

FOREWORD

Financial Regulations and Instructions provide the overarching policy framework, from where most of the procedures you are familiar with are derived. As such they form the basis of OSCE accountability framework, to which you should be able to refer, as needed.

The Financial and Administrative Instructions issued by the Secretary General should be read in conjunction with these Financial Regulations approved by the Permanent Council.

The focal point for the interpretation of the Financial Regulations and Financial and Administrative Instructions is the Chief, Information Security and Co-ordination, within the Department of Management and Finance in the Secretariat.

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ARTICLE I: GENERAL

Regulation 1.01 - Authority and Applicability

These Regulations were approved by the Permanent Council of the OSCE (hereinafter referred to as "the Permanent Council") on 27 June 1996 and shall enter into force on 1 July 1996. They shall govern the financial administration of the Organization for Security and Co-operation in Europe (hereinafter referred to as "the OSCE") and replace the "Common Financial Procedures" (Document CSCE/13-CSO/Dec.1) and the decisions on the "Efficient Management of OSCE Resources" relating to the financial procedures (Document CSCE/23-CSO/Dec.2). These Regulations shall apply to all activities of the OSCE, regardless of the source and disposition of funds, unless otherwise decided by the decision-making bodies.

Regulation 1.02 - Terminology

For the purposes of these Regulations the terms indicated below shall have the following meaning:

Accrual Basis:

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).

Advisory Committee on Management and Finance:

The informal subsidiary body of the Permanent Council delegated to exercise functions in the administrative and budgetary areas of the OSCE. The meetings of the Committee are attended by representatives of participating States and others as laid down in the OSCE Rules of Procedure. For advisory functions requiring more specialized expertise, the Chairmanship may establish specialized working groups and call upon external experts.

Budget-line item:

A budget line is any item which appears as a subprogramme on the approved budget.

Expenditure:

The sum of disbursements and payments when made and unliquidated obligations when charged to expenditure.

External Auditor:

The individual(s) or institution appointed by the Permanent Council pursuant to Regulation 8.01 to audit the financial statements of the OSCE.

Fund:

An independent accounting entity established pursuant to these Regulations for a specific purpose.

Head of Institution:

The head of any entity designated as an OSCE institution.

Head of Mission:

Person designated by the OSCE Chairmanship to head missions.

Institution:

Any entity designated as such by the participating States.

Main Programme:

Each Main Programme comprises a number of subprogrammes combined with a view either to reflecting the basic programmes of the OSCE, such as conflict prevention, human dimension activities etc., or to reflecting the various support services, such as conference services and common services.

Obligation:

Engagements involving orders placed, contracts awarded, services received and other transactions which involve a charge against the resources of the current financial year and which require payment during the same or a future year.

Revenue:

Revenue of the OSCE from assessed contributions and other sources.

Secretary General:

The Chief Administrative Officer of the OSCE and head of the Secretariat.

Subprogramme:

A subprogramme consists of the activities within a Main Programme concerned with a specific subject. A subprogramme is identified in the budget by a separate budgetary provision.

Unified budget:

Comprises the individual budgets of the Secretariat and institutions of the OSCE, OSCE Missions and other OSCE activities approved by the Permanent Council as part of the unified budget.

Unliquidated obligation:

An obligation or that part of an obligation which is not yet paid.

Regulation 1.03 - Financial and Administrative Instructions

With the aim of implementing these Regulations, the Secretary General shall establish and issue Financial and Administrative Instructions, where required in consultation with the heads of institution.

Regulation 1.04 - Delegation of Authority

The Secretary General and heads of institution may delegate authority under these Regulations to other OSCE officials.

Regulation 1.05 - Accountability

(a) The Secretary General shall be accountable to the Permanent Council for the proper management of the financial resources in accordance with these Regulations.

(b) In discharging the obligation placed on the Secretary General pursuant to (a) above he/she shall monitor compliance with these Regulations by all Institutions and Missions and, if required, take such corrective action as is within his/her authority.

ARTICLE II: THE BUDGET

Regulation 2.01 - Financial Year

The Budget shall be established for one calendar year, which shall also constitute the financial year.

Regulation 2.02 - Currency of Budget

All figures in the Budget shall be presented in Euro.

Regulation 2.03 - Form of the Budget

The Budget shall be prepared as a unified Programme Budget. The Budget shall include:

(a) Planned Expenditure

- (i) The budgets of the Secretariat and institutions;
- (ii) The budgets of long-term Missions;
- (iii) The budgets of short-term Missions, including those of the Personal Representatives of the Chairmanship;
- (iv) The budgets for other activities, as authorized by the Permanent Council.

(b) Anticipated Revenue

Revenue from assessed contributions and other sources.

Regulation 2.04 - Structure of the Budget

(a) The structure of the Budget shall be based on a system of programme budgeting and fund accounting.

(b) The Budget shall provide for:

- (i) a separate Fund for the Secretariat and each of the institutions; and

- (ii) a separate Fund for each Mission and for other activities as decided by the Permanent Council.
- (c) The Budget shall, under each Fund, be presented according to Main Programmes and shall show the subprogrammes forming part of each Main Programme.

Regulation 2.05 - Calendar for the Preparation and Approval of the Budget

The Budget shall be prepared and approved in accordance with the following procedure and time-frame:

- (a) To assist the Secretary General in his/her preparation of the budget proposals, a general discussion shall be held by the Permanent Council on the OSCE's activities in the next financial year, and beyond.
- (b) The Secretary General shall submit by 1 October to the Permanent Council proposals for the Budget for the following year.
- (c) The proposals by the Secretary General shall be referred to the Advisory Committee on Management and Finance for discussion. The Chairmanship of the Advisory Committee on Management and Finance may report to the Permanent Council on the progress of these discussions and may seek guidance from the Council in order to help the Committee to conclude its consideration of the Budget proposals.
- (d) The recommendations of the Advisory Committee on Management and Finance on the Budget for the following year shall be submitted to the Permanent Council by 15 December and shall be approved by 20 December.

Regulation 2.06 - Budget Proposals

- (a) The proposals for the Budget to be submitted by the Secretary General in accordance with Regulation 2.05 (Budget Calendar) shall contain a summary of activities to be carried out during the financial year, indicate the programmatic changes in respect of the previous year that have budgetary implications, and set out the tasks to be accomplished and the objectives to be pursued through each of the programmes. References to decisions according to which the activities are foreseen shall be included where appropriate.
- (b) The Budget document shall include all Main Programmes and subprogrammes and show the allocation of funds per Main Programme, subprogramme and Major Cost Category, the Post Table for the financial year in question, and financial forecasts for the two ensuing financial years.
- (c) Detailed budgetary information, charts/tables, expenditure statements, explanatory notes and other relevant material shall also be included.

(d) Prior to the final approval of the budget, the Secretary General shall, if so requested, submit to the Advisory Committee on Management and Finance updated budgetary information on the current financial year.

Regulation 2.07 - Approval of the Budget

The Budget and the Post Table, including any revisions thereof, shall be approved by the Permanent Council on the recommendation of the Advisory Committee on Management and Finance.

Regulation 2.08 - Decisions involving Additional Expenditures

When taking decisions on new activities, the decision-making bodies shall take into account the financial implications involved. If a draft decision is likely to have financial implications, the Secretary General shall submit his/her estimates of these implications in due time before a decision is scheduled to be taken.

Regulation 2.09 - Revision of the Budget

(a) The Secretary General shall submit proposals for revision of the Budget whenever so requested by the Permanent Council. Should the Permanent Council decide to have a mid-year review of the budget, the Secretary General shall submit his/her proposals for such a review to the Permanent Council at a date prescribed by the Council.

