

**THE PERMANENT SECRETARIAT OF
THE TRANSPORT COMMUNITY**

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2020**

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 2020, and of its financial performance and its cash flows for the year then ended on 31 December 2020 in accordance with International Public Sector Accounting Standards (IPSAS) and in the manner required by the Annex 1 of Tender specification, (PS/SRV/AUD/001/2021).

What we have audited

We have audited the financial statements of the Permanent Secretariat of The Transport Community for the year ended 31 December 2020.

The financial statements comprise:

- the statement of financial position as at 31 December 2020;
- 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, 2020
- 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 Organisation (hereinafter the „management“) is responsible for the other information.

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 Organisation'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 Organisation 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/001/2021) 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, 24 June 2021

Grant Thornton d.o.o.



Saša Cukavac
Certified auditor



FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

	Notes	December 31, 2020 (in EUR)	December 31, 2019 (in EUR)
ASSETS			
A. Current assets			
I. Cash and cash equivalents	1	3,254,771.91	153,955.66
II. Receivables			
Budget contributions receivables	2	185,753.87	1,113,727.25
Prepayments			648.13
Total current assets		3,440,525.78	1,268,331.04
B. Non-current assets			
I. Intangible assets	3		
Software and licences		-	-
II. Tangible assets	4		
Infrastructure, plant and equipment		8,244.43	18,045.67
Total non-current assets		8,244.43	18,045.67
TOTAL ASSETS		3,448,770.20	1,286,376.71
LIABILITIES			
A. Current liabilities			
I. Accounts payable	5		
Trade payables		19,488.73	330.23
Payables to staff		1,144.58	21,880.70
Legal commitments		162,260.00	55,316.72
Accruals		3,000.00	12,498.98
Total accounts payables		185,893.31	90,026.63
II. Unused budget appropriations	6		
Unused appropriations 2019 (Contracting Parties)		1,178,304.41	1,178,304.41
Unused appropriations 2020 (Contracting Parties)		2,076,328.05	
Total unused budget appropriations		3,254,632.46	1,178,304.41
B. Non-current liabilities			
I. Investments	7	8,244.43	18,045.67
TOTAL LIABILITIES AND NET ASSETS		3,448,770.20	1,286,376.71

Statement of Financial Performance for the Year ending 31 December 2020

	Notes	2020 (in EUR)	2019 (in EUR)
REVENUE			
1. Budget contributions	8		
Budget contributions parties		3,000,000.00	1,556,000.00
Funds transferred from SEETO		-	74,000.00
In kind contribution from EU		10,991.18	-
Legal commitments, prior year		55,316.72	-
Legal commitments, current year		(162,260.00)	(55,316.72)
Allocation to investments		(6,335.22)	(18,706.17)
Unused appropriations		(2,076,328.05)	(1,178,304.41)
Total contributions		821,384.63	377,672.70
TOTAL REVENUE		821,384.63	377,672.70
EXPENSES			
1. Staff costs	9		
Staff salaries		660,652.94	155,790.99
Health/Pension/Social security contr.		49,100.47	20,396.81
Other staff costs		964.58	
Total staff costs		710,717.99	176,187.80
2. Depreciation and Amortization Expenses	9		
Fixed assets amortization charge		16,136.92	660.50
Depreciation and amortization usage		(16,136.92)	(660.50)
Total fixed assets amortization		-	-
3. Operating expenses	9		
Running costs of the secretariat		87,091.17	123,000.05
Recruitment costs		18,481.07	77,154.16
Finance costs		5,093.70	1,330.68
Total operating expenses		110,666.64	201,484.89
TOTAL EXPENSES		821,384.63	377,672.70
NET SURPLUS FOR THE PERIOD		0.00	0.00

Indirect Method Cash Flow Statement (paragraph 27(b))

