

**THE PERMANENT SECRETARIAT OF
THE TRANSPORT COMMUNITY**

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2019**

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

TO: THE MEMBERS OF THE REGIONAL STEERING COMMITTEE OF THE PERMANENT SECRETARIAT OF THE TRANSPORT COMMUNITY

Our Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Permanent Secretariat of The Transport Community (hereinafter the "Organisation") as at 31 December 2019, and of its financial performance and its cash flows for the year then ended on 31 December 2019 in accordance with International Public Sector Accounting Standards (IPSAS) and in the manner required by the Annex 1 of Tender specification, (PS/SRV/AUD/004/2020).

What we have audited

We have audited the financial statements of the Permanent Secretariat of The Transport Community for the year ended 31 December 2019.

The financial statements comprise:

- the statement of financial position as at 31 December 2019;
- the statement of financial performance for the year then ended;
- the statement of cash flows for the year then ended
- the statement of changes in net assets/equity for the year then ended; and
- Statement of Comparison of Budget and Actual Amounts for the year ended December 31, 2019
- the Notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Permanent Secretariat of The Transport Community (TCT) in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) issued by the International Ethics Standards Board for Accountants that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The management of the Organization (hereinafter the „management“) is responsible for the other information. The other information comprises the Notes to the financial statements of the but does not include the financial statements and our auditor's report thereon

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Public Sector Accounting Standards (IPSAS) for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the management is responsible for assessing the Organisation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intend to liquidate the Organisation or to cease operations, or have no realistic alternative but to do so. The management is responsible for overseeing the Organisation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Auditor's responsibilities for the audit of the financial statements(continued)

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence and have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Annex 1 of Tender specification, (PS/SRV/AUD/004/2020) requires that in carrying out our audit we consider and report on the following matters. We confirm that:

- the Financial Statements present, in all material respects, accurately, the expenditure actually incurred, and the contributions received are in conformity with Treaty establishing the Transport Community and the applicable rules and procedures;

- the Statement of Inventory presents, in all material respects, accurately the inventory of the Secretariat as at the end of fiscal year; and
- the funds provided to the Transport Community by the Parties to the Treaty have, in all material respects, been used in conformity with the applicable rules and procedures.

Belgrade, 06 November 2020

Grant Thornton d.o.o.



Saša Cukavac
Certified auditor

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

(In EUR)

ASSETS		Notes	December 31, 2019
Current assets			
Cash and cash equivalents		1	153,955.66
Receivables		2	
	Budget contributions receivables		1,113,727.25
Prepayments		3	648.13
Total current assets			1,268,331.04
Non-current assets			
Tangible assets		4	
	Infrastructure, plant and equipment		18,045.67
Total non-current assets			18,045.67
TOTAL ASSETS			1,286,376.71
LIABILITIES			
Current liabilities			
Accounts payables			
	Trade payables	6	330.23
	Employee benefits	6	21,880.70
	Legal commitments	5	55,316.72
	Accruals	7	12,498.98
Total accounts payables			90,026.63
Unused budget appropriations		5	1,178,304.41
Total current liabilities			1,268,331.04
Investments		8	18,045.67
TOTAL LIABILITIES AND NET ASSETS			1,286,376.71

PERMANENT SECRETARIAT OF THE TRANSPORT COMMUNITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED DECEMBER 31, 2019

(in EUR)

REVENUE		Note	2019
Donations		9	
	Budget contributions parties		1,556,000.00
	Funds transferred from SEETO		74,000.00
	Allocation to investments		(18,706.17)
	Legal commitments		(55,316.72)
	Unused appropriations		(1,178,304.41)
Total donations			377,672.70
TOTAL REVENUE			377,672.70
EXPENSES			
Salaries		10	
	Salaries for officials		155,790.99
	Contribution to Health / Pension scheme for officials		20,396.81
	Total Salaries		176,187.80
Depreciation and Amortization Expense		10	
	Fixed assets amortization charge		660.50
	Depreciation and amortization usage		(660.50)
	Total fixed assets amortization		-
Operating expenses		10	
	Running costs of the secretariat		123,000.05
	Recruitment costs		77,154.16
	Finance costs		1,330.68
	Total operating expenses		201,484.89
TOTAL EXPENSES			377,672.70
NET SURPLUS FOR THE PERIOD			0.00

