# INTERNATIONAL CRIMINAL POLICE ORGANIZATION – INTERPOL (ICPO-INTERPOL)

# ANNUAL FINANCIAL REPORT AND FINANCIAL STATEMENTS FOR 2018

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# ANNUAL FINANCIAL REPORT FOR 2018

## Financial Statement Highlights

### Financial Objectives

1. The Organization's financial objectives are to maintain a balanced budget in the long-term ensuring that it has sufficient funds to conduct its Programme of Activities, to invest in assets to secure its operational continuity, have sufficient reserves to overcome temporary shortfalls and react to operational emergencies and to protect the Organization's financial assets.

### Key Financial Indicators

| | 2018 | 2017 | Change |
|---|---|---|---|
| Revenue (EUR millions) | 134.2 | 124.3 | +8% |
| Operating Result (EUR millions) | 3.8 | 2.1 | +82% |
| Statutory Contribution Collection | 98.7% | 98.4% | 0.3% |
| Regular Budget Execution | 91% | 94% | -3% |
| General Reserve Fund Compliance | 154% | 146% | +6% |

2. The surplus for 2018 was EUR 3.8 million compared to a surplus of EUR 2.1 million in 2017 and a balanced budget for 2018 (0 EUR).

3. Total revenue was EUR 134.2 million in 2018, an increase of EUR 9.9 million (+7.9%) compared to 2017. The main driver for the increased revenue was Trust Fund and Special Account activity that increased by EUR 8.3 million (+25%). Expenditures also increased by EUR 8.1 million (+6.7%), again driven by the Trust Funds and Special Accounts. Both revenues and expenditures were below budget for the year.

4. The execution of the Organization's Regular Budget was 91%, of its Trust Funds and Special Accounts 83% and of its Capital Budget 59%. Trust Funds and Special Accounts represented 31% of the overall budget with no single sponsor representing more than 7% of the Organization's overall budget.

5. The collection rate of statutory contributions for 2018 was 98.7%, the highest rate since 2014. Only nine of the 194 member countries are in long-term payment arrears and subject to the Organization's administrative sanctions.

6. Overall net assets increased by EUR 3.8 million (+8.4%) to EUR 49.0 million with accumulated reserve funds increasing to EUR 33.3 million (+17.3%). The level of the General Reserve Fund increased by EUR 3.4 million to EUR 20.3 million, meaning it is EUR 11.5 million (+54%) above the level mandated by the Financial Regulations.

7. Total assets increased by EUR 5.2 million (+3.7%) to EUR 148.3 million. Of the assets, cash, cash equivalents and investments represent 82%. Total liabilities increased by EUR 1.4 million (+1.4%) to EUR 99.3 million that primarily is a consequence of the increasing pension fund liabilities. Employee future benefits increased by EUR 4.9 million (+15.9%). The current ratio is 1.6, the same as in 2017, giving confidence that the Organization can meet its short-term financial commitments.

8. Cash flow from operating activities was EUR 9.8 million, a decline when compared to 2017 operating cash flow of EUR 14.5 million. Total cash and cash equivalents were EUR 112.8 million at the end of 2018.

## Introduction

9. The International Criminal Police Organization (ICPO-INTERPOL, the "Organization") is the world's largest international police organization by number of member states, currently having 194 members. The Organization was created to facilitate international law enforcement cooperation. Its role is to enable law enforcement agencies around the world to work together with the ultimate goal to make the world a safer place. The Organization helps provide the tools, services and sets standards to enable the secure exchange of information between law enforcement agencies.

## Strategy and Environment

### Vision - Connecting police for a safer world

10. The Organization's vision is that of a world where every law enforcement official will be able to communicate through its secure channels in order to access and interpret vital police information whenever and wherever needed, to help ensure the safety of the world's citizens.

### Mission - Preventing and fighting crime through enhanced cooperation and innovation on police and security matters

11. Defined in its Constitution, the Organization's mandate is "to ensure the widest possible cooperation between all criminal police authorities and to suppress ordinary law crimes". The Organization ensures law enforcement agencies can communicate securely with each other. It enables access to police data and information. It provides operational support on priority crime areas. It fosters continuous improvement in the capacity of law enforcement for more effective international policing.

### Global policing goals; Strategic framework, goals and objectives[1]

12. To ensure that international policing efforts are coordinated and consistent, law enforcement agencies that make up the global security architecture must work towards the same outcomes. The Organization has developed seven "Global Policing Goals"[2] which address a range of issues relating to international crime and security. The Global Policing Goals are aligned to the United Nations 2030 Agenda for Sustainable Development, notably Goal 16 "Peace, Justice and Strong institutions". Linked to these, the Organization has defined its own organizational goals. These goals are further subdivided into specific objectives, against which progress is monitored.

1 https://www.interpol.int/Who-we-are/Strategy/Strategic-Framework-2017-2020.
2 https://www.interpol.int/Who-we-are/Strategy/Global-Policing-Goals.

### Relations with other entities

13. Transnational crime cannot be countered by national law enforcement agencies in isolation. The Organization has a number of key stakeholders. It works closely with its members through coordination offices in each member country that assist in collecting data, organizing and conducting operations and providing criminal analysis reports and capacity building events. Law enforcement agencies and selected national organizations may second personnel who provide expertise and resources for the delivery of the Organization's programmes. Member states provide the delegates of the Executive Committee as well as funding which may also include the rent-free use of buildings and equipment. The Organization has host country agreements in the countries where it has offices.

14. Partnerships to share expertise, technology and resources play an important in coordinating operations and providing capacity building. The Organization cooperates closely with a number of partners in the public sector, such as the European Union, UNODC, EUROPOL, ASEANAPOL, the World Customs Organization, CEMAC and numerous government agencies.

15. It works with select partners from the private sector primarily non-governmental organizations and foundations, notably the INTERPOL Foundation for a Safer World. The Organization has standard arms-length contractual relations with other stakeholders including its employees, suppliers and clients.

### Sources of Funding

16. The principal source of funding is the annual statutory contribution provided by its members. Each member country contributes on the basis of an approved scale for a stated period. Member countries and other organizations may also make additional voluntary contributions, which may be monetary or "in-kind", such as the free use of equipment and services. Voluntary contributions for pre-determined activities, are managed separately in Trust Funds and Special Accounts. The Organization is able to generate some of its own funding such as through financial investments or shop sales.

### External Trends

17. Activities are conducted across the world and are impacted by the global security environment which itself is impacted by wider societal changes. These societal trends lead to new ways of committing transnational crime. The key trends of increasing population, migration and trade combined with instant communication mean that the crimes linked with these trends have a wider geographical and near instant impact and require a coordinated international response.

## Organization Structure, Governance and Operations

### Organization Structure

18. The Organization functions under international law and is recognized as an International Organization by the United Nations. The Organization coordinates its activities through the General Secretariat, led by the Secretary General. The Secretary General manages the Organization's activities and coordinates them through four Executive Directorates via its General Secretariat headquarters, the Global Complex for Innovation, Special Representatives, Regional Bureaus and Liaison Offices. Each member country also maintains a National Central Bureau staffed by its own law enforcement officials.

### Governance and Oversight

19. The Organization is established and controlled by its legal texts including its Constitution and Financial Regulations. The governance structure ensures control and oversight and is independent of operational management. The Organization's supreme governing body is its General Assembly, composed of delegates from each member country. The General Assembly elects the Organization's Executive Committee to oversee its decisions and the delivery of the Programme of Activities. The Executive Committee is headed by the President and has representatives from each region. External advisors provide independent oversight and report directly to the General Assembly.

### Main Operations

20. The Programme of Activities determines the annual work plan, including the secure exchange of law enforcement information, the maintenance of specific criminal databases, the conduct of operations, capacity building and training and the provision of intelligence analysis reports. The Organization provides support across a wide range of different crimes areas[3]. It implements its Programme of Activities through different budgets, notably its Regular Budget – for continued operations – and its Trust Funds and Special Accounts' budget for specific, project activities.

## Financial Performance

### Operating result

21. The 2018 financial operating result of EUR 3.8 million continues the recent trend of a net surplus on the underlying operating budget, adjusting for one-off items.

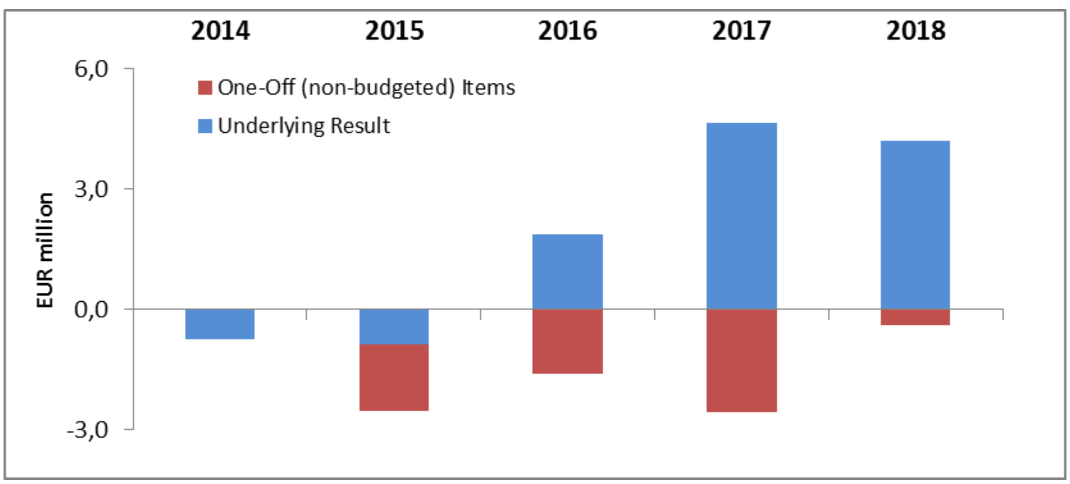


**Figure 1: Operating result: five-year comparison**

[3] Additional details are available at https://www.interpol.int/Crime-areas.

## Revenue overview

22. Total revenue of EUR 134.2 million in 2018 (+7.9% vs 2017) comes from three main sources: statutory contributions of EUR 57.3 million (+3.0% versus 2017); in-kind contributions valued at EUR 31.0 million (+0.2%) and other voluntary contributions of EUR 44.8 million (+18.9%), that includes Trust Funds and Special Accounts.

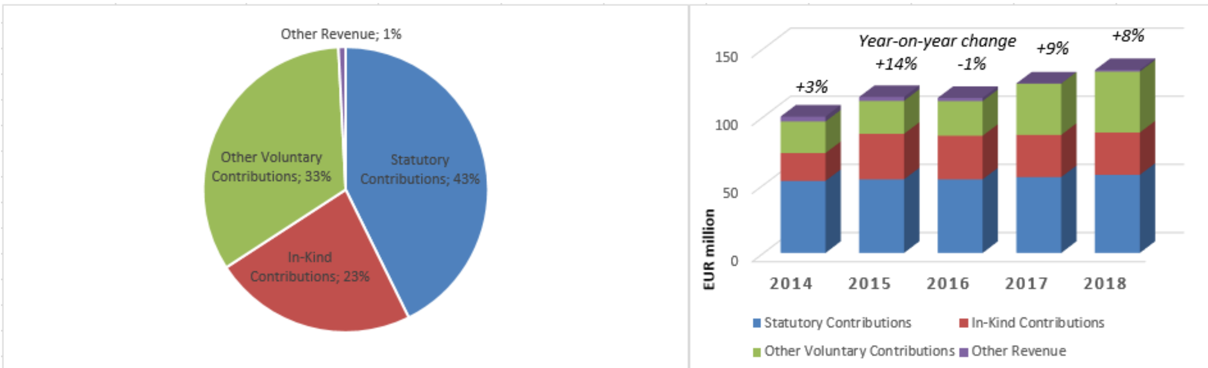


**Figure 2: 2018 Revenue by source and five-year evolution**

23. The increase in revenue in 2018 comes primarily from the increase in the implementation of Trust Funds and Special Accounts. These Trust Funds and Special Accounts projects have been the principal driver of the increase in revenues over the last five years having increased from just over 20% of total income in 2014 to more than 30% in 2018.