Cash Flow Statement for Year Ended December 31, 2020

	2020 in EUR	2019 in EUR
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus/(deficit)		-
Non-cash movements		
Depreciation of non-current assets	16,136.92	660.50
Usage of obligation dedicated to assets	(16,136.92)	(660.50)
Decrease in receivables	927,973.38	516,272.75
(Increase)/Decrease in prepayments	648.13	(648.13)
Increase/(Decrease) in trade payables and other liabilities	(11,076.60)	34,709.91
Increase in legal commitments	106,943.28	55,316.72
Increase/(Decrease) in unused appropriations	2,076,328.05	(451,695.59)
Net cash flows from operating activities	3,100,816.24	153,955.66
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of non-current assets	(6,335.22)	(18,706.17)
Net cash flows from investing activities	(6,335.22)	(18,706.17)
CASH FLOWS FROM FINANCING ACTIVITIES		
Grant contribution for non-current assets	6,335.22	18,706.17
Net cash flows from financing activities	6,335.22	18,706.17
Net increase/(decrease) in cash and cash equivalents	3,100,816.24	153,955.66
Cash and cash equivalents at beginning of period	153,955.66	-
Cash and cash equivalents at end of period	3,254,771.91	153,955.66

PERMANENT SECRETARIAT OF THE TRANSPORT COMMUNITY
2020 Annual Financial Statements

Statement of Changes in Net Assets for the year ended December 31, 2020

	Budget Contributions	In kind contributions	Accumulated Surpluses / (Deficits)	Total Net Assets
Balance as at January 1, 2020				1,178,304.41
Contributions	3,000,000.00	10,991.18	-	3,010,991.18
Allocated budget expenditures	(934,663.13)	-	-	(934,663.13)
Surplus for the period	-	-	2,076,328.05	2,076,328.05
Unused appropriations	-	-	(2,076,328.05)	(2,076,328.05)
Balance as at December 31, 2020 carried forward	2,065,336.87	10,991.18	-	3,254,632.46

Statement of Comparison of Budget and Actual Amounts for the Year 2020

(All figures in EUR)

Budget Heading / Line	Initial Budget	Changes due to income in kind from EU	Final Budget	Actual Amounts 2020 on a comparable basis	Legal Commitments 2020	Actual Amounts 2020 on a comparable basis incl. Legal Commitments	Actual Amounts Incl. Legal Commitments (%)	Unused Appropriations
STAFF COSTS	1,461,500.00	-	1,461,500.00	710,717.99	-	710,717.99	48.63%	750,782.01
RUNNING COSTS	396,900.00	10,991.18	407,891.18	55,349.92	6,260.00	61,609.92	15.10%	346,281.26
CAPITAL EXPENDITURE	60,000.00	-	60,000.00	6,335.22	34,500.00	40,835.22	68.06%	19,164.78
STUDIES, Technical Assistance	800,000.00	-	800,000.00	-	121,500.00	121,500.00	15.19%	678,500.00
Sub total	2,718,400.00		2,729,391.18	772,403.13	162,260	934,663.13	34.24%	1,794,728.05
BUDGET Reserve (Approx. 10%)	281,600.00	-	281,600.00	-		-	0.0%	281,600.00
TOTAL	3,000,000.00	10,991.18	3,010,991.18	772,403.13	162,260	934,663.13	31.04%	2,076,328.05

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

Belgrade, 24 June 2021

Matej Zakonjšek

**PERMANENT SECRETARIAT
OF THE TRANSPORT COMMUNITY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 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 Organisation'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, the Budget Committee and 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.

By the Decision No. 2020/02 of the Regional Steering Committee dated 29 July 2020, Mr. Matej Zakonjšek was appointed as Director of the Permanent Secretariat. Mr. Zakonjšek took office as of 01 August 2020.

* 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.

GENERAL INFORMATION (continued)

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 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 2020 was EUR 3,000,000.00 which needed to be spent for the operational functioning of the Permanent Secretariat, including staff remuneration, recruitment costs, organising of meetings, running costs, purchase of equipment, studies and technical assistance; as well as the functioning of the other bodies of the TCT.

