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REPORT OF THE TREASURER

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OSCE Parliamentary Assembly **Standing Committee**
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Annual report for the 32nd Financial Year (2023-2024)

In my role as Treasurer of the Assembly, I have received the Annual report which contains the income statement and balance sheet for the 2023/2024 Financial Year. The total income, consisting of contribution from member countries and interest, amounts to 3 989 000 EUR. The total expenditures amount to 3 969 000 EUR, which implicates a surplus of income of 20 000 EUR. Of the total costs, 70% relates to salaries and staff expenses, 16% mainly to the research assistant programme, staff travel and lodging, 7% to general administrative expenses and 7% relates to costs for election monitoring missions and statutory meetings, for example interpretation and translation.

In the annual report, it is noted that the budgetary reserves currently are negative. According to the OSCE PA Financial rules and regulations, the reserve shall over time comprise to 100% of the annual budget. There is an emergency reserve that amounts to 50% of the total budgetary contributions, in line with the provisions of the OSCE PA Financial rules and regulations.

The Russian Federation have not honoured their financial commitment to the OSCE PA during the 2023-2024 Financial year. Their annual contribution constitutes 6% of the total budget. Owing to extrabudgetary contributions and the International Secretariat's ability to implement cost efficiencies, this shortfall has been

addressed without making withdrawals from the budgetary reserves. In this regard, I want to emphasize my gratitude to Secretary General Roberto Montella and the competent staff of the International Secretariat for contributing to the Assembly's impactful activities while also ensuring optimisation of our resources.

Audit report for the 32nd Financial Year (2023-2024)

In accordance with Article 21 of the OSCE PA Financial Rules and Regulations, the external auditor from the private company Deloitte has audited the annual report. The audit report is divided in two chapters, which will be summarized below.

Financial audit

In the financial audit of the 2023-2024 Financial year, the auditors focused on evaluating the OSCE PA's International Secretariat internal controls. The auditor comments that the organisation has no segregation of duties in significant financial reporting areas, particularly in the cash area and payroll area, which could increase the risk of misstatement. In relation to the issue of non-segregation, the auditors recommended the management to closely monitor the organisation's current financial development and generally take a critical approach to financial reports.¹ The auditor did not identify any misstatement caused by the non-segregation of duties.²

Related to holiday accrual, termination indemnity accrual and exchange rate differences, misstatements were identified by the auditor that were adjusted during the period of the audit.³

Performance audit

In the second part of the report, the auditor placed specific focus on employment contracts, dependency allowances and guidelines

¹ Audit reporting on the annual report 2023/24, OSCE Parliamentary Assembly, p.5

² Audit reporting on the annual report 2023/24, OSCE Parliamentary Assembly, p.4

³ Audit reporting on the annual report 2023/24, OSCE Parliamentary Assembly, p.10

for employee benefits. In connection with the dismissal of a former employee, the auditor notes that a disciplinary committee was convened to review the dismissal.⁴ The Disciplinary Committee concluded that there were insufficient grounds to dismiss the former employee without termination notice and recommended strengthening the regulatory framework, including implementation of regular performance evaluations for OSCE PA staff.

The auditor found that there is no routine examination related to processes for granting compensation for dependency allowance, and recommended the OSCE PA to implement appropriate controls.⁵ The performance audit did not give rise to any material critical comments.⁶

Budget considerations for the upcoming Financial Year (2025-2026)

In line with my responsibilities as Treasurer, I will soon, assisted by the Secretary General, begin preparations for the draft budget for the next financial year. An initial budget proposal will be presented to the Bureau in Copenhagen at the Danish Parliament on Monday, 7 April. This presentation will provide an opportunity for Bureau members to review and comment on the draft before it is shared with the Standing Committee for final adoption at the Annual Session in Porto.

The budget proposal for the 2025/2026 Financial Year will consider several factors and perspectives that have been raised by the Standing Committee. **The first and foremost priority is to ensure funding in the budget for the Assembly's political goals and activities**, including the statutory meetings and other engagements such as the Parliamentary Support Team for Ukraine and Ad Hoc Committees.