24. This revenue diversification strategy has resulted in statutory contribution calls to member countries significantly decreasing as the total percentage of income: from over 70% in 2013 to under half by 2018.

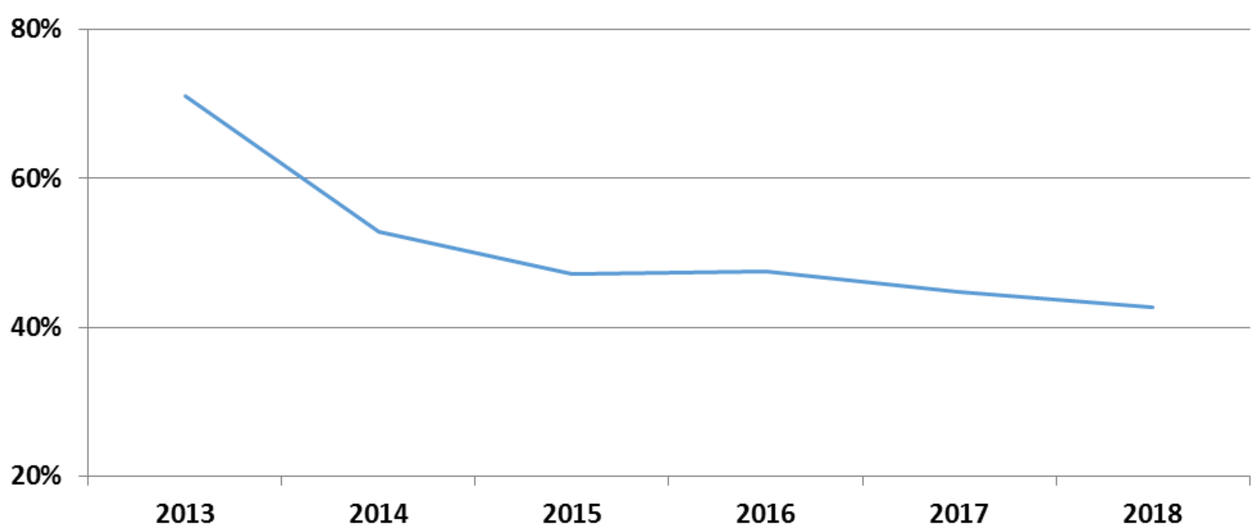


**Figure 3: Statutory contributions as a percentage of total income**

## Expense overview

25. Total expenses also increased in 2018 to EUR 130.4 million (+6.7%), driven by the increase in Trust Fund and Special Account activity. Total employee costs are the main expense type, accounting for nearly two-thirds (61%) of the total costs in 2018, including the in-kind pay costs.

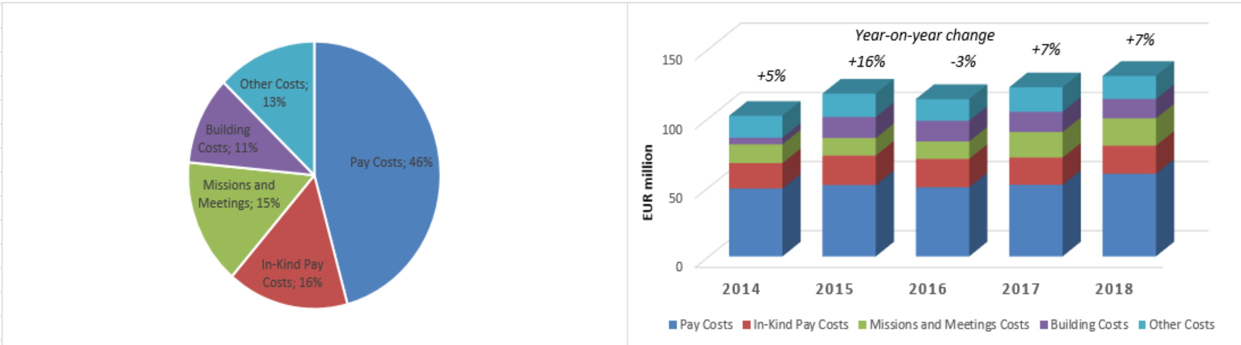


**Figure 4: 2018 Expenses by type and five-year evolution**

## Segment Analysis: Budget Performance

26. The Regular Budget represented 69% of the total budget. Execution of the Organization's main operating budget was slightly lower than in 2017 at 91% (2017: 94%). 5.1% of the shortfall in budget execution or EUR 5.2 million (2017: EUR 3.6 million, 3.7%) related to in-kind resources not being made available. Similarly, Trust Funds and Special Accounts and Capital execution were also below their budgeted rates.

| EUR million | Budget | Actual | Rate |
|---|---|---|---|
| Regular Budget | 102.2 | 93.0 | 91% |
| Trust Funds and Special Accounts | 50.7 | 42.0 | 83% |
| Capital Budget | 6.0 | 3.5 | 59% |

**Table 1: Execution rate by budget type**

## Regular Budget

27. The 2018 Regular Budget showed a surplus of EUR 3.8 million against budget (2017: EUR 2.1 million). Revenues recovered to the Regular Budget from Trust Fund and Special Account projects were higher than budget (EUR 1.4 million).

28. This together with a one-off reversal in the provision for doubtful debts against member country contributions (EUR 0.9 million) were the main causes for the budgetary variance. In-kind revenues and expenses – though significantly lower than budget – have no impact on the regular budget result.

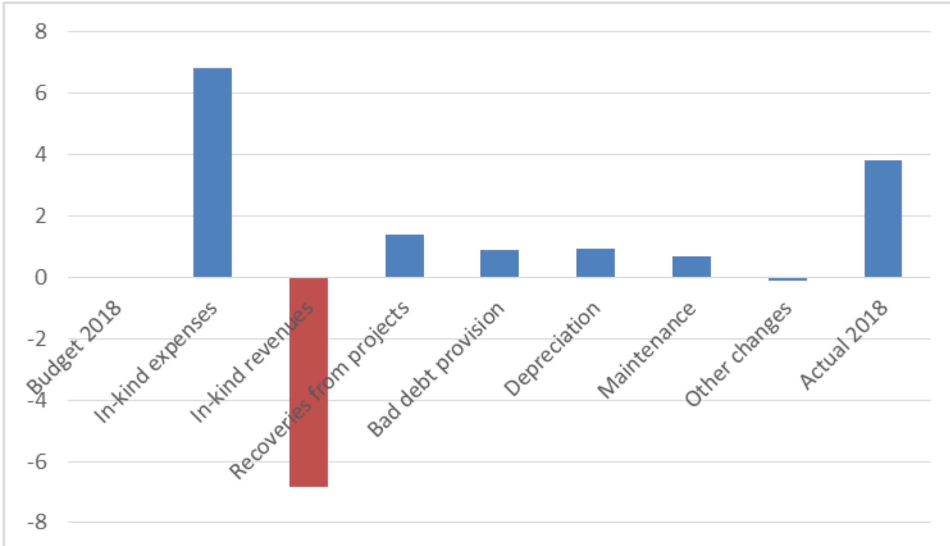


**Figure 5: 2018 Regular Budget variance analysis**

## Trust Funds and Special Accounts

29. The Organization has sought additional funding to support its core programmes from outside sponsors. Growth in the execution of these projects continues to add overall resources to the Organization. They have seen a significant increase over the last five years with revenues increasing by 85% over the period. Implementation of the projects improved in the year to 83% of the budget available, up from 73% in 2017.

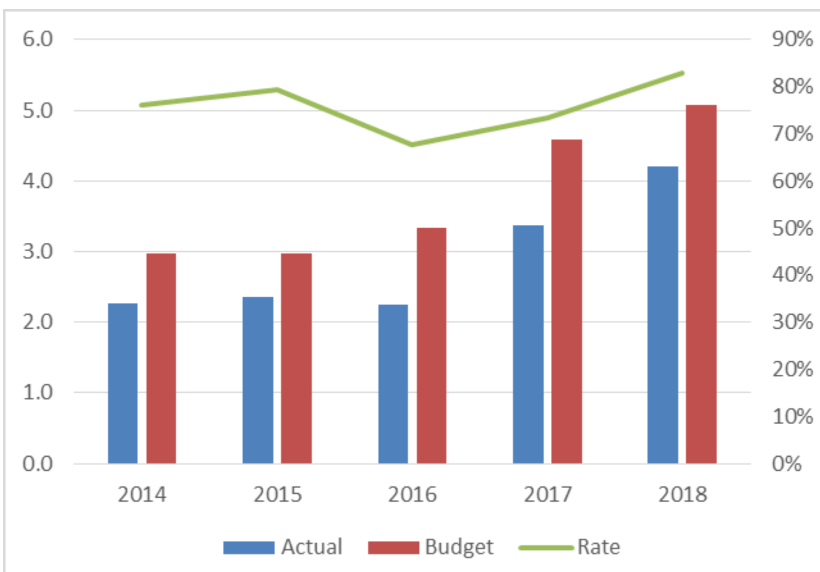


**Figure 6: Evolution and implementation of Trust Funds and Special Accounts**

### Capital Expenditure Budget

30. Implementation of the Capital Budget was only 59% in 2018, down from 84% in 2017. This continues the trend of under-spend in the implementation of this budget. However, the actual level of implementation is similar to previous years; it is the higher budget that is primarily responsible for the 2018 variance. There is also a wider trend away from ownership, especially of IT infrastructure, that may influence the level of this budget in the future. Police database projects continue to be the primary cause of the under-implementation of this budget as they are slow to implement.

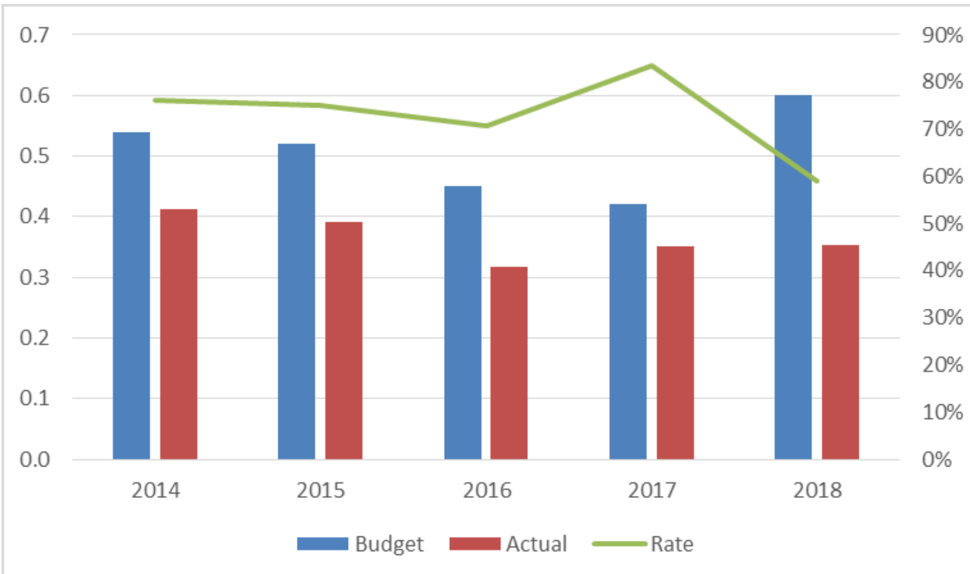


**Figure 7: Capital Budget implementation**

## Financial Position

### Assets and Liabilities

31. The increase in cash received for the implementation of Trust Fund activities has been the primary driver in the increase of both current assets and liabilities over the last five years. Despite this increase, the current ratio has remained relatively constant throughout the period being in the range of 1.5-1.9, highlighting the Organization’s capacity to meet its short-term obligations.