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.

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 Director 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 Director 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 Registar 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.

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-infocuro_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.

¹ See https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-and-beneficiaries/exchange-rate-infocuro_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

SIGNIFICANT ACCOUNTING POLICIES (continued)**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 proposed for repayment to the Contracting Parties. The repayment methodology is based on the budget report. 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.

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"*

1. NOTES TO THE FINANCIAL STATEMENTS

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 EUR.

	31 December 2020 In EUR	31 December 2019 In EUR
Current RSD account	3,857.16	173.28
Current EUR account	3,250,914.75	153,782.38
Total	3,254,771.91	153,955.66

Total amount of cash and cash equivalents as at December 31, 2020 comprises of EUR 3,857.16 on current RSD account and EUR 3,250,914.75 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.

	31 December 2020 In EUR	31 December 2019 In EUR
<i>Budget contributions receivables:</i>		
European Commission	169,463.87	1,081,721.45
Kosovo	-	31,915.80
Albania	16,290.00	90.00
Total	185,753.87	1,113,727.25

Total amount of receivables as at 31 December , 2020 represents unpaid Budget contributions from European Commission which relate to Fiscal Year 2019 (EUR 169,463.87), and Albania for Fiscal Year 2019(EUR 90.00) and Fiscal Year 2020 (EUR16,200).

Note 3: Intangible assets

Acquired software and licences are capitalised on the basis of the costs incurred to acquire and bring them to use. These costs are amortised over their estimated useful lives (3 years). Full amortisation in the year of purchase is applied in case of software and licence costing EUR400 or less. Costs capitalisable include all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the intended manner.

Computer software and licences

	31 December 2020 in EUR	31 December 2019 in EUR
<i>Cost:</i>		
Gross carrying amount 31 December previous year	-	
Additions	3,036.72	-
Disposals	-	-
As at 31 December 2020	3,036.72	-
<i>Accumulated amortization:</i>		
As at 31 December previous year	-	-
Depreciation charge for the current year	3,036.72	-
Disposals	-	-
Accumulated depreciation 31 December current year	3,036.72	-
<i>Net carrying amount:</i>		
As at 31 December current year	-	-
As at 31 December previous year	-	-

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 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.

<i>Infrastructure, plant and equipment</i>	31 December 2020 in EUR	31 December 2019 in EUR
Gross carrying amount 31 December previous year	18,706.17	-
Additions	3,298.51	18,706.17
Disposals	-	-
Gross carrying amount 31 December current year	22,004.68	18,706.17
<i>Accumulated depreciation:</i>		
As at 31 December previous year	660.50	
Depreciation charge for the current year	13,100.20	660.50
Disposals	-	-
As at 31 December 2020	13,760.70	660.50
<i>Net carrying amount:</i>		
As at 31 December current year	8,243.98	18,045.67
As at 31 December previous year	18,045.67	0

During 2020 additions made by the Transport Community amounted to EUR 3,298.51 (for 2019: EUR18,706.17). Total amount of depreciation for 2020 is EUR14,100.20 (For 2019: EUR 660.50).

Note 5: Account payables

	31 December 2020	31 December 2019
	In EUR	In EUR
Trade payables	19,488.73	330.23
Staff payables	1,144.58	21,880.70
Legal commitments	162,260.00	55,316.72
Accruals	3,000.00	12,498.98
Total	185,893.31	90,026.63

Trade payable include invoices received from suppliers for goods and services received by 31 December 2020 but not yet settled at the end of the year. Trade payables in total amount of EUR 19,488.73 are related to office running costs and travel costs.

Payables to staff include liabilities for reimbursement of health check-up costs and official travel expenses.

