI: INTERNAL CONTROL	ARTICLE VI: INTERNAL CONTROL
<p>Regulation 6.02 – Financial Instructions</p> <p>(v) claims and losses of cash, supplies and other assets are</p>	<p>Regulation 6.02 – Financial Instructions</p> <p>(v) claims and losses of cash, supplies and other assets are</p>

**AMENDMENTS TO THE OSCE FINANCIAL REGULATIONS
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<p>written off after appropriate investigation and a report thereon is submitted with the annual accounts;</p>	<p>written off after appropriate investigation and a report thereon are submitted with the annual accounts financial statements;</p>
<p>Regulation 6.05 – Ex gratia Payments</p> <p>In extraordinary situations when the OSCE has a moral obligation and if it is in the overall interest of the OSCE, the Secretary General and the other Heads of Institutions, in consultation with the Secretary General, may make <i>ex gratia</i> payments up to a global ceiling of 2,500 Euros per year. A statement and justification of such payments, if any, shall be submitted with the annual accounts.</p>	<p>Regulation 6.05 – Ex gratia Payments</p> <p>In extraordinary situations when the OSCE has a moral obligation and if it is in the overall interest of the OSCE, the Secretary General and the other Heads of Institutions, in consultation with the Secretary General, may make <i>ex gratia</i> payments up to a global ceiling of 2,500 Euros per year. A statement and justification of such payments, if any, shall be submitted with the annual accounts financial statements.</p>
ARTICLE VII: THE ACCOUNTS	ARTICLE VII: THE ACCOUNTS FINANCIAL STATEMENTS
<p>Regulation 7.01 – Preparation of the Accounts</p> <p>The Secretary General assisted by the other Heads of Institution and the Heads of Mission shall maintain such accounting records for all Funds operated by the OSCE as are necessary according to generally accepted accounting standards. The annual accounts shall be prepared by the Secretary General.</p>	<p>Regulation 7.01 – Preparation of the Accounts Financial Statements</p> <p>The Secretary General assisted by the other Heads of Institution and the Heads of Mission shall maintain such accounting records for all Funds operated by the OSCE as are necessary according to generally accepted accounting standards International Public Sector Accounting Standards (IPSAS). The annual accounts financial statements shall be prepared by the Secretary General.</p>
<p>Regulation 7.02 – Content of the Annual Accounts</p> <p>(a) The annual accounts shall contain a statement of:</p> <p>(i) the budget and expenditure of each Fund during the financial</p>	<p>Regulation 7.02 – Content of the Annual Accounts Financial Statements</p> <p>(a) The annual accounts financial statements shall contain a statement of:</p> <p>(i) the budget and expenditure of each Fund during the financial</p>

**AMENDMENTS TO THE OSCE FINANCIAL REGULATIONS
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<p>year;</p> <p>(ii) the income and expenditure of each Fund during the financial year;</p> <p>(iii) the assets and liabilities of each Fund at the end of the financial year;</p> <p>(iv) changes in the balance of each Fund, including a separate statement for the Revolving Fund established according to Regulation 4.08.</p> <p>(b) The annual accounts shall be accompanied by such other information as may be requested by the Permanent Council or deemed necessary or useful by the Secretary General.</p>	<p>year a statement of financial position;</p> <p>(ii) the income and expenditure of each Fund during the financial year a statement of financial performance;</p> <p>(iii) the assets and liabilities of each Fund at the end of the financial year a cash flow statement;</p> <p>(iv) changes in the balance of each Fund, including a separate statement for the Revolving Fund established according to Regulation 4.08 a statement of changes in net assets;</p> <p>(v) a statement of comparison of budget and actuals;</p> <p>(vi) segment reporting by Fund.</p> <p>(b) The annual accounts financial statements shall be accompanied by such other information as may be requested by the Permanent Council or deemed necessary or useful by the Secretary General.</p>
<p>Regulation 7.03 – Currency and Unit of Accounts</p> <p>The annual accounts shall be presented in Euro. Accounting records may, however, be kept in such other currency or currencies as the Secretary General or the other Heads of Institutions and Heads of Mission in agreement with the Secretary General may deem necessary. Accounting rates of exchange shall be fixed by the Secretary General on the basis of the rates used by the United Nations for such purposes.</p>	<p>Regulation 7.03 – Reporting Currency and Unit of Accounts</p> <p>The annual accounts financial statements shall be presented in Euro. Accounting records may, however, be kept in such other currency or currencies as the Secretary General or the other Heads of Institutions and Heads of Mission in agreement with the Secretary General may deem necessary. Accounting rates of exchange shall be fixed by the Secretary General on the basis of the rates</p>