⁴ Audit reporting on the annual report 2023/24, OSCE Parliamentary Assembly, p.14

⁵ Audit reporting on the annual report 2023/24, OSCE Parliamentary Assembly, p.14

⁶ Audit reporting on the annual report 2023/24, OSCE Parliamentary Assembly, p.13.

Election observation remains a cornerstone of the OSCE PA's mandate. To ensure that there is adequate funding for the election observation missions that the Assembly is planning to take part in, the Secretariat will provide information about the elections taking place during the period of the next financial year. The elections observation budget will be based on the calendar for expected missions, but also ensure readiness to engage in unforeseen elections that might occur during the period. Importantly, the budget will reflect the Assembly's commitment to promote free and fair elections across the OSCE region together with ODIHR and our partner assemblies PACE, NATO PA and the European Parliament.

The draft budget will also address the critical challenge of the **non-payment of contributions by the Russian Federation.** If the Russian Federation decides to not pay their dues before the end of the financial year, its outstanding contributions since the 2022/2023 financial year amount to 760 824 EUR, or 18% of the total budget. The budget proposal will address this shortfall to ensure that the organisation continues to operate efficiently without having to deplete the reserves.

Acknowledgment of Extra-Budgetary Contributions and Hosting Commitments

I would like to express my deep gratitude to the delegations that have made extra-budgetary contributions, which are essential for supporting specific projects, events, and initiatives that align with the Assembly's goals:

- **Denmark:** For hosting the Secretariat Headquarters in Copenhagen
- **Austria:** For their continued support of the Vienna Office
- **Luxembourg:** For a significant extra-budgetary contribution supporting projects in Ukraine, South East Europe and Eastern Europe.

- **Germany:** For their continued support through extra-budgetary funding for the Leinsweiler seminar and seconded personnel.
- **Italy:** For their continued support through extra-budgetary funding seconded personnel and for their support in hosting ad hoc committee visits
- **Türkiye:** For their support in hosting ad hoc committee visits
- **Portugal:** For hosting the AI Conference in Lisbon and their preparations for the 2025 Annual Session in Porto.

Additionally, I would like to acknowledge the delegations of **Latvia, San Marino, Iceland, Estonia, Lithuania, and Liechtenstein** for increasing their contributions, setting an example for others to follow. **Switzerland** has also voluntarily increased their contribution for the 2024-2025 financial year, demonstrating their commitment to the Assembly's goals.

I extend my special thanks to the **Turkish delegation** for stepping in to host the 2025 Autumn Meeting during challenging times. Your commitment and flexibility ensured the success of this important event.

I also wish to thank the delegations that have committed to hosting future statutory meetings:

- **Portugal:** For hosting the 32nd Annual Session in Porto, June 29–July 3, 2025.
- **Austria:** For their continued support of the Winter Meeting in Vienna.

Your efforts, financial and logistical, are invaluable in ensuring the success of the OSCE Parliamentary Assembly's activities.

Conclusion

The OSCE PA continues to navigate a complex financial landscape. However, the annual report for the 2023/2024 Financial Year show that we continue to deliver on the Assembly's promise to promote peace, democracy, and cooperation across the OSCE region while also ensuring financial sustainability. In this effort, I wish to emphasize the **importance of the work of the International Secretariat** in continuing to demonstrate resourcefulness in controlling costs and identifying alternative revenue streams to maintain fiscal balance.

As Treasurer, I am committed to take leadership in the drafting of the upcoming budget for the 2025/2026 Financial year. Most importantly, this duty involves **ensuring that the budget aligns with the Assembly's political objectives** and balances the challenges resulting from the Russian Federation's non-payment. I look forward to the strategic advice of the Standing Committee for the way ahead. Your comments and input will be guiding for the upcoming budget proposal to be presented in Porto during the Annual Session.

I am grateful for the continued support of the delegations and look forward to working collaboratively to achieve our shared goals.