Legal commitments for the financial year 2020 refer contractual commitments entered by the Transport Community by 31 December 2020 without having received goods or services by the end of the year. The amount of Legal commitments for 2020 is EUR 162,260.00 which include a Contract for technical assistance for the development of Transport Community Information System – the Transport Observatory for EUR121,500.00; a contract for Implementation and deployment of an Enterprise Resource Planning for EUR34,500.00 and a contract for consulting services related to Information Communication Technology (ICT) for EUR6,260.00.

Note 6: Unused appropriations

	31 December 2020	31 December 2019
	In EUR	In EUR
Unused appropriations (Contracting Parties)	3,254,632.46	1,178,304.41

Unused budget appropriations (not used and not committed at the end of the financial year) are shown as liabilities towards the Contracting Parties. Total amount as at 31 December 2020 is EUR 3,254,632.46 representing unused appropriations from the Fiscal Year 2019 of EUR1,178,304.41 and EUR2,076,328.05 from Fiscal Year 2020.

The Budget Committee on its 2nd regular meeting, has recommended that the unused appropriations belonging to the South East Europe parties to be carried forward as Parties' contributions for the next Year's budget. Whereas the unused appropriations belonging to the European Union is to be repaid back. 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 table of Unused budget appropriations is shown under Note 14.

Note 7: 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 donation in the amount of EUR 8,244.43.

The carrying amount as at 31 December 2020 of investments consists of the carrying amount as at January 2020 amounting to EUR18,045.67 and additions amounting to EUR6,335.23 that were reduced by depreciation and amortization of EUR22,472.25. The additions of 2020 include purchases of information technology hardware and software licences.

Note 8: Revenue

	2020	2019
	In EUR	In EUR
Contributions		
Budget contributions	3,000,000.00	1,556,000.00
Funds transferred from SEETO	-	74,000.00
In kind contribution from EU	10,991.48	-
Allocation to investments	(6,335.23)	(18,706.17)
Legal commitments, prior year	55,316.72	-
Legal commitments, current year	(162,260.00)	(55,316.72)
Unused appropriations	(2,076,328.05)	(1,178,304.41)
Total contributions:	821,384.63	377,672.70

Amounts shown under budget contribution parties' represent total expected contributions related to the TCT budget of EUR3,000,000.00

Parties	Contribution share in %	Contributions payable In EUR
European Union	80.00%	2,400,000
Republic of Albania	3.20%	96,000
Bosnia and Herzegovina	3.55%	106,500
Republic of North Macedonia	2.88%	86,400
Kosovo	2.57%	77,100
Montenegro	2.38%	71,400
Republic of Serbia	5.42%	162,600
TOTAL	100%	3,000,000

Revenue adjustments are related to the allocation to investments in the amount of EUR 6,335.23 invested in tangible and intangible assets, legal commitments for prior year EUR 55,316.17; legal commitments for the current year in the amount of EUR 162,260.00 (in 2019: EUR 55,316.72) unused appropriations in the amount of EUR 2,076,284.01 (in 2019: EUR 1,178,304.41). In addition to budgetary contributions the European Union has paid, on behalf of Transport Community, an amount of EUR10,991.18 for organising meetings and conferences. The payment originates from the period when the expenditures of Permanent Secretariat were under direct management of the European Union pending appointment of the Director. This amount is recognised as an in kind contribution from the European Union.

Note 9: Expenses**Staff remuneration**

	2020	2019
	in EUR	in EUR
Salaries	660,652.94	155,790.99
Health/Pension/Social Security contributions	49,100.47	20,396.81
Other staff costs	964.58	
Total	710,717.99	176,187.80

In January 2020 there were five staff members employed by the Secretariat under local employment law. As of February 2020 their employment conditions were changed in accordance with Staff rules of the Transport Community Permanent Secretariat as adopted by the Regional Steering Committee. All subsequent recruitment was done under same set of rules. There was a progressive increase of number of staff throughout the year. By end of the Year there were 18 employed officials, including the Director who took office on 1 August and the Deputy Director taking office as of 1 September 2020. Staff remuneration costs in the total amount of EUR 710,717.99 (In 2019: EUR 176,027.08) include net salaries in the amount of EUR 660,652.94 (in 2019: EUR 155,630.27); contributions for health and pension contributions in the amount of EUR 49,100.47 (In 2019: EUR 20,396.81). The other staff costs represent expenses for health check-ups costs.