Cash Flow Statement for Year Ended December 31, 2019

in EUR

2019

CASH FLOWS FROM OPERATING ACTIVITIES

Surplus/(deficit)	-
Non-cash movements	
Depreciation of non-current assets	660.50
Usage of obligation dedicated to assets	(660.50)
Decrease in receivables	516,272.75
Increase in prepayments	(648.13)
Increase in trade payables and other liabilities	34,709.91
Increase in unused commitments	55,316.72
Decrease in unused appropriations	(451,695.59)
Net cash flows from operating activities	<u>153,955.66</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Additions of non-current assets	<u>(18,706.17)</u>
Net cash flows from investing activities	(18,706.17)

CASH FLOWS FROM FINANCING ACTIVITIES

Grant contribution for assets	<u>18,706.17</u>
Net cash flows from financing activities	18,706.17
Net increase/(decrease) in cash and cash equivalents	153,955.66
Cash and cash equivalents at beginning of period	<u>-</u>
Cash and cash equivalents at end of period	<u>153,955.66</u>

Statement of Changes in Net Assets for the year ended December 31, 2019

	Budget Contributions	Other donations	Accumulated Surpluses / (Deficits)	Total Net Assets
Balance as at May 1, 2019	1,630,000.00	-	-	1,630,000.00
Allocated budget expenditures	(451,695.59)	-	-	(451,695.59)
Surplus for the period	-	-	1,178,304.41	1,178,304.41
Unused appropriations	-	-	(1,178,304.41)	(1,178,304.41)
Balance as at December 31, 2019 carried forward	1,178,304.41	-	-	1,178,304.41

Statement of Comparison of Budget and Actual Amounts
for the Year ending December 31, 2019

Budget Item	Final Budget	Actual amounts	Legal Commitments	Actual amounts incl. Legal Commitments	Actual amounts incl. Legal Commitments (%)	Unused Appropriations
Salaries (including allowances)	750,000.00	155,790.99	-	155,790.99	20.77%	594,209.01
Salary taxes, contribution for health and pension scheme for officials	200,000.00	20,396.81	-	20,396.81	10.20%	179,603.19
Subtotal running costs	330,000.00	124,330.73	36,835.65	161,166.38	48.84%	168,833.62
Subtotal Recruitment	100,000.00	77,154.16	18,481.07	95,635.23	95.64%	4,364.77
Subtotal office equipment	100,000.00	18,706.17	-	18,706.17	18.71%	81,293.83
Budget Reserves	150,000.00	-	-	-	0.00%	150,000.00
Total Expenses	1,630,000.00	396,378.87	55,316.72	451,695.59	27.71%	1,178,304.41

Signature of the Director of the Permanent Secretariat of the Transport Community

Belgrade, 06 November 2020

Matej Zakonišek



**THE PERMANENT SECRETARIAT
OF THE TRANSPORT COMMUNITY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2019**

Belgrade, November 2020

1. INCORPORATION AND ACTIVITIES

The Transport Community has been established based on the Treaty signed between the European Union (Official Journal of the European Union No. L 278/3) and the Republic of Albania, Bosnia and Herzegovina, the Republic of North Macedonia, Kosovo* (herein referred to as „Kosovo“) Montenegro and the Republic of Serbia; (hereinafter „the South East European Parties“).

All the above-mentioned parties hereinafter referred to together as 'the Contracting Parties'

The aim of the Treaty is the creation of a Transport Community, (hereinafter „the TCT“) in the field of road, rail, inland waterway and maritime transport as well as the development of the transport network between the European Union and the South East European Parties.

In order to implement the Treaty provisions and make the Transport Community operational, a Permanent Secretariat (hereinafter 'the Secretariat') has been established. The seat of the Secretariat is in Belgrade as defined by the Agreement between the Transport Community and the Republic of Serbia signed on January 30, 2019. According to this Agreement, the Secretariat enjoys diplomatic privileges and immunities including exemption from any taxes such as VAT. The officials employed by the Secretariat are exempt from personal income taxes and social security contributions.

The Organization's register number is 17921304 and its tax identification number is 111305000.