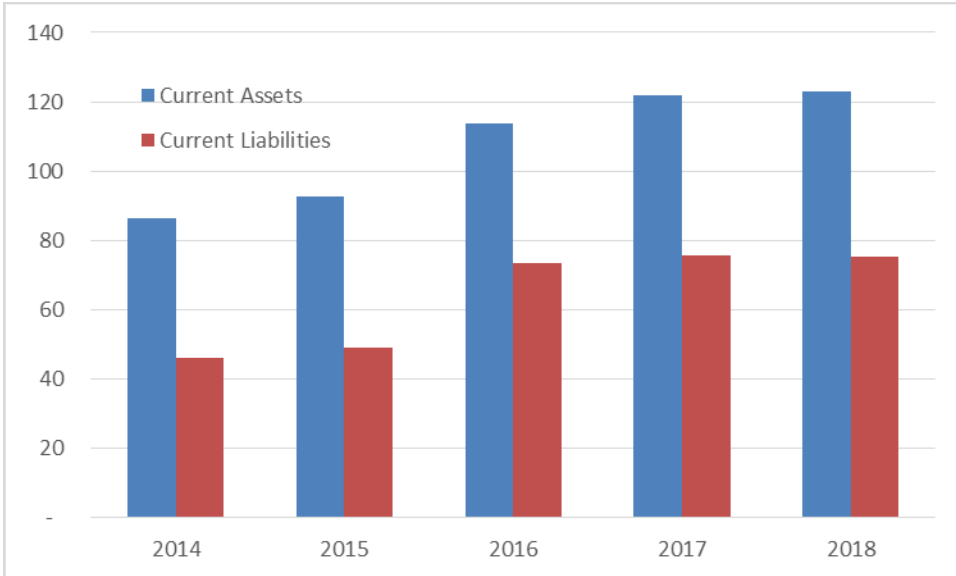


**Figure 8: Current Assets and Liabilities**

## Statutory contributions

32. Collection rates improved during the year on both the General Budget and for those at Regional Bureaus (RBs). Overall outstanding statutory contributions from member countries declined in the year by 6.8% from a total owed of EUR 4.2 million at the end of 2017 (7.6% of the 2017 budget called) to a total owed of EUR 3.9 million at the end of 2018 (6.9% of the 2018 budget called).

33. This was primarily driven by fewer countries subject to sanctions for non-payment of statutory contributions ("Article 52") which has decreased from EUR 3.2 million (16 countries) to EUR 2.3 million (nine countries).

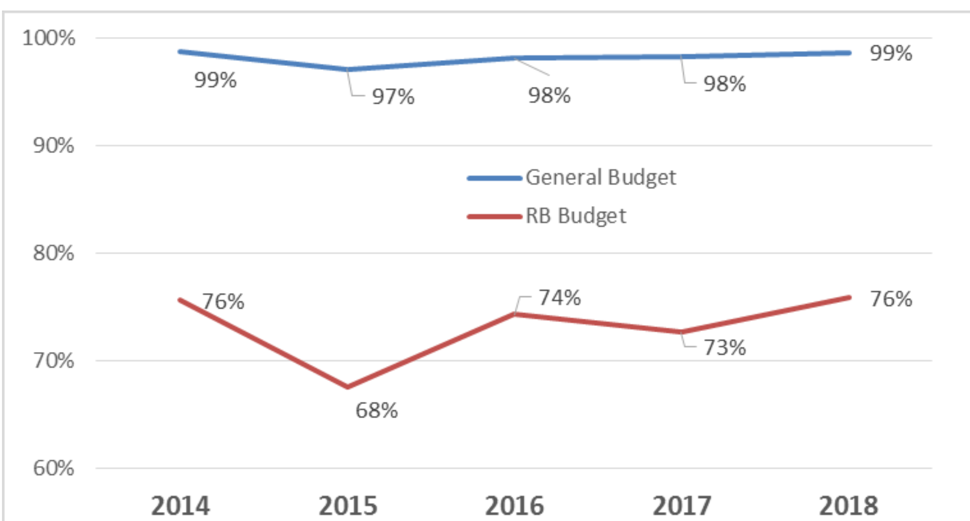


**Figure 9: Collection rates of statutory contributions General and RB budgets (% in the year)**

## Trust Funds and Special Accounts

34. The Organization executes projects on behalf of third-party sponsors. It generally receives funding in advance of execution. The amount of Trust Fund and Special account projects has been increasing and with it the liability to deliver the projects. At the end of 2018 the Organization held EUR 54.4 million for these projects, representing 1.3 years of project execution based on the most recent rate. This represents a slight decrease, showing the recent improvement in budget execution of these projects.

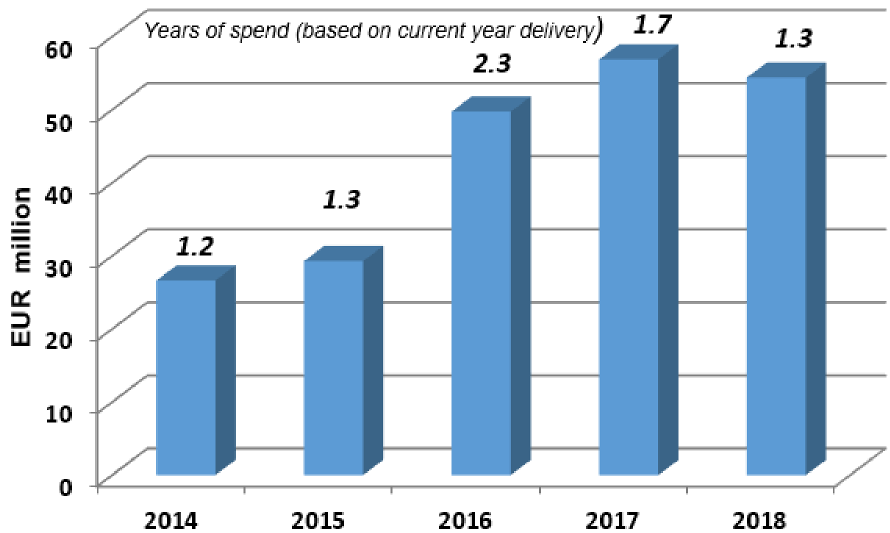


**Figure 10: Funds available for the execution of Trust Fund and Special Account projects**

## Reserves

35. The 2018 operating performance, together with the lower implementation of the capital budget meant an overall increase in reserves of EUR 4.9 million to a total of EUR 33.3 million. Total reserves represented 58% of the annual statutory contribution call.

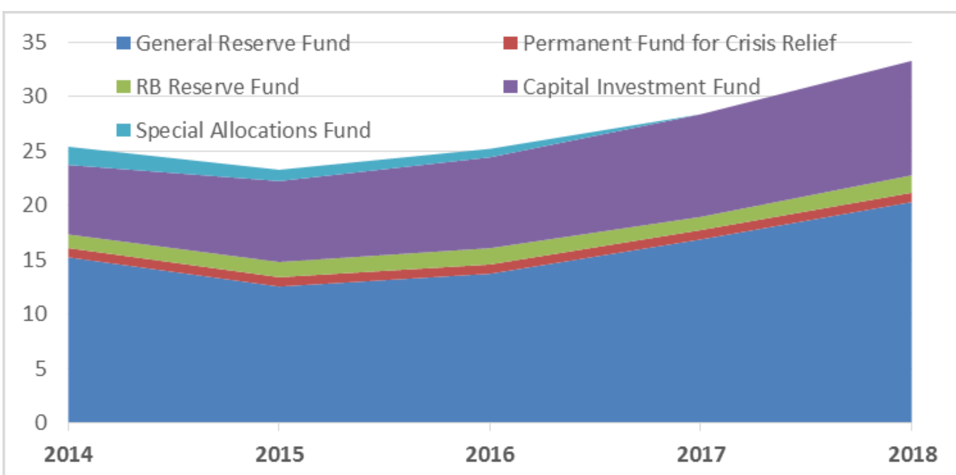


**Figure 11: Evolution of the level of accumulated reserve funds**

36. The financial regulations stipulate a compliance level of the combined General Reserve Fund and Permanent Fund for Crisis Relief. The level of these funds are currently EUR 21.2 million which is a margin of EUR 11.5 million or 54% over the compliance limits.

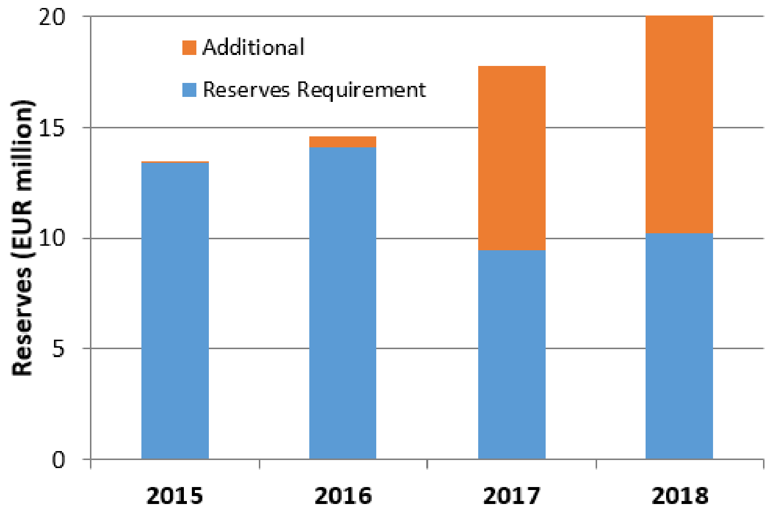


**Figure 12: Evolution of the level of accumulated reserve funds**

## Cash flow Analysis and investments

37. Operating cash flow remained strong in 2018 with the Organization generating EUR 9.8 million in 2018 (2017: EUR 14.5 million). The main drivers for the increase were the operating result of EUR 3.8 million and cash held on behalf of employees of EUR 4.9 million. Cash and cash equivalents with internal restrictions increased from EUR 80.9 million to EUR 82.2 million in the year.

## Principal financial risks, uncertainties and risk management

38. The Organization is subject to a number of risks that can significantly impact its financial position.

### *Dependence on member country contributions*

39. The Organization belongs to its members. It depends on their financial support (both in cash and in-kind) and their operational input for the delivery of its activities, its development and progress. Two thirds of the Organization’s revenue comes from statutory or in-kind contributions. Although support is divided between the members, certain member countries supply a significant portion of the cash budget – five countries supplied over 50% of the contributions in 2018. Unpaid contributions can restrict the Organization’s operational capability.

40. Similarly the Organization receives non-monetary support notably in the secondment of law enforcement officials that implement the Organization activities. In 2018, 27% of staff were seconded. In addition, the Organization receives the rent-free use of some of its buildings.

### *Dependence on external project partners and voluntary contributions*

41. The Organization leverages its member country contributions by seeking support for its activities from external partners on a voluntary basis. Voluntary contributions made up one-third of the Organization's revenues in 2018. A slow-down in this voluntary support could impact the overall activities delivered by the Organization. In addition, these voluntary activities may develop assets such as databases that require on-going servicing as well as requiring support from the Organization and may lead to a continued financial obligation to members.