The Interim Director of the Secretariat for the period January to July 2020, being an EC official, received no remuneration from the Budget of Transport Community.

Depreciation and amortization expense

	2020	2019
	In EUR	In EUR
Office equipment – Information Technology Hardware	11,825.32	192.18
Telecommunications equipment	874.78	347.88
Other equipment	400.10	120.44
Software licences	3,036.72	0
Total	16,136.92	660.50

Depreciation and amortization expense include amortization expenses for Information Technology Hardware (laptops, monitors, WiFi routers) in the amount of EUR 11,825.32; telecommunications equipment depreciation charge amounted to EUR 874.78; Other equipment EUR 400,10 while amortization costs for software licences amounted to EUR 3,036.72

Finance costs

	2020	2019
	In EUR	in EUR
Bank charges	4,757.76	953.18
Foreign exchange losses	335.94	370.59
Penalties for late payment for taxes	-	50.72
Foreign exchange gains	(6.65)	(41.04)
Other	-	(2.76)
Total	5,093.70	1,330.68

Finance costs in the total amount EUR 5,093.70 include bank charges EUR4,757.76 (in 2019: EUR 953.18), foreign exchange losses EUR335.94 (in 2019: EUR 370.59), Foreign exchange gains EUR6.65 (in 2019: 41.04).

Running costs of the Secretariat

	2020 in EUR	2019 in EUR
IT & Communication	19,001.66	1,565.78
Meetings and Conferences	45,306.83	88,200.39
Office costs	4,343.70	2,065.18
Outsourced and other services	5,839.79	11,570.00
Travel expenses	10,665.79	19,598.70
Communications & Public relations	1,934.10	
Total	87,091.87	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.

Recruitment costs

	2020 In EUR	2019 In EUR
Vacancy publication costs		64,254.48
Candidate travel expenses	18,481.07	12,899.68
Total	18,481.07	77,154.16

Recruitment costs include costs related to candidates invited for interview in person.

Note 10: 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 2020 is represented in Note 9 – Expenses (Finance costs).

Note 11: Reconciliation of Statement of Comparison of Budget and Actual Amounts and Statement of Financial Performance

(In EUR)

Budget Heading / Line	Actual Amounts Budget Report 2020	Legal Commitments 2019	Differences Budget Report vs Financial Statements	Actual Amounts Statement of Financial Performance
	(1)	(2)	(3)	(4)=(1)+(2)+(3)
STAFF COSTS	710,717.99	18,481.07	-	729,199.06
RUNNING COSTS	55,349.92	36,835.65	-	92,185.57
CAPITAL EXPENDITURE	6,335.22		(6,335.22)	-
STUDIES, Technical Assistance	-		-	-
BUDGET Reserve	-			-
TOTAL	772,403.13	55,316.72	(6,335.22)	821,384.63

As required by IPSAS 24, a reconciliation is provided between the actual amounts on a comparable basis as presented in Statement of Comparison of Budget and Actual Amounts and the actual amounts in the Statement of Financial Performance identifying separately any basis, timing and entity differences.

Basis differences occur when the approved budget is prepared on a basis other than the full accrual accounting basis. Basis differences include the depreciation of assets and the full recognition of legal commitments.

Column 2: Legal Commitments

Through the approval of the Regional Steering Committee, the Permanent Secretariat is allowed to carry over budget appropriations from previous in future in future years for funds that were committed. This column shows the expenses incurred during 2020 which are related to the legal commitments attributable to open commitments at the end of 2019.