**AMENDMENTS TO THE OSCE FINANCIAL REGULATIONS
(continued)**

CURRENT TEXT OF THE FINANCIAL REGULATIONS	AMENDMENTS
The unit of account shall be one Euro.	used by the United Nations for such purposes. The unit of account shall be one Euro.
<p>Regulation 7.04 – Submission of the Annual Accounts</p> <p>The Secretary General shall submit the annual accounts to the External Auditor not later than 31 March following the financial year to which they relate. As soon as the External Auditor has completed the audit of the annual accounts, they shall be submitted to the Permanent Council together with a financial report and the report of the External Auditor thereon.</p>	<p>Regulation 7.04 – Submission of the Annual Accounts Financial Statements</p> <p>The Secretary General shall submit the annual accounts financial statements to the External Auditor not later than 31 March following the financial year to which they relate. As soon as the External Auditor has completed the audit of the annual accounts financial statements, they shall be submitted to the Permanent Council together with a financial report and the report of the External Auditor thereon.</p>
<p>Regulation 7.05 – Acceptance of the Annual Accounts</p> <p>On the basis of the report of the External Auditor (Regulation 8.06) the Permanent Council shall accept the annual accounts or take such other action with regard to them as the Council may consider necessary.</p>	<p>Regulation 7.05 – Acceptance of the Annual Accounts Financial Statements</p> <p>On the basis of the report of the External Auditor (Regulation 8.06) the Permanent Council shall accept the annual accounts financial statements or take such other action with regard to them as the Council may consider necessary.</p>
<p>Regulation 7.07 – Cash Surplus or Deficit</p> <p>(a) At the end of each financial year the cash surplus or deficit for the Funds financed through assessed contributions shall be determined by calculating the excess of income received over the expenditure, or the excess of the expenditure over income received, as the case may be.</p> <p>(b) Unless otherwise determined by the Permanent Council, the cash surplus of all Funds financed through assessed contributions shall be credited against contributions of the</p>	<p>Regulation 7.07 7.06 – Cash Surplus or Deficit</p> <p>(a) At the end of each financial year the cash surplus or deficit for the Funds financed through assessed contributions shall be determined by calculating the excess of income revenue received over the expenditure, or the excess of the expenditure over income revenue received, as the case may be.</p> <p>(b) Unless otherwise determined by the Permanent Council, the cash surplus of all Funds financed through assessed contributions shall be credited against contributions of the</p>