### *Data volume, quality and legal challenges*

42. The Organization depends on its member countries for the input of notices and data that are maintained in its databases. There has been an increase in the amount of data and records that are held by the Organization as well as the number of enquiries made on these data. Records in the Stolen and Lost Travel Documents database increased by 12% in 2018 to 82.8 million records with a total of 172 different countries contributing (+4 in 2018). Total searches on this database also increased by 12% in 2018 to 3.0 billion searches. Other databases have shown similar increases.

43. The Organization is exposed to risks in the quality of the data and in the implementation of new standards in the handling of data. Legal challenges and further costs in reviewing and ensuring data quality may result in future financial liabilities to the Organization.

### *Financial risks relating to inflation, currencies, interest rates, credit and liquidity*

44. The Organization operates internationally and makes transfers and holds cash and cash equivalents in a number of currencies. It is subject to fluctuating exchange rates on the positions it takes in these currencies. High inflation, notably in certain of the Organization's duty stations, may impact the overall level of expenditures that the Organization can support. The Organization invests some of its available funds – including on behalf of third parties such as employees and sponsors – in investment products. It is subject to the credit quality of the products and the institutions that manage them as well as to liquidity risk in accessing the funds. Similarly, it is subject to the credit quality of all of its accounts receivable, including the amounts receivable from its member countries.

### *Budget Execution*

45. The Organization operates different budgets, the implementation of which may impact future performance. For example, the Organization receives significant funding for its Trust Funds and Special Accounts projects. Lack of funds for these projects could impact the sustainability of the business model.

### *Pension Scheme*

46. For certain contracted employees, the Organization operates a defined contribution pension scheme. Other contracted employees may be affiliated to national pension schemes. A shortfall in funding of these schemes or the Organization's withdrawal from national schemes may require additional contributions. Currently both assets and liabilities for the defined contribution pension scheme are maintained within the Organization. Only the Organization's contributions to this and national pension schemes are recognized in the Financial Statements. As the Organization plans to implement its own pension scheme[4] this may impact the financial position in the future.

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[4] GA Resolution AG-2016-RES-13.

## Risk Management: Internal Control System, Financial and Enterprise Risk Management

47. The Organization addresses these and other risks by establishing an internal control system. Components of this system include policies and procedures that set the internal financial control environment and authority levels; system controls; regular financial reviews, financial controls and reporting; internal and external audits and verifications.

48. A recent internal audit on internal controls has shown the robustness of the process. The few recommendations made are being implemented.

49. The Organization is improving its Enterprise Risk Management (ERM) programme implemented in 2017. The ERM programme model focuses on internal controls and financial risks, having as its objective the provision of reasonable assurance on the achievement of Organizational objectives.

50. Relying on single sources of revenues has prompted the Organization to pursue a diversification of revenue streams. However, such diversification of funding sources may come with an added cost of review and governance. The Financial Regulations protect against this risk by stipulating a limit of 50% of total operating revenue to be sourced from Trust Funds and Special Accounts for utilization in a year. In 2018, 32% of revenues came from Trust Funds and Special Accounts, significantly below the limit. Similarly, the total annual donation from a single donor in Trust Funds and Special Accounts, other than the INTERPOL Foundation, cannot exceed 15 per cent of total operating revenue in that year. No single donor exceeded this amount, including the INTERPOL Foundation, with the highest single sponsor being the European Union that contributed 7.3% of total revenue. The Organization has initiated discussions with its Advisory Group on Financial Matters (AGFM) to potentially review these limits, to guarantee the sustainability of the business model while keeping the risk at an acceptable level.

51. Liquidity limits stipulated in the Organization's Financial Regulations counter this financial operational risk. The level of the General Reserve Fund was EUR 11.5 million or 54% above its limit at the end of 2018. The Organization manages its currency and credit risks by adopting a Treasury Policy that includes investment quality criteria and by matching foreign currency inflows with expected outflows.

52. The Organization regularly assesses the risks of litigation cases and has adopted mitigating measures and precautions. It has recently amended its Headquarters Agreement with the host country France to include this risk. Additional safeguards include better review of red notices and wanted persons diffusions; stricter criteria for publication of extracts on INTERPOL's public website; separation between notices and diffusions in the notice form, and insurance coverage. The Organization intends to initiate discussions with the governing bodies on the potential increase of this risk.

# STATEMENT OF INTERNAL CONTROL

INTERPOL

22 May 2019

## STATEMENT OF INTERNAL CONTROL

**Scope of responsibility**

As Secretary General of ICPO-INTERPOL, in accordance with Regulation 1.3 of the Financial Regulations, I am responsible and accountable for the proper use of the Organization's resources according to the Organization's regulatory texts. I have established mechanisms of internal oversight and financial control to ensure the effective and efficient use of the Organization's resources and the safeguarding of assets.

**Purpose of the system of internal control**

Internal control is designed to reduce and manage the risk of failure to achieve the Organization's aims, objectives and related policies. It is based on an ongoing process designed to identify the principal risks, evaluate the nature and extent of those risks and manage them efficiently, effectively and economically.

Internal control is a process of systematic measures effected by the General Assembly, the Executive Committee, the Secretary General, senior management and other ICPO-INTERPOL officials. It is not a single policy or procedure but a set of processes running continuously throughout the Organization at all levels. It is designed to provide reasonable assurance on the achievement of the internal control objectives:

- Effectiveness and efficiency of operations;
- Safeguarding of assets;
- Prevention, detection and reporting of fraud;
- Reliability, accurateness and completeness of the recording of transactions and the related financial reporting;
- An objective assessment of risks and potential liabilities;
- Compliance with the ICPO-INTERPOL Financial Regulations.

**ICPO-INTERPOL's operating environment**

ICPO-INTERPOL operates globally with a physical representation in all of its member countries. The diverse and challenging environments and the engagement with multiple funding and delivery partners expose ICPO-INTERPOL to many potential risks and opportunities. It is therefore exposed to situations with a high level of inherent risk, including for the security of employees, and which can present challenges in maintaining high standards of internal control.

**The internal control framework and risk management**

ICPO-INTERPOL has designed and implemented an internal control framework that operates across all levels of the Organization. The framework comprises, but is not limited to:

- Sets of regulations, policies and rules including the Code of Conduct, the Financial Regulations, the Staff Manual and operating procedures including data protection and due diligence procedures;
- Regular and systematic automatic and manual controls and monitoring activities;
- Internal audit and internal senior management declarations;
- Governing body and independent oversight;
- Independent external audit and evaluation.

ICPO -INTERPOL has established a risk management framework, which includes the:

- Identification of risks classified according to relevance, impact and probability of occurrence;
- Guidance on risk management for administrative, security and project related risks;
- Review of the risks to ensure effective insurance coverage;
- Continued awareness-raising in risk management;
- Periodic and ad hoc reviews of the operation of the risk management framework.

**Review of the effectiveness of internal controls**

My review of the effectiveness of the system of internal controls is mainly informed by:

- Senior Management, who are accountable for expected results, performance, controlling their executive structure's activities and the resources entrusted to them;
- Formal letters of declaration received from Senior Managers and the Office of Legal Affairs and specifically on any known pending or potential legal actions and fraud;
- The Directorate of Finance and Corporate Services, responsible for internal financial control;
- Audits, evaluations and investigations performed by The Office of Internal Oversight;
- Governing body observations and comments, notably from the Sub-Committees of the Organization's Executive Committee and advisors such as the Advisory Group on Financial Matters;
- The External Auditors and other independent external audit and review committees that may be conducted on different funding programs;
- Observations and comments from member countries.

**Significant matters arising in the year**

Although no major internal control weaknesses were raised in 2018, below are a number of areas where further improvements may be required:

Enterprise Risk Management: The Organization is improving its risk management system. Devolution of the system to the operational level remains to be addressed in the coming financial periods;
Strengthening the Legal Framework: The Organization has been subject to legal challenges and continues to update its operating conditions, strengthening its legal policies notably in the processing of data;

Financial situation: The Organization's financial position has improved in the financial year. It remains reliant on external contributions, notably for the implementation of its activities through secondments and projects;
Secondment: Staffing levels and structure, including the availability of secondees, continues to be a challenge to efficiency and ability to deliver on its commitments. The recently adopted diversity policy requires strong cooperation of member countries to second officials from minorities and under-represented countries;
Performance management: Implementation of certain programs, notably projects and capital expenditure, can be improved. The Organization is reviewing its support processes to improve its ability to implement under more dynamic conditions;

Follow up on audit recommendations: The Organization's external auditors provide recommendations for the improvement including to the internal control system. The Organization has implemented most of them and is focussing on the remaining ones. The result of this effort is regularly reported to the governing bodies.

**Conclusion**

No matter how well designed, effective internal control, whilst operating effectively, has inherent limitations including the possibility of circumvention. It can only provide reasonable not absolute assurance. The effectiveness of internal control may vary over time owing to changes in operating conditions. I am committed to the continuous development of the system of internal control, addressing any weaknesses noted and taking necessary measures remedying the situation in a timely manner.

Based on the above, I conclude that, to the best of my knowledge and information, ICPO-INTERPOL has an effective system of internal control, that there are no material weaknesses nor are there other significant matters arising which would need to be raised in the present document for the year ended 31 December 2018 and up to the approval of the financial statements.

**Jürgen Stock**
Secretary General

# FINANCIAL STATEMENTS FOR 2018 – APPROVAL OF THE FINANCIAL STATEMENTS

INTERPOL

22 May 2019

## APPROVAL OF THE FINANCIAL STATEMENTS

The International Criminal Police Organization (ICPO) – INTERPOL management is given the responsibility for the production of the financial statements in Regulation 6.3 of its Financial Regulations. The ICPO-INTERPOL has adopted International Public Sector Accounting Standards (IPSAS) as its accounting reference standard. These financial statements have been prepared in accordance with IPSAS and the ICPO-INTERPOL Financial Regulations and management considers that it has been compliant with both throughout the year. These financial statements include certain amounts that are based on Management's best estimates.

The Secretary General is responsible for establishing and maintaining adequate internal financial controls. The Organization's system of internal financial control is designed to provide reasonable assurance regarding the reliability of financial reporting, including in the preparation of these financial statements and the accounting procedures surrounding their completion, and the prevention, detection and reporting of fraud. The system of internal control includes policies and procedures at both the Organizational level and transactional level.

Organizational level controls include, in addition to an internal audit function, the policies and procedures that set the internal financial control environment and provide for maintenance of records and the setting of respective authorization levels. Management is responsible for establishing and maintaining transactional level controls which provide reasonable assurance that the Organization complies with the policies, procedures and Financial Regulations for all receipts and expenditures and for the prevention and detection of unauthorized acquisition, use or disposition of the Organization's assets.

Management has reasonable assurance that its system of internal financial control has been operating effectively during the year and that there are no material misstatement or omissions. Management establishes controls to investigate reported incidents of fraud. No reported incidents were substantiated during the year. Management therefore considers that these financial statements present a true and fair view of the Organization's financial position as at 31 December 2018 and the results of financial operations and cash flows for the year at that date.

In addition, Senior Management makes a declaration on any of their or their related parties' outside interests that may be conflictual or prejudicial to the Organization and that could call into question their independence in exercising their ICPO-INTERPOL functions. There have been no declarations that have a material impact on these financial statements nor in the commitments that the Organization has made to third parties.

The financial statements were approved by Management on 22 May 2019. The financial statements are audited by the Auditor General of Canada, who was re-appointed by the General Assembly for a second three-year term beginning in November 2018.