(b) In exceptional cases, the Secretary General may, on his/her own initiative, following careful examination of available resources for their possible reallocation and taking into account Regulation 3.02 concerning the transfer of funds, submit proposals for revisions of the Budget.

(c) In the context of each budget revision, the Advisory Committee on Management and Finance shall consider the proposals of the Secretary General and make its recommendations to the Permanent Council.

ARTICLE III: AUTHORITY FOR INCURRING EXPENSES

Regulation 3.01 - Expenditure Authority

Subject to the provisions of Regulations 3.04 and 4.04:

- (a) The adoption of the Budget, including any revisions, by the Permanent Council shall constitute an authorization to the Secretary General and the heads of institution to incur obligations and to make payments up to the amounts and for the purposes approved.
- (b) The Secretary General and the heads of institution may incur obligations with respect to the two subsequent financial years for essential goods and services for which no provisions have been made in the current Budget, but which are nevertheless outlined in the forecasts for subsequent years, and where this is essential for the uninterrupted operation of the OSCE. The foregoing is without prejudice to the authority of the Permanent Council to take decisions on all elements of the budget.
- (c) The expenditure authorization referred to in subparagraph (a) above shall include authority for the appointment of staff as well as for contract extensions in accordance with the approved Post Table, subject to policies and conditions prescribed by the Permanent Council for appointments and contract extensions.

Regulation 3.02 - Transfers

- (a) The authorization of the Permanent Council shall be required for the following transfers:
 - (i) Transfers between Main Programmes;
 - (ii) Transfers between Funds;
 - (iii) Transfers to or from specific subprogrammes as decided by the Permanent Council, normally in conjunction with the approval of the Budget; and
 - (iv) All transfers exceeding a cumulative total of 10 per cent of the subprogramme to which or from which the transfers are to be made.
- (b) Transfers of funds between individual budget items other than those specified under (a) above may be made by the Secretary General and the heads of institution in agreement with the Secretary General.

Regulation 3.03 - Availability of Expenditure Authorizations

Expenditure authorizations shall be available for obligations in the financial year for which the authorizations were granted. Expenditure authorizations for unliquidated obligations carried forward into the current financial year from the previous year shall be valid until the end of the current financial year. In exceptional cases and after appropriate consideration by the Advisory Committee on Management and Finance, the Permanent Council may decide to extend the period of availability set forth in this Regulation.

Regulation 3.04 - Provisional Expenditure Authorization

If, at the beginning of a financial year, the Budget has not yet been approved by the Permanent Council, extraordinary meetings of the Permanent Council shall be held in order to reach an urgent decision. In the meantime, the Secretary General and heads of institution are authorized to incur obligations and make payments until 31 March of the current financial year up to the level of 25 per cent of the previous Budget, and thereafter, on a monthly basis, up to 1/12th of the previous Budget until the new Budget is adopted.

ARTICLE IV: REVENUE

Regulation 4.01 - Assessed Contributions

The Budget, including any revision, shall be financed through assessed contributions by all participating States as established by application of the scale of distribution. The relevant provisions of the Helsinki Document 1992 (Chapter XII, paragraphs 3 and 4) are applicable.

Regulation 4.02 - Special Financing

- (a) Long-term missions: The guidelines for cost-sharing relating to long-term OSCE missions as adopted by the CSO in Rome in 1993 are applicable (see Annex 1).
- (b) Short-term missions: The guidelines for cost-sharing relating to short-term OSCE missions as adopted by the CSO in Rome in 1993 are applicable (see Annex 2).
- (c) Peacekeeping operations: The relevant provisions of the Helsinki Document 1992 are applicable (see Annex 3).

Regulation 4.03 - Currency of Contributions to Budget

Assessments and voluntary contributions relating to the Budget shall be accounted for in the currency of the Budget, i.e. in the Euro.

Regulation 4.04 - Billing

After the Permanent Council has approved the Budget, the Secretary General shall notify the participating States of the contributions due from them for the financial year in question. A similar notification shall be made in respect of any revisions of the Budget. In the event that the new Budget is not approved by 20 December of the previous year, the Secretary General is authorized to bill the participating States for up to the level of 50 per cent of the previous Budget. Payment shall be due according to Regulation 4.05.

Regulation 4.05 - Payment of Assessed Contributions

- (a) Fifty per cent of the assessed contributions to the Budget shall be due and payable by 20 January of the financial year to which they relate and the remaining fifty per cent shall be due by 1 April of that year.

(b) Additional contributions, due as a result of a revision of the Budget, approved by the Permanent Council, shall be due for payment 30 days after the issuance of the relevant bills or at some later date(s) as may be indicated in the bills.

Regulation 4.06 - Crediting Assessed Contributions

Payments of assessed contributions by a participating State shall be credited to that State's assessments in the order in which those assessments were made.

Regulation 4.07 - Reports on Collection of Contributions

(a) The Secretary General shall submit to the Permanent Council quarterly reports on the collection of assessed contributions.

(b) In the event of insufficient cash flow during the year to meet authorized expenditures the Secretary General shall report this to the Permanent Council for appropriate action.

Regulation 4.08 - Revolving Fund

The Permanent Council shall establish a Revolving Fund to meet the short-term cash flow requirements of duly authorized OSCE activities that may result from the thirty-day period, foreseen in Financial Regulations 4.04 and 4.05, between billing and payment of assessed contributions. The amount of this Fund and the modalities of its financing shall be determined by the Permanent Council.

Regulation 4.09 - Actions in the Event of Arrears

(a) The obligation to pay the assessed financial contributions on time and in full is one of the OSCE commitments and applies equally to all participating States.

(b) The Secretary General's quarterly 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.

(c) If a participating State has not paid all its assessed contributions and dues for special financing for the preceding financial year by 1 April of the current financial year, the Secretary General shall request that participating State to pay its arrears within 60 days.

(d) If the payment is not made in full during that period, the Secretary General shall request an explanation of the reasons for non-payment from the participating State concerned.

(e) The Secretary General shall inform the Advisory Committee on Management and Finance of the steps taken as well as of other initiatives undertaken and shall consult with the Chairmanship on any outstanding problems.

(f) 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 Chairmanship 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.

(g) The full and timely payment of contributions is a matter of crucial importance for the proper functioning of the OSCE. The Permanent Council shall, therefore, review the operation of this Regulation at annual intervals on the basis of reports from the Advisory Committee on Management and Finance.

ARTICLE V: CUSTODY AND INVESTMENT OF FUNDS

Regulation 5.01 - Custody

The Secretary General shall designate the bank(s) or other financial institution(s) in which the funds shall be kept.

Regulation 5.02 - Investments

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 finance revenue to the Secretariat.

ARTICLE VI: INTERNAL CONTROL

Regulation 6.01 - Principles

The Financial and Administrative Instructions to be issued by the Secretary General pursuant to Regulation 1.03 shall provide for the appropriate implementation of these Regulations, including effective financial administration and the exercise of economy. Mechanisms for internal oversight and financial control shall be established to support the Secretary General in his/her management of the Organization's resources. These mechanisms shall be equipped to provide the full range of internal audit (including management audit), operational financial control, evaluation and investigation, quality and value-for-money assurance and management advice. The Secretary General and the heads of institution to the extent that their institution is concerned, shall be responsible and accountable for the proper application of these Regulations.