2. GENERAL INFORMATION

The Transport Community is an international organisation in the field of mobility and transport, consisting of 33 participants – the entire EU and South East European Parties. The TCT is working on the integration of Western Balkans' transport markets into the EU, by assisting the South East European Parties to adopt and implement the EU legislation in the field of transport and by supporting projects that are connecting Western Balkans regional partners among themselves and with the EU.

The Institutions established under the Treaty are the Ministerial Council, the Regional Steering Committee and the Permanent Secretariat. Further bodies established in the course of Treaty implementation are Technical committees, Social forum.

By the Decision No. 2019/1 of the Regional Steering Committee dated 16 January 2019, the European Commission was in charge of implementing the TCT budget and initiation of the work of the Permanent Secretariat of the Transport Community in accordance with Article 3 of the Treaty.

By the Decision No. 2019/2 of the Regional Steering Committee dated 28 January 2019, Mr. Alain Baron was appointed as Interim Director for the Permanent Secretariat with a mandate until the recruitment of the Director is concluded and such appointment becomes effective.

* This designation is without prejudice to positions on status and is in line with UNSCR 1244 (1999) and the ICJ Opinion on the Kosovo declaration of independence.

2. GENERAL INFORMATION (continued)

In order to implement the Treaty provisions and make the Transport Community operational, a Permanent Secretariat has been established. The Permanent Secretariat of the Transport Community is one of the institutions set up under the Treaty and has its seat in Belgrade as per Agreement between the Republic of Serbia and the Transport Community regarding the seat of the Permanent Secretariat of the Transport Community (hereinafter the 'HQ Agreement') signed on January 30, 2019 by the Interim Director of The Secretariat and Deputy Prime Minister of Republic of Serbia.

The Secretariat has been registered in the Republic of Serbia as a Legal Entity with attributions of privileges and immunities as defined by the HQ Agreement. Its inauguration took place on 13 September 2019.

Tax number: 111305000; VAT Exempted
ID No.: 17921304

The Secretariat is tasked to:

- provide administrative support to the Ministerial Council, the Regional Steering Committee, the Technical committees and the Social Forum;
- act as a Transport Observatory to monitor the performance of the indicative TEN-T extension of the comprehensive and core networks to the Western Balkans;
- support the implementation of WB6 Parties Connectivity Agenda aiming to improve links within the Western Balkans as well as between the region and the European Union.

The establishment and functioning of the Treaty Cooperation and the Permanent Secretariat has been secured from the funds of the European Union (80% of the Budget) and South East European Parties (20% of the Budget).

The share of contributions among the South East European Parties is defined by the ANNEX V of the Treaty.

3. SIGNIFICANT ACCOUNTING POLICIES**Legal Basis of Preparation**

The financial statements comply with International Public Sector Accounting Standards for the accrual basis of accounting. The measurement base applied is historical cost adjusted for revaluations of assets.

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

The accounts of the Transport Community are kept in euro based on a calendar year.

The agreed Budget for the year 2019 was EUR 1,630,000.00 which needed to be spent for the initiation of the work of the Permanent Secretariat, including staff remuneration, recruitment costs, organizing of meetings, running costs and purchase of equipment.

In accordance with the International Public Sector Accounting Standards framework, the accounting treatment for each transaction has to follow the following rules: Understandability, Relevance, Materiality, Reliability, Substance over Form, Prudence, Completeness

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Tax exemption**

In accordance with the provisions of Article 24. of the Law on Value Added Tax of the Republic of Serbia, as well as the provisions of Article 19. of the Law on Excise Duties of the Republic of Serbia, in connection with the provisions of Articles 10., 14. and 15. of the Law on Ratification of the Agreement between the Republic of Serbia and the Transport Community on the headquarters of the Transport Community Permanent Secretariat confirms that the Transport Community Permanent Secretariat is exempt from VAT and Excise duties. Also, Director, Deputy Directors of the Secretariat and their family members are exempt from VAT and excise duties for the supply of goods and services, as well as, Officials of the Secretariat (Director, Deputy Directors and all other persons permanently employed in the Secretariat) are exempt from VAT and Excise duties for the import of goods, including motor vehicles, for personal or family needs.