**Jürgen Stock**
Secretary General

**Alberto Varano**
Executive Director, Resource Management

## OPINION OF THE EXTERNAL AUDITOR

Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

### INDEPENDENT AUDITOR'S REPORT

To the General Assembly of the International Criminal Police Organization–INTERPOL

**Report on the Audit of the Financial Statements**

*Opinion*

We have audited the financial statements of the International Criminal Police Organization–INTERPOL (the Organization), which comprise the statement of financial position as at 31 December 2018, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

*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 are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Other Information*

Management is responsible for the other information. The other information comprises the information included in the Annual Financial Report and Financial Statements, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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 obtained prior to the date of this auditor's report, 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 Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSASs, and for such internal control as management determines 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, management is responsible for assessing the Organization'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 management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 the 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 judgment and maintain professional skepticism throughout the audit. We also:

- 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 Organization's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's 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.

- 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 those charged with governance 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.

**Report on Compliance with Specified Authorities**

*Opinion*

In conjunction with the audit of the financial statements, we have audited transactions of the International Criminal Police Organization–INTERPOL coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the Constitution, General Regulations and Financial Regulations of the International Criminal Police Organization–INTERPOL.

In our opinion, the transactions of the International Criminal Police Organization–INTERPOL that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the Financial Regulations of the International Criminal Police Organization–INTERPOL, we report that, in our opinion, the accounting principles in IPSASs have been applied on a basis consistent with that of the preceding year.

In addition, in accordance with Chapter 7, Section 2, Regulation 7.7 of the Financial Regulations of the International Criminal Police Organization–INTERPOL and Appendix 2 to these Financial Regulations, we have also issued a detailed report on our audit of the International Criminal Police Organization–INTERPOL to the General Assembly.

*Responsibilities of Management for Compliance with Specified Authorities*

Management is responsible for the International Criminal Police Organization–INTERPOL's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the International Criminal Police Organization–INTERPOL to comply with the specified authorities.

*Auditor's Responsibilities for the Audit of Compliance with Specified Authorities*

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

Sylvain Ricard, CPA, CA
Interim Auditor General of Canada

Ottawa, Canada
22 May 2019

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## STATEMENT OF FINANCIAL POSITION
## As at 31 December

| *000s Euros* | Notes | 2018 | 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | **8** | 112,761 | 111,131 |
| Statutory contributions receivable | **10** | 870 | 814 |
| Accounts receivable | **11** | 6,055 | 7,526 |
| Prepaid expenses | | 2,830 | 2,045 |
| Inventories | | 467 | 476 |
| **Total current assets** | | **122,983** | **121,992** |
| **Non-current assets** | | | |
| Investments | **9** | 8,884 | 4,031 |
| Statutory contributions receivable | **10** | 726 | 250 |
| Intangible assets | **12** | 1,575 | 1,653 |
| Plant, property and equipment | **13** | 14,104 | 15,113 |
| **Total non-current assets** | | **25,289** | **21,047** |
| **TOTAL ASSETS** | | **148,272** | **143,039** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued charges | **14** | 8,285 | 7,102 |
| Contributions received in advance | **15** | 1,178 | 3,286 |
| Deferred revenue | **16** | 54,375 | 56,895 |
| Employee future benefits | **17** | 34,152 | 29,473 |
| **Total current liabilities** | | **97,990** | **96,756** |
| **Non-current liabilities** | | | |
| Employee future benefits | **17** | 1,298 | 1,114 |
| **Total non-current liabilities** | | **1,298** | **1,114** |
| **TOTAL LIABILITIES** | | **99,288** | **97,870** |
| **NET ASSETS** | | | |
| Capital financing reserve | **19** | 15,679 | 16,766 |
| Accumulated reserve funds | **20** | 33,305 | 28,403 |
| **TOTAL NET ASSETS** | | **48,984** | **45,169** |

*The accompanying notes form an integral part of these financial statements.*

## STATEMENT OF FINANCIAL PERFORMANCE
## For the financial year ended on 31 December

| *000s Euros* | Notes | Revised Combined Budget 2018 | 2018 | 2017 |
|---|---|---|---|---|
| **Operating revenue** | **28** | | | |
| Statutory contributions | | 56,032 | 55,998 | 54,368 |
| Regional Bureau financing | | 1,305 | 1,305 | 1,267 |
| In-kind contributions | | 37,071 | 31,037 | 30,977 |
| Voluntary contributions | | 3,550 | 3,553 | 3,551 |
| Reimbursements and recoveries | | 50,800 | 41,183 | 33,510 |
| Financial income | | 499 | 369 | 673 |
| Other income | | 534 | 680 | 768 |
| Exchange rate gains/(losses) net | | 0 | 75 | (786) |
| **Total operating revenue** | | **149,791** | **134,200** | **124,328** |
| **Operating expenses** | **29** | | | |
| Pay costs | | 61,978 | 59,678 | 51,740 |
| In-kind pay costs | | 25,554 | 20,293 | 19,630 |
| Other staff costs | | 2,883 | 2,462 | 2,135 |
| Premises running costs | | 3,412 | 3,194 | 3,255 |
| In-kind premises running costs | | 11,517 | 10,744 | 11,347 |
| Maintenance | | 4,191 | 3,166 | 2,791 |
| Missions and meetings | | 19,985 | 19,817 | 18,487 |
| Office expenses | | 2,568 | 1,976 | 2,368 |
| Telecommunication costs | | 1,173 | 943 | 1,176 |
| Third party and other costs | | 10,969 | 3,502 | 4,759 |
| Depreciation and amortization | | 5,561 | 4,610 | 4,548 |
| **Total operating expenses** | | **(149,791)** | **(130,385)** | **(122,236)** |
| **Surplus for the year** | | **0** | **3,815** | **2,092** |

*The accompanying notes form an integral part of these financial statements.*

## STATEMENT OF CHANGES IN NET ASSETS
## For the financial year ended on 31 December

| *000s Euros* | Total Net Assets | Capital Financing Reserve | Accumulated Reserve Funds | *Breakdown of Accumulated Reserve Funds* | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | ***General Reserve Fund*** | ***Permanent Fund for Crisis Relief*** | ***Special Allocations Fund*** | ***Capital Investment Fund*** | ***Regional Bureau Reserve Fund*** |
| **Notes** | | **19** | **20** | **21** | **22** | **23** | **24** | **25** |
| **Balance at 31 December 2016** | **43,077** | **17,848** | **25,229** | *13,744* | *855* | *783* | *8,346* | *1,501* |
| Surplus (Deficit) for the year | 2,092 | 0 | 2,092 | *2,378* | *0* | *0* | *0* | *(286)* |
| *Items not in the Statement of Financial Performance* | | | | | | | | |
| - Capital expenditure | 0 | 3,509 | (3,509) | *0* | *0* | *0* | *(3,509)* | *0* |
| - Depreciation and amortization | 0 | (4,548) | 4,548 | *0* | *0* | *0* | *4,548* | *0* |
| - Disposals | 0 | (43) | 43 | *0* | *0* | *0* | *43* | *0* |
| Transfers | 0 | 0 | 0 | *783* | *0* | *(783)* | *0* | *0* |
| **Balance at 31 December 2017** | **45,169** | **16,766** | **28,403** | *16,905* | *855* | *0* | *9,428* | *1,215* |
| Surplus (Deficit) for the year | 3,815 | 0 | 3,815 | *3,427* | *0* | *0* | *0* | *388* |
| *Items not in the Statement of Financial Performance* | | | | | | | | |
| - Capital expenditure | 0 | 3,538 | (3,538) | *0* | *0* | *0* | *(3,538)* | *0* |
| - Depreciation and amortization | 0 | (4,610) | 4,610 | *0* | *0* | *0* | *4,610* | *0* |
| - Disposals | 0 | (15) | 15 | *0* | *0* | *0* | *15* | *0* |
| Transfers | 0 | 0 | 0 | *0* | *0* | *0* | *0* | *0* |
| **Balance at 31 December 2018** | **48,984** | **15,679** | **33,305** | *20,332* | *855* | *0* | *10,515* | *1,603* |

*The accompanying notes form an integral part of these financial statements*

## STATEMENT OF CASH FLOWS
## For the financial year ended on 31 December

| *000s Euros* | Notes | 2018 | 2017 |
|---|---|---|---|
| **Cash Flows from operating activities** | | | |
| Surplus for the financial year | | 3,815 | 2,092 |
| ***Adjustments for non-cash movements*** | | | |
| Depreciation and amortization | **12, 13** | 4,610 | 4,548 |
| Effect of unrealized (gains) losses on foreign currency | | (189) | 281 |
| Loss on disposal of assets | **12, 13** | 15 | 43 |
| *Changes in assets* | | | |
| (Increase) Decrease in statutory contributions receivables (net) | **10** | (532) | 2,245 |
| Decrease in accounts receivables | **11** | 1,471 | 301 |
| (Increase) in prepaid expenses | | (785) | (246) |
| Decrease in inventories | | 9 | 58 |
| *Changes in liabilities* | | | |
| Increase in accounts payable and accrued charges | **14** | 1,183 | 182 |
| (Decrease) in contributions received in advance | **15** | (2,108) | (5,549) |
| Increase (Decrease) in deferred revenue | **16** | (2,520) | 7,153 |
| Increase in employee future benefits | **17** | 4,863 | 3,418 |
| **Net Cash Flows from operating activities** | | **9,832** | **14,526** |
| **Cash Flows from investing activities** | | | |
| Purchases of Plant, property and equipment | **13** | (2,691) | (2,391) |
| Purchases of intangible assets | **12** | (847) | (1,118) |
| Purchases of investments | **9** | (4,853) | 0 |
| **Net Cash Flows from investing activities** | | **(8,391)** | **(3,509)** |
| Effect of foreign currency exchange rates in cash and cash equivalents | | 189 | (281) |
| **Net increase in cash and cash equivalents** | | **1,630** | **10,736** |
| Cash and cash equivalents at the beginning of period | **8** | 111,131 | 100,395 |
| **Cash and cash equivalents at the end of period** | **8** | **112,761** | **111,131** |

EUR 416 (000) of interest received is included in the net cash flows from operating activities (2017: EUR 792 (000)).

*The accompanying notes form an integral part of these financial statements.*

## NOTES TO THE FINANCIAL STATEMENTS

### Note 1: General information

The International Criminal Police Organization – INTERPOL (ICPO-INTERPOL, "The Organization") was founded in 1923 to enhance police co-operation around the world. The Organization is legally registered as an International Organization. It currently has 194 countries as equal members who own and govern it. The members meet annually at the General Assembly (GA).

As set out in Article 2 of its Constitution, the aims of the Organization are:

- To ensure and promote the widest possible mutual assistance between all criminal police authorities within the limits of the laws existing in the different countries and in the spirit of the "Universal Declaration of Human Rights";
- To establish and develop all institutions likely to contribute effectively to the prevention and suppression of ordinary law crimes.

These aims may be summarized by the vision and mission of the Organization:

***Vision:*** *"Connecting Police for a Safer World";*
***Mission:*** *"Preventing and fighting crime through enhanced cooperation and innovation on police and security matters".*

The Organization carries out its mission by focusing on achieving its five strategic goals:

1. To serve as the worldwide information hub for law enforcement cooperation;
2. To deliver state-of-the-art policing capabilities that support member countries to fight and prevent transnational crimes;
3. To lead globally innovative approaches to policing;
4. To maximize the Organization's role within the global security architecture;
5. To consolidate resources and governance structures for enhanced operational performance.

To oversee the Organization, the members elect representatives by region to the Executive Committee (EC) to provide more direct oversight; they elect the Secretary General, responsible for operational management; they approve its governing texts, including the Constitution and General Regulations. The Organization's Financial Regulations are an appendix to its General Regulations. The current Secretary General was elected in November 2014 for a term of five years.