Regulation 6.02 - Financial and Administrative Instructions

The Financial and Administrative Instructions issued shall ensure, in particular, that:

- (i) maximum economy is exercised in using the resources;
- (ii) obligations are incurred and contracts issued only in accordance with prescribed procedures and under proper authority;
- (iii) expenditures are in conformity with required authorization;
- (iv) goods and services are procured through international and/or local competitive bidding with the aim of identifying the most cost-effective solution;
- (v) claims and losses of cash, supplies and other assets are written off after appropriate investigation and a report thereon is submitted with the annual financial statements;
- (vi) surplus or unusable assets are disposed of by sale or otherwise on a competitive basis in accordance with procedures which ensure that the interests of the OSCE are protected;
- (vii) payments are made only on the basis of properly certified vouchers and other supporting documentation which ensure that payments are in accordance with commitments previously made by the OSCE;
- (viii) the receipt, custody and disposition of all funds are effected under proper authority ensuring efficient control of the financial assets; and

- (ix) equipment and other assets of the OSCE or for which the OSCE is responsible are properly safeguarded from losses of all kinds, including those arising from fraud, irregularity and corruption.

Regulation 6.03 - Designation of Officials

The Secretary General and heads of institution shall designate the officials who may receive monies and other assets, incur commitments and make disbursements on behalf of the OSCE, ensuring, to the extent possible, the segregation of these functions in order to safeguard against the risk of fraud. The Secretary General shall be informed of such designations in the institutions.

Regulation 6.04 - Authorizations for Obligations

Obligations shall be incurred only after appropriate authorizations have been made in writing in the form of Budget allotments under the authority of the Secretary General and upon appropriate certification of the availability of funds by an authorized financial officer.

Regulation 6.05 - *Ex gratia* Payments

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 heads of institutions, in consultation with the Secretary General, may make *ex gratia* 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 financial statements.

Regulation 6.06 - Internal Oversight

(a) The Secretary General shall establish and maintain an effective Internal Oversight as an independent appraisal function within the Organization to examine and evaluate its activities. The function shall provide a service to the Organization in the furtherance of its aims. The objective of the Internal Oversight function shall be to assist the Secretary General, and, through him/her, also heads of institution and heads of mission in the effective discharge of their responsibilities. It will furnish them with analysis, appraisals, recommendations, counsel and information concerning the activities reviewed. The objective will include the promotion of effective control at reasonable cost.

(b) Organizationally, Internal Oversight shall be part of the Office of the Secretary General, independent of other arms of the Secretariat and institutions and missions. Internal Oversight shall be responsible to, and report to, the Secretary General.

- (c) The scope of Internal Oversight shall cover all of the activities of the OSCE regardless of the source of funds. Internal Oversight shall have the right of access at all times to all staff and mission members, books, records, documentation, property and premises which is, in its opinion, necessary for the performance of an appraisal, audit or investigation.
- (d) Staff of Internal Oversight shall be impartial and objective in the performance of their duties and shall avoid any action which might adversely reflect on their status or integrity. They shall discharge their functions and regulate their conduct in a professional manner and with only the interests of the OSCE in view. They shall neither seek nor accept instructions from any government or from any authority external to the OSCE.
- (e) When requested, staff and mission members shall co-operate fully with Internal Oversight in the identification and provision of relevant information. The rights of staff and mission members shall be respected at all times. Staff and mission members may request that communications with Internal Oversight shall remain confidential. This right shall be guaranteed unless, in the opinion of the Secretary General, the staff or mission member has acted improperly.
- (f) An annual report on Internal Oversight activities shall be submitted, through the Secretary General, to the Permanent Council; ad hoc reports including, if considered necessary, comments and information on actions taken in consequence to the reports, shall be submitted through the Secretary General, to the Permanent Council.
- (g) The Secretary General shall establish a Mandate for Internal Oversight which embodies the principles of this Financial Regulation and which sets out the nature, objectives, scope, authority and responsibilities of the function. The Mandate shall be incorporated as an Annex to the Financial Regulations.

ARTICLE VII: THE FINANCIAL STATEMENTS

Regulation 7.01 - Preparation of the Accounts

The Secretary General, assisted by the 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 International Public Sector Accounting Standards (IPSAS). The annual financial statements shall be prepared by the Secretary General.

Regulation 7.02 - Content of the Annual Financial Statements

- (a) The annual financial statements shall contain:
 - (i) a statement of financial position;
 - (ii) a statement of financial performance;
 - (iii) a cash flow statement;
 - (iv) a statement of changes in net assets.
 - (v) a statement of comparison of budget and actuals;
 - (vi) segment reporting by Fund.

- (b) The annual 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.

Regulation 7.03 – Reporting Currency

The annual 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 heads of institution 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. The unit of account shall be one Euro.

Regulation 7.04 - Submission of the Annual Financial Statements

The Secretary General shall submit the annual 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 financial statements, they shall be submitted to the Permanent Council together with a financial report and the report of the External Auditor thereon.

Regulation 7.05 - Acceptance of the Annual Financial Statements

On the basis of the report of the External Auditor (Regulation 8.06) the Permanent Council shall accept the annual financial statements or take such other action with regard to them as the Council may consider necessary.

Regulation 7.06 - Information on Budgetary Situation

The Secretary General shall inform the Advisory Committee on Management and Finance on the budgetary situation, including obligations and expenditures, at quarterly intervals.

Regulation 7.07 - Cash Surplus or Deficit

- (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 revenue received over the expenditure, or the excess of the expenditure over revenue received, as the case may be.
- (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 participating States during the year following the one in which the 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.
- (c) In the event of a cash deficit the Secretary General shall bring the matter to the attention of the Permanent Council and make proposals for appropriate action by the Council.

ARTICLE VIII: EXTERNAL AUDIT

Regulation 8.01 - Appointment and Tenure of Office of the External Auditor

A fully qualified External Auditor who meets internationally accepted auditing standards shall be appointed by the Permanent Council upon nomination by participating States. The tenure of office shall normally be three years unless otherwise determined by the Permanent Council. The services of the External Auditor shall be made available free of charge by the nominating State(s). Auditing staff shall be entitled to reimbursement of their travel expenses in accordance with the travel standards applicable to OSCE staff.

Regulation 8.02 - Scope of the Audit

The External Auditor may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the OSCE.

Regulation 8.03 - Conduct of the Audit

(a) Subject to any special direction by the Permanent Council the External Auditor shall perform an audit of the financial statements, including all Funds, as the External Auditor may deem necessary in order to be satisfied that:

- (i) the annual financial statements fairly reflect the financial position of the OSCE by the end of the financial year and that they are in accord with the books and records;
- (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 other relevant instructions;
- (iii) the funds on deposit and on hand have been verified by certificates received directly from the depositories or by actual count; and
- (iv) the internal controls, including the internal audit, are adequate.

(b) In addition to the annual audit the External Auditor shall at any time have free access to the accounting records and to other relevant records and documents as are necessary, in the opinion of the External Auditor, for the audit.

Regulation 8.04 - Responsibility of External Auditor

The External Auditor shall be completely independent and solely responsible for the conduct of the audit.

Regulation 8.05 - Provision of Facilities and Assistance to the External Auditor

The Secretary General and the heads of institution shall provide the External Auditor with such facilities and assistance as may be required for the proper conduct of the audit.

Regulation 8.06 - Audit Report

(a) The External Auditor shall prepare a signed report expressing an opinion on the annual financial statements. The report shall include such observations as the External Auditor may deem necessary, in particular with respect to:

- (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.

(b) The External Auditor shall have no power to disallow items in the financial statements but shall draw the attention of the Secretary General and, as appropriate, of heads of institution to any transaction regarding which the External Auditor entertains doubt as to legality or propriety.

(c) The Advisory Committee on Management and Finance shall discuss the audited annual financial statements on the basis of the audit report.

(d) Before the External Auditor submits the audit report to the Permanent Council, the Secretary General shall be afforded the opportunity to furnish such explanations and justifications as the Secretary General deems necessary.

(e) The audit report shall serve as a basis for the acceptance of the annual financial statements by the Permanent Council or for such other action in respect of the financial statements as the Council may consider necessary (Regulation 7.05).