Import of excise goods (all types of motor gasoline, all types of diesel fuel, liquefied petroleum gas for motor vehicles; alcoholic beverages and tobacco products) into the Republic of Serbia, as well as purchase of excise goods on the local market in the Republic of Serbia without VAT and Excise are predetermined by quotas. The purchase of these products on the local market can be done only in the quantities listed in the Registrar issued by the Secretariat, signed by the Director, and then verified in the General Secretariat of the Government of the Republic of Serbia. The Tax Exemption Certificate is valid for a calendar year and was issued on 14.10.2019.

Depreciation method

Accounting treatment for property, plant and equipment is prescribed in IPSAS 17. The principal issue in accounting for property, plant and equipment are timing of recognition of assets, the determination of their carrying amounts and the depreciation charges to be recognized in relation to them. Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. The depreciation method used must reflect the pattern in which the asset's future economic benefit of service potential is expected to be consumed by the entity. The depreciation charge for each period should be recognized as an expense.

The Transport Community applies the straight-line method of depreciation. For specific classes of assets, the following useful lives are estimated:

- Computer software and other intangible assets - 3 years
- Computer hardware - 3 years
- Electronic devices - 3 years
- Technical equipment - 3 years
- Furniture - 5 years

Assets whose purchase price is below 400 Euros are fully depreciated in the year of purchase.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Transactions

The functional currency of the Transport Community is euro and these financial statements are presented in euro. All transactions occurring in other currencies are translated in euro using a InforEuro rate¹ as published under:

https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-and-beneficiaries/exchange-rate-inforeuro_en

Both realized and unrealized gains and losses resulting from the settlement of such transactions and from the translation at the reporting date of assets and liabilities denominated in currencies other than Transport Community's functional currency are recognized in the Statement of Financial Performance, in the net amount.

Unused commitments

Unused commitments are budget contributions which have not been used (paid or invoiced) at the balance sheet date but for which commitments have been entered into in the current year or in prior years; they relate to the future periods, following IPSAS1 may not be shown as expenses² therefore are accounted as deductions from revenue.

Unused budget appropriations

Unused budget appropriations (not used and not committed at the end of the financial year) shall be paid back to the Parties on annual basis. The repayment methodology is based on the budget report and made in accordance with of the Contract. The total calculated amount due shall equal/ be reconcilable with the amount of unused appropriations shown in the balance sheet as of 31 December. The table of repayments is subject to audit each year and shall be part of the Auditor's report.

¹ See https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-and-beneficiaries/exchange-rate-inforeuro_en; the rates indicated are the market rates for penultimate day of the previous month quoted by the European Central Bank or, depending on availability, provided by the delegations or other appropriate sources close to that date

² They do not meet the definition of expenses as defined by IPSAS1: "Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets/equity, other than those relating to distributions to owners"

4. NOTES TO THE FINANCIAL STATEMENT**Note 1: Cash and cash equivalents**

Cash and cash equivalents are financial instruments and defined as current assets. They include cash at hand and deposits held at bank.

Cash on hand is held in a bank accounts with Raiffeisen Bank A.D. in Belgrade. Transport Community has one bank account in RSD and one bank account in foreign currency (EUR).

Cash and cash equivalents

	31 December 2019
Current RSD accounts	173.28
Current EUR accounts	153,782.38
Total	153,955.66

Total amount of cash and cash equivalents as at December 31, 2019 comprises of EUR 173.28 on current RSD account and EUR 153,782.38 on current EUR account.

Note 2: Receivables

Receivables are carried at original amount less write-off. Receivables are written off, when there is objective evidence that Transport Community will not be able to collect all amounts due according to the original terms of receivables.

Receivables

	31 December 2019
<i>Budget contributions receivable:</i>	
European Commission	1,081,721.45
Kosovo	31,915.80
Albania	90.00
Total	1,113,727.25

Total amount of receivables as at December 31, 2019 represents unpaid Budget contributions from European Commission (EUR 1,081,721.45), Kosovo (EUR 31,915.80) and Albania (EUR 90.00). In the case of Albania the outstanding receivable is that due to a clerical error not the full amount was requested for payment.

Note 3: Prepayments

The prepayments represent amounts paid (advanced) for services which will continue after the reporting date (i.e. subscriptions, maintenance, etc.).

Prepayments

	31 December 2019
IT & Communication (Licenses)	648.13
Total	648.13

Total amount of prepayments as at December 31, 2019 refers to subscription for licenses.