The Organization has its General Secretariat headquarters (IPSG) in Lyon, France, and the INTERPOL Global Centre for Innovation (IGCI) in Singapore. It has representative Liaison Offices (LOs) in Brussels, Belgium; Bangkok, Thailand; Addis Ababa, Ethiopia; and New York, USA. The Organization has Regional Bureaus (RBs) in Abidjan, Côte d'Ivoire; Buenos Aires, Argentina; Harare, Zimbabwe; Nairobi, Kenya; San Salvador, El Salvador; Yaoundé, Cameroon. It has legal agreements with each of these countries and operates in each country in accordance with these agreements. It may also have privileges and immunities in the countries in which it operates, notably that of being exempt from paying most forms of taxation. In addition to these offices, each member country has a representative office, known as the ICPO-INTERPOL National Central Bureau (NCB), through which the Organization coordinates its activities with each member.

## Note 2: Management of the activities of the Organization

The Organization organizes and manages its activities through its Strategic Framework. The Strategic Framework defines the Organization's Operational Model, consisting of its three global programs against Counter Terrorism, Organized and Emerging Crime and Cybercrime through which the Organization develops its Programme of Activities. The Programme of Activities is the Organization's annual plan and is financed by the Combined Budget for the period. The Programme of Activities and the Combined Budget are approved by the members at the GA[5].

The Secretary General is responsible for the delivery of the Programme of Activities within the Combined Budget and to ensure that controls are established to monitor their implementation. The Combined Budget for the Organization is the combination of the Organization's different operational budgets that may have different financial conditions. They allow for the operational financial management of the Organization and its different activities[6].

The approval of the Combined Budget empowers the Secretary General to:

- Receive income and resources for the period, up to the approved limits;
- Commit and authorize expenditures for approved activities up to the approved limits.

Minor changes to the Combined Budget allow for operational delivery. These changes result in a "Revised Combined Budget" against which financial performance is measured and reported.

## Note 3: Basis of preparation of the financial statements

These financial statements have been prepared according to International Public Sector Accounting Standards (IPSAS) and the Organization's governing texts. All financial transactions and operations are to comply with the Organization's governing texts: its Constitution, General Regulations, Financial Regulations and Financial and Staff Directives. The Financial Regulations establish IPSAS as the Organization's appropriate governing financial accounting and reporting standard.

The financial statements have been prepared on an accrual basis.

**Going concern**

Management has expressed confidence on the use of the going concern:

1. The Strategic Framework for the period 2017-2020 was approved at the 2016 GA;
2. The INTERPOL 2020 initiative, an agenda for continuing activity and reform, was approved at the 2016 GA and the 2020+ initiative was approved at the 2018 GA;
3. The Programme of Activities and Draft Combined Budget for 2019 and Budget Indications for 2020 and 2021 was approved at the 2018 GA, and several member countries have already made their contributions to the 2019 Budget;
4. The revised scale of distribution of statutory contributions for the period 2020-2022 was approved at the 2018 GA;
5. Financial support in the form of Trust Fund and Special Account projects, including those supported by the INTERPOL Foundation, run to 2023 and beyond.

**Financial statement presentation**

The functional and presentation currency of the Organization is the Euro. Unless otherwise stated, information is presented to the nearest one thousand euros (EUR '000s).

[5] See Note 26 for the Combined Budget for 2018.

[6] See Note 5 for explanations of the Organization's various budgets and its budgetary processes.

## Note 4: New accounting standards

The International Public Sector Accounting Standards Board (IPSASB) revises and issues new accounting standards.

**New standards applicable from 1 January 2018**
IPSAS 39 – Employee Benefits[7] – Employee Benefits came into effect this year. The amendments in IPSAS 39 from IPSAS 25 had no impact on the financial statements.

**Accounting standards issued but not yet effective**
On 1 January 2019, IPSAS 40 – Public Sector Combinations comes into effect. The Organization considers that there is no likely future impact of this standard on the financial statements. Two further IPSAS have been issued, IPSAS 41 – Financial Instruments and IPSAS 42 – Social Benefits. These standards have a future implementation date of 1 January 2022 and their impact on the Organization is currently being assessed and will be implemented in due course. In addition to the standards, IPSASB published an update on improvements to IPSAS, 2018. The Organization considers that there is no impact on the Organization from these improvements.

## Note 5: Budgets and budgetary processes

The Combined Budget of the Organization consists of the Regular Budget and Specific Budgets and is approved by the GA for a period of one-year.

The Regular Budget consists of the General Budget and the Regional Bureau (RB) Budgets. The General Budget is financed by all members via a statutory call for contribution and supports all of the Organization’s activities. Financial results from the General Budget pass to the Organization’s General Reserve Fund (GRF) and Capital Investment Fund (CIF). RB Budgets are limited to the member countries that support operational activities at each RB with financial results being allocated to the RB Reserve Fund. Pay Costs and Capital Expenditures at the RBs are supported by the General Budget[8].

Specific Budgets are composed of Trust Fund and Special Accounts. Trust Fund and Special Accounts finance additional, specific activities to supplement the activities of the Regular Budget. The Trust Fund was established by the Organization to ensure common conditions for the management of donor funds and the activities that they finance. Special Accounts are bespoke contracts drawn up with the funding party, usually national public agencies, for the execution of defined projects. Approval and implementation of Trust Fund and Special Accounts’ projects does not necessarily follow the Organization’s annual Regular Budget cycle as the projects may be approved at any time within a financial year and/or over multiple financial periods.

An adjustment for transfers between budgets, known as a Combination Adjustment, is made to ensure that transactions are not counted twice in the financial statements. GA-approved budgets for a year may subsequently be reallocated and approved by the EC in recognition of operational necessities. The EC may also approve extensions and amendments to the Trust Fund and Special Accounts’ Budgets that have been made with donor approval. Budget comparisons in the financial statements are made against the EC-approved revisions and are shown in Note 26.

7 IPSAS 39 replaced IPSAS 25 – Employee Benefits.
8 Details on the Organization’s reserves are shown in Note 20, Accumulated Reserve Funds, and subsequent notes. Financial Performance on the Organization’s various budgets are shown in Note 26 and subsequent notes.

## Note 6: Significant accounting policies

The principal accounting policies adopted by the Organization are set out below:

### Revenue recognition

*Statutory contributions* are recognized as revenue in full in the period that they are due on the basis of the GA approval of the budget and are due by 30 April of the year. Member country statutory contributions are set according to an agreed scale of assessed contributions that is approved in advance by the GA. The scale of assessed contributions applied in these financial statements was approved by the GA for the period from 2015 to 2018.

*Regional Bureau financing* consist of statutory contributions from specific member countries linked to each RB and are recognized as revenue in full in the period that they are due on the basis of GA approval for the amount per member country for that year's budget.

*In-kind contributions* are non-cash, voluntary contributions, usually made from member countries. They consist of officials that are seconded to work under the control of the Organization from their national agencies and the rent-free use of buildings and equipment. There is usually a defined contract between the Organization and the member country or organization that defines the permitted use of the asset or service. The value of the use of these assets and services is estimated at fair-value where a corresponding value can be determined and recognised as revenue in the financial period that they are used. An equivalent expense for the use of the asset or service is also recognized at the same time in the financial statements. Where no value can reasonably be determined no revenue or expense is recognised in the financial statements.

*Voluntary contributions* are donations received with no specific or defined purpose and are recognized in the year of their receipt. Voluntary contributions include amounts without restriction received from the INTERPOL Foundation for a Safer World ("INTERPOL Foundation"). Voluntary contributions may include donations of tangible and intangible assets which are accounted for at fair-value at the date of acquisition.

Revenue from statutory contributions, RB financing, in-kind and voluntary contributions are considered to be non-exchange transactions under IPSAS 23.

*Reimbursements and recoveries* include amounts reimbursed for operating expenses under a specific agreement or for revenues from conferences for the sale of exhibitor booths or for hosting events. The revenues are recognized when the right to receive them is established under the contract. The amounts received under Trust Fund and Special Accounts are within specific agreements with external donors, including the general conditions of the Trust Fund, for the implementation of defined project activities. These received amounts are initially accounted as deferred revenue of the Organization and are subsequently recognized as income to the extent of direct or accrued expenditure on the defined project activities.

*Financial income* or interest income from the Organization's bank accounts and other investments is accounted for on the effective yield basis as it is earned in the month or proportionally over the course of the investment, where the investment extends over multiple months.

*Other Income* includes income for the products and services that the Organization may provide including from the shop, for one-off items and any other income that does not easily fit into the remaining income categories.

### Foreign currencies

The Organization holds and manages transactions in multiple currencies. All statutory contributions to the Organization's Regular Budget are payable in euros. Foreign currency transactions are recorded in euros at the exchange rates prevailing on the dates of the transactions for the settlement of invoices and for goods receipts, and at an average rate from the previous month for other accounting transactions. Assets and liabilities denominated in foreign currencies are translated into euros at the exchange rates prevailing on the date of the Statement of Financial Position. Both realized and unrealized gains and losses resulting from the settlement and revaluation of foreign currency transactions are recognized under operating revenues in the Statement of Financial Performance as Exchange rate gains/(losses) net.

**Offsetting assets and liabilities**

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a legally enforceable right to do so and the intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

**Plant, property and equipment (PP&E)**

An item of PP&E is recognised as a non-current asset initially at historic cost if it is deemed probable that a future economic benefit or service potential will flow to the Organization and that the cost of the asset can be measured reliably. Historic cost includes any unrecoverable taxes and directly attributable costs associated with bringing the asset into service. Donated assets of PP&E, acquired through a non-exchange transaction, are recognised at their fair value at the date of exchange. PP&E are derecognised either on disposal or when they are permanently withdrawn from use. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Statement of Financial Performance under Third Party and Other Costs in the period of derecognition.

All PP&E are stated at historic cost less accumulated depreciation and impairment losses. Depreciation is provided to recognize the use of the assets over their useful lives according to the following asset classes:

- *Buildings* are depreciated on a straight-line basis over 40 years;
- *Fixtures and fittings:* Furniture and office equipment are depreciated on a reducing balance basis at 40% of net asset value at the start of the year, over seven years. Fittings and sports equipment are depreciated on a straight-line basis over 10 years;
- *Equipment and other assets*: IT hardware assets are depreciated on a reducing balance basis at 50% of net asset value at the start of the year, over four years. Vehicles are depreciated on a reducing balance basis at 40% of net asset value at the start of the year, over seven years.

Improvements to PP&E as a result of major maintenance works are capitalised over the remaining life of the asset when the improvement results in the increase of future economic benefits to the organization or an extension of its useful life. Normal repair and maintenance costs are expensed in the year when the costs are incurred.

Where the book value of an asset is greater than its estimated recoverable amount, the asset is written down to its recoverable amount.

*Work-in-progress:* PP&E assets that are in the course of construction, installation or commissioning are measured at cost and an estimated stage of completion of the asset usually on the basis of contractual payments. No depreciation is recorded until the asset is considered to be in service.

**Intangible assets**
Licences and development costs of software that are directly associated with bringing it into use are capitalised as intangible assets. All intangible assets are stated at historic cost less accumulated amortization and impairment losses. Amortization of intangible assets is based on a reducing balance basis at 50% of the net asset value at the start of the year, over 4 years. Intangible assets are derecognised either on disposal or when they are permanently withdrawn from use. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Statement of Financial Performance under Third Party and Other Costs in the period of derecognition.

Other development costs that do not meet the capitalisation criteria are recognised as an expense in the period that they are incurred. Donated intangible assets, acquired in a non-exchange transaction, are recognised at their fair value at the date of the exchange.