ARTICLE IX: EXTRABUDGETARY CONTRIBUTIONS

Regulation 9.01 - Acceptance of Extrabudgetary Contributions

(a) The Secretary General and each Head of Institution, after consultation with the Secretary General, are authorized to accept extrabudgetary contributions such as voluntary contributions in cash and/or in kind, provided that such contributions:

- (i) can be integrated into an approved OSCE programme; and
- (ii) are consistent with the policies and aims of the OSCE.

(b) Extrabudgetary contributions such as voluntary contributions, gifts or donations which directly or indirectly involve an immediate or ultimate significant financial liability for the OSCE may be accepted only with the prior approval of the Permanent Council.

Regulation 9.02 - Expenditure Authorization with regard to Extrabudgetary Contributions

Obligations may be incurred and payments made from funds received (or pledged in writing) from extrabudgetary sources, such as voluntary contributions, for the purpose for which those contributions were made and subject to any conditions governing the use of the contributions in question, provided that the relevant Budget allotments have been established in accordance with Regulation 6.04.

Regulation 9.03 - Reporting

The Secretary General shall include a statement of financial performance of extrabudgetary contributions in the annual financial statements. Upon request, he/she shall also provide status reports during the financial year.

ARTICLE X: AMENDMENT AND SUSPENSION

Regulation 10.01 - Amendment and Suspension

These Regulations may be amended or suspended by the Permanent Council.

(24-CSO/Journal No. 3, Annex 4)

Guidelines for cost-sharing relating to long-term CSCE missions

The following guidelines are applicable to all CSCE missions under the Helsinki Document 1992, Chapter III which are not covered by financial arrangements for short-term missions, unless other arrangements have been agreed. The CSCE scale of distribution applies to all costs of such missions which are to be collectively covered as set out below.

Participating States are committed to make available financial contributions promptly according to agreed budgets, and to make efforts in providing personnel to the missions. Voluntary contributions will be welcomed.

Modalities for covering initial costs

A separate budget item for initial costs for long-term missions will be established in the budget for the CPC. The size will be annually reviewed and adjusted in light of experience.

Funds from this budget item may be drawn as needed on the basis of an approved mission budget after a decision has been made to establish a mission. No transfer from this budget item may be made to other budget items.

The item will be replenished promptly through incoming contributions to the mission budget.

Wherever possible the budget item will be financed through available funds in the CSCE Institutions deriving from savings in previous accounts.

Costs to be collectively covered

Operational costs:

Travel costs to and from the mission area. Costs are covered from a defined mission assembly area (Vienna) to the mission area and back at a frequency per participant to be decided when establishing a mission. All travel, in-country as well as outside the mission area, necessary to carry out the mandate of the mission.

Fuel and maintenance of vehicles.

Office rents, utilities and supplies. Communication charges.

Salaries for locally hired personnel.

Representation costs; limited to cover expenses for hospitality, under the authority of the HoM, with a purpose to foster the work of the mission under its mandate.

Board and lodging. Actual rents (all-inclusive) or hotel costs supplemented by costs for board. Total costs will not exceed the United Nations daily subsistence allowance rate (DSA). Where board and/or lodging is provided, allowances will be reduced according to relevant United Nations provisions for the country in question.

Collective insurance covering risks related to mission activity additional to those possibly covered by sending States. Sending States which provide such insurance nationally are entitled to reimbursement of actual costs not exceeding the equivalent cost of insurance premiums which are not purchased due to mission members being nationally insured.

When establishing a mission host countries should, where appropriate, be invited to cover or subsidize accommodation, lodging or office costs.

Establishment costs:

Vehicles.

Communications equipment. Depending on local conditions satellite telephones, HF radios or modems may be needed in addition to telefax.

Office equipment including *inter alia* copy machines, computers, printers, typewriters and furniture.

Other equipment to satisfy specific needs such as voltage regulators, water purifiers, bullet-proof vests, first aid kits, logo items, etc.

Transportation, relevant insurance, etc., of equipment.

Miscellaneous:

Provision for unforeseen expenses not exceeding 5% of the budget can be included in the initial budget of a mission.

For larger missions, sending States are entitled to a nominal refund for costs related to sending personnel. The size and modalities for such compensation will be established by the Permanent Committee of the CSCE on a case-by-case basis.

States providing equipment on a voluntary basis may request reasonable compensation according to rates to be elaborated by the CPC, and submitted to the Informal Financial Committee, provided the equipment is accepted by the HoM/CPC.

Accountability and budgetary procedure

Based on the above definitions of collectively covered expenses and reduced where possible to take account of pledged voluntary contributions, the Head of Mission, in close co-operation with the CPC Secretariat, will prepare budget proposals based on estimated costs to be submitted to the Informal Financial Committee. The proposals will be considered by the Committee and submitted to the relevant CSCE body for approval.

The Head of Mission will forward regularly to the CPC Secretariat full records of expenditure. Detailed account of expenditure will be kept in order to ensure auditing of the mission accounts and accountability to participating States.

Missions shall operate within the limits of the budget. The Common Financial Procedures apply.

All procurement of equipment shall be carried out according to agreed CSCE guidelines.

(24-CSO/Journal No. 3, Annex 5)

Guidelines for cost-sharing relating to short-term CSCE missions

The present guidelines cover both missions under the Human Dimension Mechanism as set out in Chapter I of the Moscow Document and other short-term CSCE missions mandated by Chapter III of the Helsinki Document 1992.

I. Missions under the Moscow Mechanism

1. As stated in Chapter I, paragraph 14 of the Moscow Document, the participating State or States that have requested the establishment of a mission of experts or rapporteurs will cover the expenses of that mission. In case of the appointment of experts or rapporteurs pursuant to a decision of the Committee of Senior Officials, the expenses will be covered by the participating States in accordance with the usual CSCE scale of distribution of expenses.
2. According to the Guidelines for Financing of CSCE Missions adopted at the sixteenth meeting of the Committee of Senior Officials on 18 September 1992 funds to cover costs for rapporteur missions to be financed by some participating States under the Moscow Mechanism will be advanced, in the first instance, by the Office for Democratic Institutions and Human Rights and subsequently refunded by the participating States concerned.
3. It is understood that the "requesting States" for the purpose of the above-mentioned paragraph 14 comprises both the State or group of States which directly request the ODIHR to establish a mission and the States which subsequently support the request.
4. A requesting State's share of expenses of a mission shall be proportional to its share on the CSCE scale of distribution and should thus be calculated according to the following formula:

The requesting State's share (percentage) of expenses of a mission shall be equivalent to that State's percentage share on the CSCE scale of distribution multiplied by one hundred and divided by the total sum of all the requesting States' percentage on the CSCE scale of distribution.

II. Short-term missions mandated by the Helsinki Document 1992

The expenses of fact-finding and rapporteur missions established under Chapter III of the Helsinki Document 1992 will, according to paragraph 16 of Chapter III, be borne by all participating States in accordance with the scale of distribution, except where provided on a voluntary basis.

III. Common rules applicable to missions under the Moscow Mechanism and to short-term missions mandated by the Helsinki Document 1992

The expenses of a mission to be covered collectively by participating States will include, where appropriate, the following categories of costs:

- (a) Travel costs to and from the mission area and within the mission area
- (b) Communication charges
- (c) Board and lodging
- (d) Fees for independent experts (if necessary)
- (e) Insurance
- (f) Interpretation and other additional expenses necessarily incurred, such as interpreters' fees, travel and per diem and support services.

Re (a):

The itinerary and travelling conditions shall be those best suited for effective fulfilment of duties assigned. Travel costs for air travel within the CSCE area to the mission area will be payable at full economy fare. First class will, where appropriate, be payable for land travel. In both cases travel expenses will be payable on the presentation of relevant bills. Where a mission member uses a private vehicle, costs will be reimbursed at first-class fare for equivalent land travel.