Note 4: Tangible assets

All items of property, plant and equipment are presented by cost model. Repairs and maintenance are charged to the expenditure account during the financial period in which they incurred.

The Transport Community applies the straight-line method of depreciation. For specific classes of assets, the following useful lives are estimated:

- Computer software and other intangible assets - 3 years
- Computer hardware - 3 years
- Electronic devices - 3 years
- Technical equipment - 3 years
- Furniture - 5 years

Assets whose purchase price is below EUR 400.00 are fully depreciated in the year of purchase.

Infrastructure, plant and equipment

EUR	Equipment	Equipment under construction	Total
2019			
<i>Cost:</i>			
As at 1 January 2019	-	-	-
Additions	1,153.76	17,552.42	18,706.17
Disposals	-	-	-
As at 31 December 2019	1,153.76	17,552.42	11,474.66
<i>Accumulated depreciation:</i>			
As at 1 May 2019	-	-	-
Depreciation for the year	660.50	-	660.50
Disposals	-	-	-
As at 31 December 2019	660.50	-	660.50
<i>Net carrying amount:</i>			
As at 31 December 2019	493.25	17,552.42	18,045.67

During 2019 additions made by the Transport Community amounted to EUR 18,706.17. Total amount of depreciation for 2019 is EUR 660.50.

Note 5: Account payables

Accounts payables	
	31 December 2019
Trade payables	330.23
Legal commitments	55,316.72
Unused budget appropriations	1,178,304.41
Total	1,233,951.36

Accounts payable include under trade payable invoices received from suppliers not yet settled at the end of the year. Trade payables in total amount of EUR 330.23 are related to internet, telephone and maintenance costs.

Legal commitments for the financial year 2019 refer contractual commitments entered by the Transport Community by 31 December 2019 without having received goods or services by the end of the year. The amount of Legal commitments for 2019 is EUR 55,316.72.

Unused budget appropriations (not used and not committed at the end of the financial year) shall be proposed to be carried forward as Parties' contributions for the next Year's budget. The calculation methodology is based on the budget report and made in accordance with the Annex V ('Contribution to the Budget of the Transport Community') of the Treaty. The total calculated amount shall equal/ be reconcilable with the amount of unused appropriations shown in the balance sheet as of 31 December.

The table of Unused budget appropriations is shown under Note 14.

Note 6: Employee benefits

Employee benefits	
	31 December 2019
Liabilities for net salaries	14,308.00
Liabilities for taxes on salaries	1,862.24
Liabilities for contributions on salaries	1,726.45
Liabilities to pension fund for salaries	3,984.00
Total	21,880.70

On 31 December 2019 Employee benefits include Liabilities for contributions on salaries in the amount of EUR 1,726, Liabilities for net salaries in the amount of EUR 14,308, Liabilities for tax on salaries in the amount of EUR 1,862 and Liabilities to pension fund for salaries in total amount of EUR 3,984.

Note 7: Accruals

Accruals	
	31 December 2019
Annual leave accrual	4,498.98
Audit services	3,000.00
Accounting and consulting services	5,000.00
Total	12,498.98

Annual leave accrual represents annual leave days of employees who were employed under local law.

Note 8: Investments

Given that the investments in tangible assets were made using the contributions of the Contracting Parties, the net carrying value of the tangible assets is also shown as an investment donations in the amount of EUR 18,045.67.

Note 9: Revenue

Revenue		2019
Budget contributions parties		1,556,000.00
Funds transferred from SEETO		74,000.00
Allocation to investments		(18,706.17)
Legal commitments		(55,316.72)
Unused appropriations		(1,178,304.41)
Total donations		377,672.70

Amounts shown under budget contribution parties' represent total expected contributions related to the TCT budget of EUR1,630,000 adjusted by the amount of EUR74,000 which was transferred from previous SEETO cooperation by the South East Europe Parties to the 2019 Budget of TCT.