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<p>participating States during the year following the one in which the accounts were accepted by the Permanent Council. The crediting shall be done in accordance with the scale of distribution for the year to which the surplus relates. The allocation to a participating State of its share of the cash surplus shall be deferred in cases where that State is in arrears for the year to which the surplus relates and until such time as these arrears have been paid in full.</p>	<p>participating States during the year following the one in which the accounts financial statements were accepted by the Permanent Council. The crediting shall be done in accordance with the scale of distribution for the year to which the surplus relates. The allocation to a participating State of its share of the cash surplus shall be deferred in cases where that State is in arrears for the year to which the surplus relates and until such time as these arrears have been paid in full.</p>
<p>ARTICLE VIII: EXTERNAL AUDIT</p>	<p>ARTICLE VIII: EXTERNAL AUDIT</p>
<p>Regulation 8.03 – Conduct of the Audit</p> <p>(a) Subject to any special direction by the Permanent Council the External Auditor shall perform an audit of the accounts, including all Funds, as the External Auditor may deem necessary in order to be satisfied that:</p> <p style="padding-left: 40px;">(ii) the financial transactions reflected in the statements have been effected in accordance with the Financial Regulations, budgetary provisions as well as applicable directives and financial instructions;</p>	<p>Regulation 8.03 – Conduct of the Audit</p> <p>(a) Subject to any special direction by the Permanent Council the External Auditor shall perform an audit of the accounts financial statements, including all Funds, as the External Auditor may deem necessary in order to be satisfied that:</p> <p style="padding-left: 40px;">(ii) the financial transactions reflected in the statements have been effected in accordance with International Public Sector Accounting Standards (IPSAS), the Financial Regulations, budgetary provisions as well as applicable directives and financial instructions;</p>

**AMENDMENTS TO THE OSCE FINANCIAL REGULATIONS
(continued)**

CURRENT TEXT OF THE FINANCIAL REGULATIONS	AMENDMENTS
<p>Regulation 8.06 – Audit Report</p> <p>(a) The External Auditor shall prepare a signed report expressing an opinion on the annual accounts. The report shall include such observations as the External Auditor may deem necessary, in particular with respect to:</p> <ul style="list-style-type: none">(i) the extent and character of the audit;(ii) the efficiency of the financial procedures, the accounting system and the internal control; and(iii) other matters which should be brought to the attention of the Permanent Council. <p>(b) The External Auditor shall have no power to disallow items in the accounts but shall draw the attention of the Secretary General and, as appropriate, of other Heads of Institution to any transaction regarding which the External Auditor entertains doubt as to legality or propriety.</p> <p>(c) The informal Financial Committee shall discuss the audited annual accounts on the basis of the audit report.</p> <p>(e) The audit report shall serve as a basis for the acceptance of the annual accounts by the Permanent Council or for such other action in respect of the accounts as the Council may consider necessary (Regulation 7.05).</p>	<p>Regulation 8.06 – Audit Report</p> <p>(a) The External Auditor shall prepare a signed report expressing an opinion on the annual accounts financial statements. The report shall include such observations as the External Auditor may deem necessary, in particular with respect to:</p> <ul style="list-style-type: none">(i) the extent and character of the audit;(ii) the efficiency of the financial procedures, the accounting system and the internal control; and(iii) other matters which should be brought to the attention of the Permanent Council. <p>(b) The External Auditor shall have no power to disallow items in the accounts financial statements but shall draw the attention of the Secretary General and, as appropriate, of other Heads of Institution to any transaction regarding which the External Auditor entertains doubt as to legality or propriety.</p> <p>(c) The informal Financial Committee shall discuss the audited annual accounts financial statements on the basis of the audit report.</p> <p>(e) The audit report shall serve as a basis for the acceptance of the annual accounts financial statements by the Permanent Council or for such other action in respect of the accounts financial statements as the Council may consider necessary (Regulation 7.05).</p>

**AMENDMENTS TO THE OSCE FINANCIAL REGULATIONS
(continued)**

CURRENT TEXT OF THE FINANCIAL REGULATIONS	AMENDMENTS
ARTICLE IX: EXTRABUDGETARY CONTRIBUTIONS	ARTICLE IX: EXTRABUDGETARY CONTRIBUTIONS
Regulation 9.03 – Reporting The Secretary General shall include a report on the income and expenditure of extrabudgetary contributions in the annual statement of accounts. Upon request, he/she shall also provide status reports during the financial year.	Regulation 9.03 – Reporting The Secretary General shall include a statement of financial performance report on the income and expenditure of extrabudgetary contributions in the annual statement of accounts financial statements . Upon request, he/she shall also provide status reports during the financial year.