Re (c), (d) and (f):

The institution organizing the mission will advance to the mission members and interpreters an allowance for accommodation and daily living expenses not exceeding the United Nations daily subsistence allowance rates for the places visited. Where board and/or lodging is provided, allowances will be reduced according to relevant United Nations provisions for the places visited.

Re (d):

A fee is a compensation up to an agreed fixed ceiling to independent experts for lost earnings, which must be in each case previously requested and fully substantiated.

As a rule, missions will not involve payment of fees. When Heads of Short-Term Missions are unable to obtain the necessary expertise on a seconded basis, they may request authorization by the States responsible for the mission to agree compensation for lost earnings.

Such fees will not exceed ATS 2,000 per day. The figure will be reviewed at the time of the submission of annual budget proposals.

Fees will on no account be paid to experts who are employees of their State's public administration.

Re (e):

Insurance with adequate cover for health, accident, travel and property will be taken out collectively by the organizing institution for mission members and support staff who are not already covered adequately by national insurance schemes.

Re (f):

The director of the organizing institution will arrange support services including, if necessary, translation required by the mission. Where these services cannot be supplied from the organizing institution's own resources, the director shall contract them on a temporary basis.

The director of the organizing institution shall, within agreed limits, be permitted to reimburse additional expenses such as interpreters' fees, travel and per diem and support services, where necessarily incurred in order to fulfil the mandate of the mission.

(Helsinki Document 1992, Chapter III, paragraphs 46-51)

Financial arrangements

- (46) Peacekeeping operations require a sound financial basis and must be planned with maximum efficiency and cost-effectiveness on the basis of clear cost projections.
- (47) Costs of CSCE peacekeeping activities will be borne by all CSCE participating States. At the beginning of each calendar year, the CSO will establish a reasonable ceiling for the cost of peacekeeping operations to which the CSCE scale of distribution will be applied. Beyond that limit, other special arrangements will be negotiated and agreed to by consensus. Full and timely payments will be required.
- (48) Additional contributions could be provided by participating States on a voluntary basis.
- (49) Financial accountability will be ensured by the Chairman-in-Office through regular reports to the participating States.
- (50) A start-up fund will, if appropriate, be established to cover the initial costs of an operation. Contributions by a participating State to the start-up fund will be deducted from that State's regular assessed share of the costs relating to the operation.
- (51) The Consultative Committee of the CPC is charged to submit to the CSO by the end of 1992 a recommendation with regard to financial modalities of CSCE peacekeeping operations, specifying, *inter alia*, the costs to be shared among participating States in accordance with the preceding paragraphs.

ANNEX I: PERMANENT COUNCIL DECISION NO. 133

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

PC.DEC/133
27 June 1996
Original:

76th Plenary Meeting

PC Journal No. 76, Agenda item 4

DECISION No. 133

The Permanent Council decides that:

- A Revolving Fund shall be established to meet the short-term cash flow requirements of duly authorized OSCE activities that may result from the thirty-day period foreseen in Financial Regulations 4.04 and 4.05 between billing and payment of assessed contributions;
- A total of ¹ATS 37,290,000 shall be set aside for the one-time establishment of this Fund;
- Participating States shall be billed for their assessed contributions to this Fund in the third bill for 1996. The accumulated cash balances of the Funds other than those of the Institutions for 1993, 1994 and 1995 shall be credited to participating States in the third bill for 1996 according to the criteria set out in Financial Regulation 7.07(b), as a result of which no additional cash contributions to the Revolving Fund shall be required from those States that are not in arrears;
- The use of the Revolving Fund shall require specific authorization from the Secretary General;
- Whenever cash is taken from the Fund to meet short-term cash flow requirements pending the payment of bills, it shall be repaid promptly when contributions to the OSCE budget are received;
- At the end of each financial year, the balance in the Revolving Fund shall be carried over to the next financial year, and a separate statement on the Fund shall be included in the annual accounts for each financial year;

The Permanent Council considers that the establishment of the above Fund should also be seen as a strong encouragement for stricter budgeting for future financial years which could be achieved, *inter alia*, through the further development and application of standard cost parameters in budgeting.

¹ EUR 2,709,970

Interpretative statement under paragraph 79 (Chapter 6) of
the Final Recommendations of the Helsinki Consultations

By the delegation of Belgium:

"With reference to the question that I raised at the meeting of the Permanent Council on 27 June concerning the third paragraph of the aforementioned text, I have the honour to inform you that Belgium does not intend to interrupt the silence procedure but wishes to state that it understands the passage 'as a result of which no additional cash contributions to the Revolving Fund shall be required from those States that are not in arrears' to mean that no additional cash contributions will be required for the purposes of the Revolving Fund from the participating States that are not in arrears on the payment of their contributions.

I should be grateful, Mr. Chairman, if you could attach this interpretative statement to the Journal containing the final decision on the establishment of the Revolving Fund on the basis of the aforementioned text."

ANNEX II: PERMANENT COUNCIL DECISION NO. 182

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

PC.DEC/182
17 July 1997
Original: ENGLISH

124th Plenary Meeting

PC Journal No. 124, Agenda item 2

DECISION No. 182

The Permanent Council,

Having considered, following the statement of the OSCE Chairman-in-Office to the Permanent Council on 17 April 1997, measures to improve the process for financing new OSCE activities,

Recalling Decision No. 127 (PC.DEC/127) of 27 June 1996 establishing the OSCE Financial Regulations, which entered into force on 1 July 1996,

Recalling also Decision No. 133 (PC.DEC/133) of 27 June 1996 establishing a Revolving Fund in the amount of ¹ATS 37,290,000 to meet the short-term cash flow requirements of duly authorized OSCE activities that may result from the thirty-day period foreseen in Financial Regulations 4.04 and 4.05 between billing and payment of assessed contributions,

Noting that the Financial Regulations call for awareness, on the part of decision-makers, of the financial implications of their decisions and that these Regulations include mechanisms to adjust financial planning to new situations when new OSCE tasks so require during the financial year,

Recalling that Financial Regulation 2.08 specifically calls upon decision-making bodies to take into account the financial implications of new decisions and provides that, if a draft decision is likely to have such financial implications, the Secretary General should submit his estimates in respect of these implications in due time before a decision is scheduled to be taken,

Bearing in mind that the nature of the tasks faced by the OSCE may require rapid action, based on a consensus decision, before new funds can be made available by participating States through the normal budgetary process,

¹ EUR 2,709,970

Decides that:

- A Contingency Fund shall be established to enable the OSCE to act immediately after the adoption by the Permanent Council of a decision on a new OSCE activity and to
- cover the corresponding financial requirements prior to the approval of the relevant supplementary budget;
- A total of ²ATS 30,000,000 shall be set aside for the establishment of this Fund;
- Participating States shall be billed for their assessed contributions to the establishment of this Fund in the next billing procedure. Since a cash surplus of funds, financed through assessed contributions during the financial year 1995, is presently available to be credited against participating States' future contributions according to Financial Regulation 7.07(b), no additional cash contributions for establishing the Contingency Fund shall be required from those States that have contributed to the surplus;
- When adopting a decision on a new OSCE activity, the Permanent Council may authorize at the same time the release from the Contingency Fund of an amount which should normally not exceed 25 per cent of a cost estimate to be submitted by the Secretary General in accordance with Financial Regulation 2.08, in order to finance on an interim basis the initial implementation of such approved activity, pending the approval of the relevant supplementary budget according to established procedures;
- Following the formal adoption of a supplementary budget for a corresponding new activity, for which funds were temporarily made available from the Contingency Fund, the Fund shall be replenished accordingly;
- At the end of each financial year, the Contingency Fund may be carried over to the next financial year, and in such a case, a separate statement shall be included in the annual accounts for each financial year;
- The functioning of the Contingency Fund and the amount of funding provided for above shall be reviewed and, where necessary, adjusted, on an annual basis; and
- The Fund shall be subject to external audit as provided for in Financial Regulations 8.01-8.06.