Budget contributions parties	Share of Contribution %	Share of Contribution	Funds brought forward from SEETO	Contribution payable
European Commission	80.00%	1,304,000.00	-	1,304,000.00
Republic of Albania	3.20%	52,160.00	11,618.00	40,542.00
Bosnia and Herzegovina	3.55%	57,865.00	13,038.80	44,826.20
Republic of North Macedonia	2.57%	46,944.00	11,181.40	35,762.60
Kosovo	2.38%	41,891.00	9,975.20	31,915.80
Montenegro	2.88%	38,794.00	9,642.20	29,151.80
Republic of Serbia	5.42%	88,346.00	18,544.40	69,801.60
Total (in EUR)	100.00%	1,630,000.00	74,000.00	1,556,000.00

Revenue adjustments are related to the allocation to investments in the amount of EUR 18,706 invested in tangible assets, legal commitments for the current year in the amount of EUR 55,316.72 and unused appropriations in the amount of EUR 1,178,304.41.

Due to fact that the Permanent Secretariat was not independent in the operational management, pending the adoption of the financial rules and the appointment of the Director, the European Commission, respectively DG Move has performed direct expenditure management covering a total amount of EUR 277,595 related to essential costs for establishing and initiating the work of the Permanent Secretariat including: recruitment costs, travel expenses of the Interim Director, organizing of meetings and events for technical committees, regional steering committee meetings, ministerial meeting, purchase of equipment and essential services.

Note 10: Expenses**Wages, salaries, and employee benefits**

	2019
Salaries	155,790.99
Taxes and contributions on salaries	20,396.81
Total	176,187.80

Five staff members were employed by the Secretariat during the period May – December 2019. Expenses for Wages, salaries and employee benefits in the total amount of EUR 176,027.08 include net salaries in the amount of EUR 155,630.27 and taxes and contributions on salaries in the amount of EUR 20,396.81. The Interim Director of the Secretariat being an EC official received no remuneration from the Budget of Transport Community.

Depreciation and amortization expense

	2019
Office equipment - computers	192.18
Telecommunications equipment	347.88
Other equipment	120.44
Total	660.50

Depreciation and amortization expense include amortization expenses for office equipment (computers) in the amount of EUR 192.18; telecommunications equipment amortization charge amounted to EUR 347.88 while amortization costs for other equipment amounted to EUR 120.44.

Finance costs

	2019
Bank charges	953.18
Foreign exchange losses	370.59
Penalties for late payment for taxes	50.72
Foreign exchange gains	(41.04)
Other	(2.76)
Total	1,330.68

Finance costs in the total amount EUR 1,330.68 include bank charges (EUR 953.18), foreign exchange losses (EUR 370.59), penalties for late payment for taxes (EUR 50.72), foreign exchange gains EUR (41.04), and other finance revenues EUR (3).

Running costs of the secretariat

	2019
IT & Communication	1,565.78
Meetings and Conferences	88,200.39
Office costs	2,065.18
Outsourced and other services	11,570.00
Travel expenses	19,598.70
Total	123,000.05

Expenses arising from the purchase of goods and services are reported on an accrual basis, recognizing expenses when a transaction occurs, rather than when payment is made.

Note 10: Expenses (continued)

Recruitment costs	
	2019
Vacancy publication costs	64,254.48
Candidate travel expenses	12,899.68
Total	77,154.16

Recruitment costs include vacancy publication costs in the amount of EUR 64,254.48 and travel expenses of interviewed candidates in the amount of EUR 12,899.68.

Note 11: Exchange gain and losses

Transport Community realises exchange gains and losses on accounts payable and accounts receivable transactions incurred in currencies other than euro based on exchange rate in effect on the date of the transaction. The net effect of all exchanges gain and losses in 2019 is represented in Note 10 – Expenses (Finance costs overview).

Note 12: Reconciliation of Statement of Budgetary Comparison and Statement of Financial Performance

Budget line	Budget Report 2019	Legal Commitments	Budget Report vs. Financial Statements	Actual amounts in the Statement of Financial Performance
STAFF costs	176,187.80	-	-	176,187.80
Running Costs	161,166.38	(36,835.65)		124,330.73
Recruitment Costs	95,635.23	(18,481.07)		77,154.16
Office IT Equipment	18,706.17		(18,706.17)	-
Total Expenses	451,695.59	(55,316.72)	(18,706.17)	377,672.69

Note 13: Statement of Budgetary Comparison: Explanation of material differences between the budget and actual amounts