Column 3: Differences between Actual Amounts in the Financial Statement and Actual Budget Amounts

Budget basis requires that the capital expenditures are recorded as current year expenses at acquisition costs. Accounting basis requires that these expenditures are capitalized and depreciated over the useful life of the assets. The acquisition costs of additions to the assets in 2020 amount to EUR6,335.22.

Note 12: Statement of Budgetary Comparison: Explanation of material differences between the budget and actual amounts

In EUR

Budget Item	Budget	Actual amounts	Legal Commitments 2020	Actual amounts incl. Legal Commitments 2020	Actual amounts incl. Legal Commitments (%)	Unused Appropriations
STAFF costs	1,461,500	710,717.99	-	710,717.99	48.6%	750,782.01
The low budget implementation rate for the staff is mainly attributed to the delayed recruitment process including the appointment of the Director and Deputy Director who took office as of August 1 st and September 1 st respectively.						
Running costs	407,891.18	55,349.92	6,260.00	61,609.92	15.53%	346,281.26
The COVID-19 pandemic and the delayed recruitment process especially of the Director and Deputy Director are the underlying causes for low implementation of this budget line. As of 16 March 2020 until 15 September, the offices of the Secretariat were closed, while staff was obliged to telework. In line with measures applied in the host country, there was a combination of office and teleworking modes during the period 15 September – 31 December 2020. As of 10 March 2020 the planned meetings of Ministerial Council, Technical Committees, Regional Steering Committee, Social Forum, Budget Committee were held virtually.						
Capital Expenditure	60,000.00	6,335.22	34,500.00	40,835.22	68.1%	19,164.78
Expenses include purchasing of software licences and IT hardware. Legal commitments represent a contract signed at the end of the year for supply and deployment of an Enterprise Resource Planning solution. Due to temporary relocation of office premises, it was decided to postpone the purchasing of video teleconferencing equipment to the next year.						
STUDIES, Technical Assistance	800,000.00	0.00	-	121,500	15.20%	678,500.00
The same factors underlined for the running costs have also caused an impact in the low implementation of this budget. The legal commitment represent a contract signed at the end of year for technical assistance for developing the Transport Observatory.						
Budget Reserves	281,600.00	-	-	-	0.00%	281,600.00
There was no need for using the Budget Reserves.						
Totals	3,010,991.18	772,403.13	162,260.00	934,663.13	31.2%	2,076,328.05

Note 13: Events after the reporting date

- i. On 11 March, 2021 payment of reimagining contributions from Albania was received in the amount of EUR16,200.

Note 14: Calculation of unused appropriations and amounts repayable to Contracting Parties

Parties	Contribution share in %	Contributions payable	In kind contributions 2020	Contributions paid and in kind 2020	Share of costs 2020	Unused appropriations 2020	Unused appropriations 2019	Outstanding contributions 2019	TOTAL amounts repayable 2019 and 2020
	(a)	(b)	(c)	(d=b+c)	(e)	(f=d-e)	(g)	(h)	(i=f+g-h)
European Union	80.00%	2,400,000	10,991	2,410,991	747,731	1,663,261	942,644	169,464	2,436,440
Republic of Albania	3.20%	96,000		96,000	29,909	66,091	37,706	90	103,707
Bosnia and Herzegovina	3.55%	106,500		106,500	33,181	73,319	41,830		115,149
Republic of North Macedonia	2.88%	86,400		86,400	26,918	59,482	33,935		93,417
Kosovo	2.57%	77,100		77,100	24,021	53,079	30,282		83,362
Montenegro	2.38%	71,400		71,400	22,245	49,155	28,044		77,199
Republic of Serbia	5.42%	162,600		162,600	50,659	111,941	63,864		175,805
TOTAL	100.00%	3,000,000	10,991	3,010,991	934,663	2,076,328	1,178,304	169,554	3,085,078

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

Belgrade, 24 June 2021

Matej Zakonjšek