² EUR 2,180,185

Chairman's Statement

The Chair has worked towards two connected decisions: one on the creation of a Contingency Fund; the other on a financial mechanism for specific larger projects. Only the first issue was ready for a decision on it to be taken today. The discussion of these two items has constantly been tangled up with the discussion on the adequacy of the Helsinki scale of distribution as adopted in 1992. For that reason, I am going to put the question of the scale of distribution as well as the questions relating to the criteria forming the basis of the scale, as provided for in paragraph 4 of Decision XII of the Helsinki Document 1992, on the agenda of the Permanent Council when it convenes after the summer break. In this connection, the criteria applied by other relevant international organizations and the mechanisms applied for periodic review of the scale will also be examined. The question of the financial mechanism remains a separate item and will continue to be discussed in parallel.

ANNEX III: PERMANENT COUNCIL DECISION NO. 399

PC.DEC/399
14 December 2000
Annex 6

INTERNAL OVERSIGHT MANDATE

1. This Mandate has been prepared in accordance with Financial Regulations 6.01 and 6.06. It covers the nature, objectives and scope of the Internal Oversight function as well as responsibilities and authorities.

Objectives

2. Internal Oversight is an independent appraisal function established within the Organization to examine and evaluate its activities as a service to the Organization. The objective of Internal Oversight shall be to assist the Secretary General and, through him/her, also other heads of institution and heads of mission in the effective discharge of their responsibilities. It shall furnish them with analysis, appraisals, recommendations, counsel and information concerning the activities reviewed. The objective will include the promotion of effective control at reasonable cost.

Independence

3. Internal Oversight shall be positioned within the Office of the Secretary General and shall be wholly independent of other arms of the Secretariat, other institutions and missions. It reports directly, and is responsible, to the Secretary General. Internal Oversight covers all OSCE activities, institutions and missions regardless of the source of funds.

4. Other than as provided for in this Mandate, to preserve impartiality and objectivity, Internal Oversight shall have no authority over, nor responsibility for, any of the operations or activities of the OSCE. Internal Oversight shall not be used in the discharge of other operational or management functions. Internal Oversight reviews and appraisals do not in any way substitute for or relieve the management of the Organization of the responsibilities assigned to them.

Scope

5. The scope of Internal Oversight encompasses the examination and evaluation of the adequacy and effectiveness of the Organization's systems of internal controls and the quality of performance in carrying out assigned responsibilities. It incorporates the full range of internal audit, including management audit, evaluation and investigation, quality and value-for-money assurance and management advice. Internal Oversight may include an appraisal of one or more of the following elements:

- The adequacy, reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;

- The adequacy of regulations, rules, directives and other administrative instructions and whether transactions and activities comply with these authorities;
- The systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports and which should determine whether the Organization is in compliance;
- The means of safeguarding and verifying the existence of assets;
- The economy and efficiency with which financial, physical and human resources have been used and the systems and controls designed to achieve this;
- Operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations are being carried out as planned.

6. The scope of Internal Oversight shall also include the investigation of allegations, which come to or are brought to its attention, of possible violations of regulations, rules or related administrative instructions and allegations involving waste or mismanagement of resources or fraud or other impropriety. The scope shall not extend to those areas for which separate provision has been made for review and investigation.

7. Internal Oversight will conform to generally accepted internal auditing standards.

Authority

8. In undertaking the responsibilities of Internal Oversight, all authorized staff shall have unrestricted access to all personnel, records and documentation including those in electronic format, property and premises of the Organization to the extent that it is, in the opinion of Internal Oversight, necessary for the performance of an objective and effective appraisal, audit, or investigation.

9. All staff or mission members shall co-operate to the fullest extent possible with Internal Oversight in the identification and provision of relevant information that might assist in the discharge of the function.

Confidentiality

10. Confidentiality shall be maintained by Internal Oversight during all audits, appraisals or investigations and all evidence collected shall be secured.

11. Staff and mission members may request that communications with Internal Oversight shall remain confidential. This right shall be guaranteed unless, in the opinion of the Secretary General, the staff or mission member has acted improperly.

12. Staff and mission members shall not take, direct others to take, recommend, or approve any action against other staff or mission members as a reprisal for making a complaint or disclosing information to Internal Oversight.

13. In carrying out investigations, Internal Oversight shall respect the rights of individual staff and mission members at all times. A staff or mission member who is the subject of an

investigation shall be informed of the investigation, but Internal Oversight may exercise discretion in determining when this shall be done, with due regard for the security and the nature of evidence to be collected. In all cases, a staff member subject to an investigation shall be given the opportunity to review the findings of the investigation and respond to the findings before a final report is prepared.

Plan of Work

14. Internal Oversight shall prepare an annual plan of work for the following financial year, consistent with generally accepted internal auditing standards and with estimated available resources. The plan will make provision to allow for investigations into matters which may come to the attention of Internal Oversight during the course of the year. In preparing the plan, Internal Oversight shall consult with the Chairperson of the informal Financial Committee and, to the extent considered necessary, senior managers of the Organization. The annual plan shall be subject to the approval of the Secretary General. The Secretary General may also request special studies, investigations, reviews and counsel.

Reporting

15. A report containing all significant findings resulting from an audit or appraisal or investigation in such form as deemed appropriate in the circumstances shall be submitted to the Secretary General. Less significant findings shall be reported at a level deemed appropriate by Internal Oversight.

16. Before submitting any audit or appraisal report to the Secretary General, Internal Oversight shall present the draft report together with any recommendations to the head of institution, head of mission or director concerned. The head of institution, head of mission or Director shall, as soon as practicable, provide their response on the draft report, the recommendations and indicate the action they intend to take on the recommendations.

17. Internal Oversight shall undertake periodic follow-up reviews to determine whether audit findings and recommendations have been acted upon and, where necessary, report the findings of the follow-up review to the Secretary General.

18. Internal Oversight shall prepare an annual report which summarizes its activities and this shall be submitted through the Secretary General, together with separate comments which the Secretary General deems necessary, to the Permanent Council. The report may contain the following:

- A description of the scope of Internal Oversight activities;
- A description of significant problems, abuses, and deficiencies relating to the administration of a programme or operation found during the period;
- A description of all main recommendations for corrective action made by Internal Oversight during the reporting period relative to the problems or deficiencies identified;
- A description of all main recommendations which were not approved by the Secretary General, together with his reasons for not doing so;

- Identification of each significant recommendation in previous reports on which corrective action has not been completed;
- A summary of any instance when information or assistance requested by Internal Oversight was refused;
- Where applicable, the value of any cost savings or recovered amounts resulting from recommendations and corrective action.

19. Ad hoc reports including, if considered necessary, comments and actions taken in consequence to the reports shall be submitted through the Secretary general to the Permanent Council.

External Auditors

20. Internal Oversight shall, to the extent feasible and practicable, co-ordinate its plans and activities with those of the External Auditor of the OSCE as well as with other units of the Organization, as is deemed necessary.

21. The External Auditor shall be provided with a copy of all Internal Oversight audit and appraisal reports. Reports on investigations into alleged or proven irregularity will be furnished on request.