Budget Item	Budget	Actual amounts	Legal Commitments	Actual amounts incl. Legal Commitments	Actual amounts incl. Legal Commitments (%)	Unused Appropriations
Salaries	750,000.00	155,790.99	-	155,790.99	20.77%	594,209.01
Salary taxes, contribution for health and pension scheme for officials	200,000.00	20,396.81	-	20,396.81	10.20%	179,603.19
The low budget implementation rate for the salaries (20.77%) and taxes and contributions for health and pension scheme contributions (10.20%) is related to the delayed inauguration of the premises of the Secretariat and the staff recruitment. The first five staff members of the Secretariat were employed as of May 2019 under the local Serbian law. The staffing situation remained the same throughout the Year while the recruitment procedures for the Director, Deputy Director and other Officials were initiated in August 2019. The selection procedure resulted in the first appointment of Officials taking place in February 2020.						
Running costs	330,000.00	124,330.73	36,835.65	161,166.38	48.84%	168,833.62
Although the HQ Agreement was signed between the Transport Community and the host country on January 30, 2019 the premises of the Secretariat were inaugurated only on September 13, 2019 having a direct impact on the planned expenditure for initiating the work of the Secretariat being delayed or postponed to the following Year.						
Recruitment	100,000.00	77,154.16	18,481.07	95,635.23	95.64%	4,364.77
The budget line for recruitment has been implemented at the rate of 95.64% for costs including the publication of vacancy advertisement and the related travel and accommodation costs of the interviewed candidates which has taken place in Brussels and in Belgrade.						
Office equipment	100,000.00	18,706.17	-	18,706.17	18.71%	81,293.83
As with the other budget lines, the delayed inauguration of the Secretariat office premises, and the delayed recruitment had an adverse impact on the implementation rate for the office equipment.						
Budget Reserves	150,000.00	-	-	-	0.00%	150,000.00
There was no need for using the Budget Reserves.						
Total Expenses	1,630,000.00	396,378.87	55,316.72	451,695.59	27.71%	1,178,304.41

Note 14: Events after the balance sheet date

- i. On July 29, 2020 the financial rules and auditing procedures applicable to the Transport Community were adopted by the Regional Steering Committee Decision no 2020/06.
- ii. On July 29, 2020 Mr. Matej Zakonšek was appointed by the Regional Steering Committee Decision no. 2020/02 as Director of the Permanent Secretariat. Mr. Zakonšek took office as of 01 August 2020
- iii. On August 31, 2020 the Secretariat received from DG Move the report on direct expenditure management on behalf of the Transport Community for an amount of EUR 277,595.27 including certified copies of invoices paid.
- iv. On October 2, 2020 budgetary contribution was paid by the European Commission in the amount of EUR 856,940.86.
- v. On July 6, 2020 budgetary contribution was paid by Kosovo in the amount of EUR 31,915.80

The receipt of contributions under points (iv) and (v) above give rise to a recalculation of the table for unused budget appropriations as follows:

(all figures in EUR)

Parties	Share of contribution %	Share of Contribution	Funds brought forward from SEETO	Contribution payable	Share of costs	Contribution paid	Outstanding contribution	Total contribution paid (including SEETO)	(Shortfall)/Surplus
European Commission	80.00%	1,304,000	-	1,304,000	361,357	1,134,536	169,464	1,134,536	603,715
Republic of Albania	3.20%	52,160	11,618	40,542	14,454	40,452	90	52,070	37,526
Bosnia and Herzegovina	3.55%	57,865	13,039	44,826	16,035	44,826	-	57,865	41,830
Republic of North Macedonia	2.88%	46,944	11,181	35,763	13,009	35,763	-	46,944	33,935
Kosovo	2.57%	41,891	9,975	31,916	11,609	31,916	-	41,891	30,282
Montenegro	2.38%	38,794	9,642	29,152	10,750	29,152	-	38,794	28,044
Republic of Serbia	5.42%	88,346	18,544	69,802	24,482	69,802	-	88,346	63,864
Totals (in EUR)	100.00%	1,630,000	74,000	1,556,000	451,696	1,386,446	169,554	1,460,446	839,196

Other than the matters stated above, there were no other subsequent events after balance sheet date that had to be disclosed.

Signature of the Director of the Permanent Secretariat of the Transport Community

Belgrade, 06 November 2020

Matej Zakonjšek