*Work-in-process:* Intangible assets that are in the course of development are measured at cost and based on the estimated stage of completion. Amounts shown may include part or full payments for assets whose beneficial ownership has passed over to the Organization. No amortization is recorded until the asset is considered in service.

**Heritage assets**
From time to time, the Organization receives donations or the "free-use" of works of art from member countries or other institutions. Such assets are not recognized by the Organization in its financial statements, as the Organization does not consider them to have significant financial value, it is not intended that they will be sold nor are they used in the ordinary course of the Organization's activities.

**Inventories**
Inventories are valued at their acquisition cost using the weighted average cost method and this is the value used for the cost of goods sold in the Statement of Financial Performance. Allowances are made for inventories with a net realizable value less than cost. Publications that the Organization produces are for free distribution and the costs of production and materials are expensed in the financial period that they are produced.

**Statutory contributions receivable and accounts receivable**
Statutory contributions and accounts receivable are stated at their nominal amount and reduced by allowances for estimated irrecoverable amounts. Member countries that have not fulfilled their financial obligations towards the Organization according to the Financial Regulations fall under Article 52 of the General Regulations of the Organization ("Article 52"). Countries under Article 52 have their right to vote at GA sessions suspended, along with other penalties. Unless there are specific reasons not to do so for a particular country, the Organization makes an allowance for the total amounts due to the Organization from countries under Article 52. Though the Organization may make allowances for the debts per its accounting policy, it retains its rights for the receipt of the gross statutory contributions receivable, unless the Organization's members decide among themselves to disallow these amounts.

The Organization may conclude specific agreements, including repayment terms and conditions, allowing a member country to honour their statutory contribution obligations. Member country statutory contributions covered under these long-term debt-rescheduling agreements may have both current and non-current portions. Member country dues not falling under either category, Article 52 or debt-rescheduling agreements, are shown as other member country dues.

**Cash and cash equivalents and investments**
The Organization holds cash on hand, has on demand bank deposits (together referred to as "cash") and makes investments (some of which are highly liquid and referred to as "cash equivalents") in a number of currencies, all of which are subject to its Treasury Management policy.

The amount of cash and cash equivalents held by the Organization includes sums that have specific uses and are considered as internally restricted. Included in internally restricted cash and cash equivalents are amounts set aside for the employee's supplementary retirement scheme, the defined contribution pension scheme, the Japanese specific account that is held for salaries and allowance paid to officials seconded from Japan and on Trust Fund and Special Accounts.

Cash equivalents are highly liquid investments with maturities of less than three months from the date of acquisition that are readily convertible to known amounts of cash and considered to be subject to an insignificant risk in value. Term deposits with a maturity greater than three months are also classified as cash equivalents if they respect the preceding criteria, are held to meet short-term cash needs and are not subject to a significant change in value as a result of an early withdrawal.

Investments are made by the Organization usually with the intention to hold them to maturity. They are classified as held-to-maturity and measured at amortised cost. Financial interest receivable on investments and cash equivalents is shown in accounts receivable. Included in investments are amounts set aside for the employees as above.

**Contingent assets and liabilities**
Contingent assets are not recognised in the financial statements unless it has become virtually certain that the revenue will be able to be recognised according to the revenue recognition criteria. A disclosure is made in the notes where the existence of a possible asset is contingent on a future event that is not wholly within the Organization's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes unless the possibility of an outflow of economic resources is considered remote.

**Employee future benefits**
The cost of all employee benefits, such as paid leave, medical cover and contributions towards retirement, is recognised in the period in which the employee renders service. Employees have acquired these benefits according to their contractual employment rights at the Organization. The Organization's contributions towards employee future benefits, including from Trust Fund and Special Accounts, are recorded under pay costs in the Statement of Financial Performance.

The employee future benefits are recorded as accrued liabilities in the Statement of Financial Position and classified according to the contractual terms of the benefit. The liabilities are comprised of both contributions from the Organization and deductions from staff pay.

Employee future benefits are further classified according to their type:

*Internal scheme for involuntary loss of employment (ISCILE):* This termination benefit is to compensate individuals that have undergone involuntary loss of employment. The scheme is funded entirely by the Organization's contributions. Payments are made either as a lump sum or on a declining basis for consecutive years of an individual not finding alternate employment, per the rules specified in the Organization's Staff Manual.

*Indemnity on retirement and supplementary retirement scheme:* The Organization offers two long-term post-employment incentives: indemnity on retirement and supplementary retirement benefits. They are eligible to its contracted employees and are calculated according to seniority and service and are entirely funded by the Organization's contributions. Estimates of the impact of the indemnity upon retirement are made at the Statement of Financial Position date and recognized in the Statement of Financial Performance.

*Defined contribution pension scheme:* The Organization provides a savings plan designed for post-employment retirement benefits. It administers the plan as a defined contribution pension scheme for the employees who choose to participate in it. Both the Organization and the employee contribute to the plan at an agreed level for the period that an employee is under contract with the Organization. This defined contribution pension scheme is not legally separated from the Organization. Currently the pension scheme is administered internally: both the assets and the liabilities of the pension scheme are shown within the Organization's Statement of Financial Position[9]. The financial assets under this pension scheme are held and managed by the Organization alongside its own financial assets.

The Organization is currently in discussion for the creation of a defined benefit scheme with an administrative mechanism that will be governed separately from the Organization.

**Employee loans**

The Organization may offer its employees loans for a duration that may not extend beyond the employee contractual end date and for which financial interest is charged that is comparable to market rates. Interest bearing loans are measured at amortised cost using the effective interest rate method with the remaining amount of the loan outstanding being shown as an Account Receivable.

**Leases**

Charges are expensed on a straight-line basis over the operating lease term. Lease agreements entered into are classified as operating leases unless they substantially transfer all of the risk and reward of ownership to the Organization.

**Financial risk management**

Exposure to financial risks including, currency, liquidity, and credit risk arises in the normal course of the Organization's operations. The overall objective of the Organization's Financial Risk Management is to ensure that its budgets are achieved within the plan set in the agreed Programme of Activities. The Organization's Financial Risk Management policies are consistent with and subject to the Organization's Financial Regulations.

The Organization invests its own funds as well as the funds held for third parties, notably its employees and for external parties that support the Trust Fund and Special Accounts. Changes in the values of the holdings for these parties may not contractually have an impact on the Organization.

[9] See note 8 cash and cash equivalents under "Cash with internally restricted use", and note 17 Employee future benefits.

## Note 7: Accounting judgments and estimates

Preparing financial statements in accordance with IPSAS and its financial regulations requires the Organization to make judgments and assumptions in the selection and application of accounting policies and about the carrying amounts of assets, liabilities and for revenues and expenses. While the estimates and underlying assumptions are reviewed on an ongoing basis, the effects of revisions to accounting estimates are recognized in the period in which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Significant estimates and assumptions that may result in material adjustments in future years include: valuation of in-kind revenue and expenses for seconded officials and the free-use of buildings and equipment; selection of the useful lives and the depreciation/amortization policy for plant, property and equipment and intangible assets; impairment of assets; indemnity benefits on retirement; accrued charges; provision for financial risk on inventories and accounts receivable; contingent assets and liabilities.

In the course of preparing the financial statements, no significant judgments have been made in the process of applying the Organization’s accounting policies.

## Note 8: Cash and cash equivalents

The Organization holds cash and cash equivalents in a number of currencies for operational purposes. The Organization has no credit lines nor does it utilize any bank overdrafts.

| *000s Euros* | 31 December | |
|---|---|---|
| | **2018** | **2017** |
| Cash | 34,132 | 23,310 |
| Cash equivalents | 78,629 | 87,821 |
| **Total cash and cash equivalents** | **112,761** | **111,131** |

| *000s Euros* | 31 December | |
|---|---|---|
| | **2018** | **2017** |
| Euros | 106,719 | 107,027 |
| USD | 4,173 | 3,493 |
| Other currencies | 1,869 | 611 |
| **Total cash and cash equivalents** | **112,761** | **111,131** |

*Cash and cash equivalents with internally restricted use.*
Included within the cash and cash equivalents are amounts that are held for specific purposes:

| *000s Euros* | Notes | 31 December | |
|---|---|---|---|
| | | **2018** | **2017** |
| Deferred revenue from Trust Funds and Special Accounts | **16** | 54,375 | 56,895 |
| Defined contribution pension scheme | **17** | 21,317 | 20,525 |
| Employee future benefits - supplementary retirement | **17** | 4,529 | 4,251 |
| Japanese special account | **15** | 657 | 578 |
| **Total cash and cash equivalent with internally restricted use** | | **80,878** | **82,249** |

## Note 9: Investments

| **Name and location of investment** *000s Euros* | **Scheme** | **Currency** | **31 December** | |
|---|---|---|---|---|
| | | | **2018** | **2017** |
| **Non-current** | | | | |
| HSBC (France) | DAT | EUR | 31 | 31 |
| Crédit du Nord (France) | EMTN | EUR | 4,853 | 0 |
| Royal Bank of Canada (France) | EMTN | EUR | 4,000 | 4,000 |
| **Total – Investments** | | | **8,884** | **4,031** |

Legend: DAT = Term Deposit linked to bank guarantee; EMTN: Euro Medium Term Note. Of the investments, EUR 2.427 million is restricted for employee use.

## Note 10: Statutory contributions receivable

| *000s Euros* | **31 December** | |
|---|---|---|
| | **2018** | **2017** |
| **Current** | | |
| *Member country dues under Article 52* | *2,341* | *3,161* |
| *Less: allowance for doubtful debts* | *(2,341)* | *(3,161)* |
| Net member country dues under Article 52 | 0 | 0 |
| Member country dues under debt-rescheduling agreements | 113 | 21 |
| Other member country dues | 757 | 793 |
| **Total current** | **870** | **814** |
| **Non-current** | | |
| Member country dues under debt-rescheduling agreements | 726 | 250 |
| **Total non-current** | **726** | **250** |
| **Total statutory contributions receivable** | **1,596** | **1,064** |

## Note 11: Accounts receivable

| *000s Euros* | **31 December** | |
|---|---|---|
| | **2018** | **2017** |
| Staff loans | 276 | 224 |
| Receivable on Trust Fund and Special Accounts | 3,728 | 4,803 |
| Financial interest receivable | 84 | 131 |
| *Other receivables* | *746* | *1,324* |
| *Provision for doubtful debts* | *(63)* | *(134)* |
| Net other receivables | 683 | 1,190 |
| Net Value Added Tax recoverable | 1,284 | 1,178 |
| **Total accounts receivable** | **6,055** | **7,526** |

## Note 12: Intangible assets

These consist of software licenses and the external development costs associated with their exploitation. There was no impairment of intangible assets in the years.

| *000s Euros* | Balance at 31 December 2016 | Additions / amortization | Disposals | Balance at 31 December 2017 | Additions / amortization | Disposals | Balance at 31 December 2018 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Software | 16,883 | 913 | (78) | 17,718 | 833 | (5,504) | 13,047 |
| Work in process | 141 | 205 | 0 | 346 | 14 | 0 | 360 |
| **Total cost** | **17,024** | **1,118** | **(78)** | **18,064** | **847** | **(5,504)** | **13,407** |
| **Accumulated amortization** | | | | | | | |
| Software | (15,813) | (673) | 75 | (16,411) | (917) | 5,496 | (11,832) |
| Work in process | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total accumulated amortization** | **(15,813)** | **(673)** | **75** | **(16,411)** | **(917)** | **5,496** | **(11,832)** |
| **Net book value** | | | | | | | |
| Software | 1,070 | 240 | (3) | 1,307 | (84) | (8) | 1,215 |
| Work in process | 141 | 205 | 0 | 346 | 14 | 0 | 360 |
| **Total net book value** | **1,211** | **445** | **(3)** | **1,653** | **(70)** | **(8)** | **1,575** |