ANNEX IV: PERMANENT COUNCIL DECISION NO. 408

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

PC.DEC/408/Corr.1
5 April 2001
Original: ENGLISH

330th Plenary Meeting

PC Journal No. 330, Agenda item 2

**DECISION No. 408
SCALE FOR LARGE OSCE MISSIONS
AND PROJECTS/Corrected reissue***

The Permanent Council,

Recalling Copenhagen Ministerial Decision No. 8 (MC(6).DEC/8) on a Scale for Large OSCE Mission and Projects,

Referring to Vienna Ministerial Council Decision No. 6 (MC(8).DEC/6) instructing the Permanent Council to reach agreement no later than 31 March 2001 regarding a scale and criteria for financing OSCE activities,

Noting the interim financing arrangement for the scale of contributions for large OSCE missions established in PC Decision No. 398 (PC.DEC/398),

1. Approves the attached Scale of Contributions. This scale will be applied as of 1 January 2002 and will govern the contributions of all participating States to the financing of large OSCE missions and projects. This scale will be applied until 31 December 2004;
2. Decides that the Interim Financial Agreement established in PC Decision No. 398 will be applied until 31 December 2001;
3. Reaffirms the decision of the 1992 Helsinki Summit to review periodically the scale as well as questions related to criteria forming the basis of the scale;
4. Decides to adopt a new scale of contributions to fund all OSCE missions and field operations, to be applied as of 1 January 2005. This new scale will be based on the following:
 - Capacity to pay;
 - A ceiling of 14 per cent on the contribution of any one participating State;
 - A floor of 0.02 per cent on the contribution of any one participating State;

* Incorporates amendments to Attachment 1 to the decision.

- The political nature of the Organization;
- Revision of the scale every three years based on the above and the current United Nations-adjusted GNP figures.

SCALE FOR LARGE OSCE MISSIONS AND PROJECTS
effective 1 January 2002

Country	Per cent	Country	Per cent
United States of America	13.57	Slovenia	0.14
Germany	11.31	Iceland	0.12
France	10.34	Romania	0.10
Italy	10.34	Belarus	0.07
United Kingdom	10.34	Bulgaria	0.06
Canada	5.27	Kazakhstan	0.06
Spain	4.41	Uzbekistan	0.06
Belgium	4.07	Federal Republic of Yugoslavia	0.05
Netherlands	4.07	Albania	0.02
Sweden	4.07	Andorra	0.02
Russian Federation	3.72	Armenia	0.02
Switzerland	2.65	Azerbaijan	0.02
Austria	2.36	Bosnia and Herzegovina	0.02
Denmark	2.36	Estonia	0.02
Finland	2.36	Georgia	0.02
Norway	2.36	Holy See	0.02
Poland	1.05	Kyrgyzstan	0.02
Turkey	0.75	Latvia	0.02
Ireland	0.63	Liechtenstein	0.02
Greece	0.58	Lithuania	0.02
Czech Republic	0.50	Malta	0.02
Hungary	0.46	Republic of Moldova	0.02
Portugal	0.45	Monaco	0.02
Luxembourg	0.30	San Marino	0.02
Slovakia	0.18	Tajikistan	0.02
Ukraine	0.18	the former Yugoslav	
Croatia	0.14	Republic of Macedonia	0.02
Cyprus	0.14	Turkmenistan	<u>0.02</u>
		TOTAL	100.00

**INTERPRETATIVE STATEMENT
UNDER PARAGRAPH 79 (CHAPTER 6) OF
THE FINAL RECOMMENDATIONS OF THE
HELSINKI CONSULTATIONS/Corrected reissue**

By the Delegation of Ukraine:

“In connection with Permanent Council Decision No. 408 (PC.DEC/408) of 5 April 2001, which was adopted today, and with regard to the Statement made by the Chairman of the Permanent Council on establishing a working group to elaborate a draft scale of contributions to the regular OSCE budget, the Delegation of Ukraine would like to make the following interpretative statement:

1. Ukraine believes that the adoption by the OSCE Permanent Council of Decision No. 408 (PC.DEC/408) of 5 April 2001 on a new scale of contributions for large OSCE missions and projects cannot be considered as appropriate implementation of the relevant decisions of the Helsinki (1992) and Istanbul (1999) OSCE Summits, or of the Copenhagen (1997) and Vienna (2000) OSCE Ministerial Council Meetings.
2. Ukraine has agreed to the adoption of the above-mentioned Permanent Council Decision in the light of the assurances received today that serious work on reviewing the Helsinki scale of contributions within the framework of a specially established working group under the leadership of the Delegation of Canada will start soon. It is our firm belief that the group will achieve concrete results on the new scale of contributions by 21 November 2001.
3. We also consider that a decision on entry into force of the reviewed scale of contributions from 1 January 2002 should be adopted before the adoption of the budget for the year 2002. Otherwise the Delegation of Ukraine will have difficulties in approving the adoption of this budget.

Furthermore, taking into account the necessity of strict fulfilment of the OSCE Summit and Ministerial Council Decisions, Ukraine will have to reconsider its financial obligations under the Helsinki (1992) Summit Decision (“Financial arrangements of the CSCE and cost-effectiveness”), and also under Permanent Council Decision No. 408 (PC.DEC/408) of 5 April 2001.”

**INTERPRETATIVE STATEMENT
UNDER PARAGRAPH 79 (CHAPTER 6) OF THE
FINAL RECOMMENDATIONS OF THE HELSINKI CONSULTATIONS**

By the Delegation of Turkey:

“In connection with the Decision on a Scale for Large OSCE Missions and Projects (PC.DEC/408) adopted by the Permanent Council, I would like to state the following for the record.

While adopting a new scale of contributions to fund all OSCE missions and field operations, the criterion of “capacity to pay” should be based on estimates of gross national product, per capita income, external debt burden, conversion rates and similar factors.

I would like to request that this interpretative statement be attached to the Journal of the day.”

**INTERPRETATIVE STATEMENT
UNDER PARAGRAPH 79 (CHAPTER 6) OF THE
FINAL RECOMMENDATIONS OF THE HELSINKI CONSULTATIONS**

By the Delegation of the Russian Federation:

“In connection with the OSCE Permanent Council decision adopted today on a scale of contributions for large missions and projects, the Russian Federation states the following.

The adoption of this decision does not constitute a full answer to the previous decisions of the OSCE governing bodies regarding a review of basic criteria for financing the Organization’s activities. It completely sidelines the issue of reviewing the Helsinki scale. The Russian Federation assumes that the Romanian Chairmanship will continue consultations on this matter with a view to adopting, as soon as possible, a specific, official Permanent Council decision. Otherwise, we will find ourselves in a situation where double standards are applied with regard to decisions of the OSCE governing bodies, some decisions being considered binding while others are treated as optional.

Depending on the nature of the decision eventually adopted on a review of the Helsinki scale, the Russian Federation reserves the right to return to the basic principles of the new scale of contributions for financing OSCE missions and field operations as set out in paragraph 4 of the Permanent Council’s decision. It cannot be ruled out that by 1 January 2005 it will be necessary to review both the “ceiling” of 14 per cent and the “floor” of 0.02 per cent in order to take full account of the capacity of OSCE participating States to pay and of the political nature of the Organization. Accordingly, in approaching the issue of the “ceiling” on contributions we shall be guided by the rule “nothing is agreed until everything is agreed”.

The Russian Federation requests that this interpretative statement be attached to the journal of this meeting of the OSCE Permanent Council.”

**INTERPRETATIVE STATEMENT
UNDER PARAGRAPH 79 (CHAPTER 6) OF THE
FINAL RECOMMENDATIONS OF THE HELSINKI CONSULTATIONS**

By the Delegation of Kazakhstan:

“The Republic of Kazakhstan is in favour of implementing the decision of the OSCE’s 1992 Helsinki Summit on periodic review of the scale of contributions to the OSCE as rapidly as possible. In this context, we consider that the scale or scales of contributions for the whole OSCE budget should be based on United Nations criteria and above all on the ability of participating States to pay.

In this connection, we wish to stress the importance of an early review of the Helsinki scale of contributions and express the hope that the establishment of a special working group will expedite the solution of this problem.

The Republic of Kazakhstan does not support the adoption of a new scale for all OSCE missions and field operations based on the criteria set out in paragraph 4 while retaining the Helsinki scale for the rest of the budget.

This being so, the Republic of Kazakhstan does not consider itself bound by any commitments resulting from paragraph 4 of the Permanent Council decision on a scale of contributions for large OSCE missions and projects.

We request that this statement be attached to the Journal of the day.”

**INTERPRETATIVE STATEMENT
UNDER PARAGRAPH 79 (CHAPTER 6) OF THE
FINAL RECOMMENDATIONS OF THE HELSINKI CONSULTATIONS**

By the Delegation of the United States

“The United States would like to thank you for your energy, ability and leadership, which paved the way for all of us to adopt this decision on a new scale of contributions.

This is a difficult issue. Money issues always are. Your carefully crafted compromise shaped a consensus that has allowed us to make real progress and put the funding of our Organization on a firm foundation. Once again, thank you.

Like any compromise, today’s decision is not an ideal document. But by addressing the most essential concerns of delegations, it does provide us with a valuable asset: stability.

The new scale that will be in effect from 2002 until the end of 2004 gives all of us a sound and predictable basis on which to calculate our contributions to this Organization.

Under this compromise, my Government’s share of the scale will increase. In fact, it will rise more than that of any other participating State.

This was not an easy decision for my Government to make. It reflects our commitment to the work of this Organization, as well as our understanding that compromise was needed to achieve consensus and provide a stable source of funding for our work.

We recognize that other participating States also demonstrated a willingness to compromise, and we express our appreciation for their efforts as well.

The balanced approach set forth by the Chairmanship in this decision not only provides us with a new scale that will be in effect until the end of 2004, it also sets forth key elements for a future scale that will take effect in 2005.

These elements - which include the concept of capacity to pay, the political nature of the Organization, and a ceiling of 14 per cent on the contribution of any one participating State - also provide important elements of stability. While the individual shares under that future scale still have to be negotiated, these elements provide a framework that gives us a clearer idea of what the future scale will look like. It is our firm conviction that any future scale must fall within this framework.

Another important part of this decision is the application of the future scale to all OSCE missions and projects as of 2005. This is important for those delegations that seek a review of the Helsinki scale. My delegation is committed to retaining the Helsinki scale, but can accept the idea of applying that scale principally to non-mission expenditures, under the terms set out in today’s decision.

Mr. Chairman, your extensive consultations and skill have produced a balanced decision that places the financing of our Organization on a stable basis. We appreciate your efforts and fully support the decision taken by the Council today.

With respect to any statement by any delegation about not being bound by some provision of this decision on the basis of some principle, including “nothing is agreed until everything is agreed,” I could not agree more. But this decision has now been agreed, and unless and until a change in this decision is agreed by all of us on the basis of consensus, it remains a commitment for us all.

I request that these remarks be attached to the Journal of the day as an interpretative statement.”

ANNEX V: CSCE HELSINKI DOCUMENT 1992

Chapter XII - Administrative Decisions

Financial arrangements of the CSCE and cost-effectiveness

(1) An informal Financial Committee of Experts of the CSO is established to deal, inter alia, with the issues of budgets, cost savings and staffing. The Committee will meet quarterly, in conjunction with but prior to meetings of the CSO.

(2) The Committee will also consider rationalizing procedures concerning meetings and language staff as well as address a systematic way of handling arrears in CSCE payments by investigating the practice in international organizations, with a view to improving practices in the CSCE. The Committee will report and submit recommendations to the CSO for adoption.

(3) The following scale of distribution is effective as of 1 July 1992:*

*/ This decision is made on the understanding that the scale of distribution effective until 1 July 1992 will be applied to all costs related to the Helsinki Follow-up Meeting.

Country	Per cent
France	9.00
Germany	9.00
Italy	9.00
Russian Federation	9.00
United Kingdom	9.00
United States	9.00
Canada	5.45
Spain	3.65
Belgium	3.55
Netherlands	3.55
Sweden	3.55
Switzerland	2.30
Austria	2.05
Denmark	2.05
Finland	2.05
Norway	2.05
Ukraine	1.75
Poland	1.40
Czech and Slovak Federal Republic	1.00
Turkey	1.00
Belarus	0.70
Greece	0.70
Hungary	0.70
Romania	0.70
Bulgaria	0.55
Ireland	0.55
Kazakhstan	0.55

Luxembourg	0. 55
Portugal	0. 55
Uzbekistan	0. 55
Yugoslavia	0. 50
Albania	0. 20
Armenia	0. 20
Azerbaijan	0. 20
Bosnia and Herzegovina	0. 20
Croatia	0. 20
Cyprus	0. 20
Estonia	0. 20
Georgia	0. 20
Iceland	0. 20
Kyrgyzstan	0. 20
Latvia	0. 20
Lithuania	0. 20
Moldova	0. 20
Slovenia	0. 20
Tajikistan	0. 20
Turkmenistan	0. 20
Holy See	0. 15
Liechtenstein	0. 15
Malta	0. 15
Monaco	0. 15
San Marino	0. 15

(4) The question of reviewing the scale periodically, as well as questions relating to the criteria forming the basis of the scale, will be further discussed at an appropriate time by the CSO through the Financial Committee of Experts.

Financial arrangements for CSCE meetings

(5) The financial arrangements set out below do not apply to meetings covered by the budgets of the CSCE Secretariat or the ODIHR.

(6) Any participating State which offers to provide the venue and to organize a CSCE meeting not mentioned in paragraph (5) will ensure cost-effectiveness and financial discipline as regards the expenses of such meetings. The host government will at the same time submit a cost estimate for the premises accompanied by sufficient information to enable the participating States to assess the adequacy and cost-effectiveness of the facilities offered. As soon as the work programme has been decided by the participating States, the host government will submit, if necessary with the help of the CSCE Secretariat, a projection of those expenses subject to reimbursement by the participating States in accordance with the CSCE scale of distribution, including estimated costs of personnel, language services, equipment and administration.

(7) One month before the start of the meeting in question, the organizing authority appointed by the host government will distribute to all participating States a more precise

financial forecast, following, where applicable, the structure of the budgets of the CSCE institutions.

(8) The organizing authority will ensure that appropriate records and accounts are kept of transactions and that all payments are properly authorized. A complete account of expenses subject to reimbursement by the participating States in accordance with the CSCE scale of distribution will be presented to the CSO within 60 days of the closure of the meeting or on a quarterly basis for long-running meetings.

(9) The participating States will contribute promptly to the expenses incurred in accordance with the CSCE scale of distribution. The organizing authority/host government may present lists of arrears to the Financial Committee of Experts.

(10) Within 30 days of receiving the account of the meeting, participating States may transmit requests for further information or raise objections to the organizing authority if the account significantly exceeds the financial forecast.

(11) The accounts of such CSCE meetings will be subject to external auditing. The audit report will be submitted to the Financial Committee of Experts.

(12) The Consultative Committee of the CPC, in co-ordination with the host country, is requested to prepare modalities for the cost-effective provision of conference services through a joint Executive Secretary for all appropriate Vienna-based fora for deliberation or negotiation, including meetings of the Consultative Committee itself, the Special Committee of the Forum for Security Co-operation, CPC seminars, and - if so agreed by those concerned - the CFE Joint Consultative Group and the Open Skies Consultative Commission.