## Note 13: Plant, property and equipment

| *000s Euros* | Balance at 31 December 2016 | Additions / depreciation | Disposals | Balance at 31 December 2017 | Additions / depreciation | Disposals | Balance at 31 December 2018 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Buildings | 18,582 | 0 | 0 | 18,582 | 0 | 0 | 18,582 |
| Fixtures and fittings | 29,672 | 1,039 | (427) | 30,284 | 1,522 | (374) | 31,432 |
| Equipment and other assets | 14,729 | 1,418 | (2,127) | 14,020 | 1,142 | (881) | 14,281 |
| Work in process | 126 | (66) | 0 | 60 | 27 | 0 | 87 |
| **Total cost** | **63,109** | **2,391** | **(2,554)** | **62,946** | **2,691** | **(1,255)** | **64,382** |
| **Accumulated depreciation** | | | | | | | |
| Buildings | (11,845) | (460) | *0* | (12,305) | (460) | 0 | (12,765) |
| Fixtures and fittings | (22,123) | (2,024) | 417 | (23,730) | (1,846) | 370 | (25,206) |
| Equipment and other assets | (12,504) | (1,391) | 2,097 | (11,798) | (1,387) | 878 | (12,307) |
| Work in process | *0* | *0* | *0* | 0 | 0 | 0 | 0 |
| **Total accumulated depreciation** | **(46,472)** | **(3,875)** | **2,514** | **(47,833)** | **(3,693)** | **1,248** | **(50,278)** |
| **Net book value** | | | | | | | |
| Buildings | 6,737 | (460) | 0 | 6,277 | (460) | 0 | 5,817 |
| Fixtures and fittings | 7,549 | (985) | (10) | 6,554 | (324) | (4) | 6,226 |
| Equipment and other assets | 2,225 | 27 | (30) | 2,222 | (245) | (3) | 1,974 |
| Work in process | 126 | (66) | 0 | 60 | 27 | 0 | 87 |
| **Total net book value** | **16,637** | **(1,484)** | **(40)** | **15,113** | **(1,002)** | **(7)** | **14,104** |

*Buildings*: The headquarters building in Lyon, France is owned by the Organization. The land on which the building is constructed is owned by the City of Lyon and is leased rent-free to the Organization for a period of 99 years from 1985. At the end of the lease, both the title the building and the land will pass to the City of Lyon. No recognition of the rent-free use of the land is made as no comparable value could be determined.

*Fixtures and fittings*: Includes office equipment and sports equipment.

*Equipment and other assets*: Consist of computer hardware and telecommunications equipment including computers, printers, routers/switches and communications systems and vehicles.

### Note 14: Accounts payable and accrued charges

| *000s Euros* | 31 December | |
|---|---|---|
| | **2018** | **2017** |
| Creditors for goods and services | 4,844 | 5,026 |
| Social security and insurance payable | 2,562 | 1,850 |
| Other creditors | 879 | 226 |
| **Total accounts payable and accrued charges** | **8,285** | **7,102** |

### Note 15: Contributions received in advance

| *000s Euros* | 31 December | |
|---|---|---|
| | **2018** | **2017** |
| Statutory contributions received in advance | 495 | 2,672 |
| Japanese special account | 657 | 578 |
| Other income received in advance | 26 | 36 |
| **Total contributions received in advance** | **1,178** | **3,286** |

### Note 16: Deferred revenue

Deferred revenue corresponds to future revenue from Trust Fund and Special Account activity that has been received for projects that will be implemented in the coming year.

| *000s Euros* | **Trust Fund** | **Special Accounts** | **Total** |
|---|---|---|---|
| **Balance at 31 December 2016** | **7,472** | **42,270** | **49,742** |
| Funds received during the year | 8,111 | 32,754 | 40,865 |
| Income recognized during the year | (5,045) | (28,667) | (33,712) |
| **Balance at 31 December 2017** | **10,538** | **46,357** | **56,895** |
| Funds received during the year | 8,517 | 30,965 | 39,482 |
| Income recognized during the year | (8,049) | (33,953) | (42,002) |
| **Balance at 31 December 2018** | **11,006** | **43,369** | **54,375** |

| *000s Euros* | **Current liability** | |
|---|---|---|
| | **31 December 2018** | **31 December 2017** |
| Trust Fund | 11,006 | 10,538 |
| Special Accounts | 43,369 | 46,357 |
| **Total deferred revenue** | **54,375** | **56,895** |

## Note 17: Employee future benefits

| *000s Euros* | 31 December | |
|---|---|---|
| | **2018** | **2017** |
| **Current** | | |
| ISCILE | 1,470 | 716 |
| Employee future benefits - indemnity on retirement | 1,094 | 892 |
| Employee leave not taken | 3,455 | 3,089 |
| Employee future benefits - supplementary retirement | 4,529 | 4,251 |
| Defined contribution pension scheme | 23,604 | 20,525 |
| **Total - current** | **34,152** | **29,473** |
| **Non-current** | | |
| ISCILE | 799 | 611 |
| Employee future benefits - indemnity on retirement | 499 | 503 |
| **Total – non-current** | **1,298** | **1,114** |
| **Total employee future benefits** | **35,450** | **30,587** |

In 2018, the Organization changed the presentation of Employee future benefits related to supplementary retirement and its defined contribution pension scheme on the Statement of Financial Position from current and non-current to current only. This change better reflects the current obligation of the Organization related to the liability for accumulated employee benefits.

As a result of this change in classification, certain comparative figures have been reclassified to conform to the current year's presentation. There was no impact on total liabilities and net assets.

The financial statement line items in the Statement of Financial Position affected by the reclassification of prior year figures were as follows:

| *000s Euros* | **31 December 2017 reported** | **Reclassification** | **31 December 2017 reclassified** |
|---|---|---|---|
| Current liabilities– Employee future benefits | 8,276 | 21,197 | 29,473 |
| Non-current liabilities– Employee future benefits | 22,311 | (21,197) | 1,114 |

The items in the Note 17 – Employee future benefits affected by the reclassification of prior year figures were as follows:

| *000s Euros* | **31 December 2017 reported** | **Reclassification** | **31 December 2017 reclassified** |
|---|---|---|---|
| Current liabilities – Employee future benefits – supplementary retirement | 1,113 | 3,138 | 4,251 |
| Current liabilities – Defined contribution pension scheme | 2,466 | 18,059 | 20,525 |
| Non-current liabilities – Employee future benefits – supplementary retirement | 3,138 | (3,138) | 0 |
| Non-current liabilities – Defined contribution pension scheme | 18,059 | (18,059) | 0 |

| *000s Euros* | ISCILE | Indemnity on retirement | Supplementary retirement | Employee leave not taken | Defined contribution pension scheme | TOTAL |
|---|---|---|---|---|---|---|
| **Balance at 31 December 2016** | **1,256** | **1,280** | **3,913** | **2,793** | **17,927** | **27,169** |
| Recognized in the Statement of Financial Performance | 277 | 278 | 871 | 424 | 2,446 | 4,296 |
| *Items not in the Statement of Financial Performance* | | | | | | |
| - Staff contribution | 0 | 0 | 0 | 0 | 1,633 | 1,633 |
| - Financial interest income | 0 | 0 | 65 | 0 | 269 | 334 |
| - Settlement of liabilities | (206) | (163) | (598) | (128) | (1,750) | (2,845) |
| **Balance at 31 December 2017** | **1,327** | **1,395** | **4,251** | **3,089** | **20,525** | **30,587** |
| Recognized in the statement of financial performance | 1,303 | 335 | 1,031 | 447 | 2,988 | 6,104 |
| *Items not in the Statement of Financial Performance* | | | | | | |
| - Staff contribution | 0 | 0 | 0 | 0 | 1,990 | 1,990 |
| - Financial interest income | 0 | 0 | 8 | 0 | 116 | 124 |
| - Settlement of liabilities | (361) | (137) | (761) | (81) | (2,015) | (3,355) |
| **Balance at 31 December 2018** | **2,269** | **1,593** | **4,529** | **3,455** | **23,604** | **35,450** |

Supplementary retirement and the defined contributions pension scheme have a corresponding asset which has been designated as *cash and cash equivalents with internally restricted use*.

The defined contribution pension scheme, offered to contracted officials of the Organization, had 414 members enrolled out of a total of 725 contracted officials (2017: 358 of 652).

Management expects that out of the EUR 35.540 million (2017: EUR 30.587 million) Employee future benefits, EUR 11.515 million (2017: EUR 8.276 million) will be paid within one year and EUR 23.935 million (2017: EUR 22.311 million) after one year.

## Note 18: Financial instruments

The Organization classifies its investments as held-to-maturity and measures them at amortised cost as both of the following criteria are met:

- the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Organization classifies its cash and cash equivalents, accounts receivable and statutory contributions receivable as loans and receivable. These financial assets are recognized initially at fair value. Subsequent to initial recognition, these financial assets are measured at amortized cost using the effective interest method.

The Organization classifies its accounts payable and accrued charges as other financial liabilities and measures them at amortised cost.

The fair value of investments approximates their carrying value due to the short-term maturities of these instruments and the low interest rates. The fair values of cash and cash equivalents, accounts receivable, statutory contributions receivable and accounts payable and accrued charges approximates their carrying value due to their short-term maturities.

The Organization's financial instruments are subject to changes that can have an impact on the Organization's operating results. An assessment of the risks associated with the financial instruments and classification according to the major type of risk is shown below. The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

*Interest rate risk*
Investments to earn financial interest income are made by the Organization subject to "Security, liquidity and profitability" criteria, ranked in that order, as specified by its Financial Regulations. Cash and cash equivalents and investments are in short-term maturity instruments with banks or in asset management schemes and are subject to fluctuating returns, on account of market-driven interest rates. This may have a bearing on the level of the expenditure budget that is supported by the Organization. There are no other financial instruments that are impacted by a change in interest rates.

The weighted average interest rates of the investments and cash held in bank accounts are:

| *000s Euros* | ***Weighted average interest rate*** | **1 year or less** | **1-5 Years** | **Total** |
|---|---|---|---|---|
| Investments | 1.33% | 0 | 8,884 | **8,884** |
| Cash and cash equivalents | 0.23% | 112,761 | 0 | **112,761** |
| **TOTAL** | **0.31%** | **112,761** | **8,884** | **121,645** |

An interest rate risk sensitivity analysis was performed on the above amounts held at the Statement of Financial Position date. The analysis showed that the potential impact on a change in the interest rate is not considered material.

*Currency risk*
The Organization's functional currency is the euro that applies across all of its operations and duty stations. The Organization conducts its activities in many different currencies, holding different currencies for operational purposes and is therefore subject to foreign exchange risk in the implementation of its budgets as well as in the translation of the foreign currency balances that it holds. The overall foreign exchange risk is mitigated by limiting the amount of different currencies held, matching its receipts of currencies with future likely payments in those currencies and maintaining investment assets in the same currency as the liability.

At 31 December 2018, the Organization held bank deposits in euros (EUR), United States dollars (USD), Singapore dollars (SGD), Kenyan shillings (KES), Thai baht (THB), Argentina pesos (ARS), West African CFA francs (XOF), Central African CFA francs (XAF) and Ethiopian Birr (ETB). A foreign exchange rate risk sensitivity analysis was performed at the Statement of Financial Position date and the impact is not considered material. As at 31 December 2018, the Organization had trade payables and receivables in the following currencies: EUR, USD, SGD, KES, THB, ARS, XOF, ETB, AED, and CAD as well as 31 other currencies in amounts that are not deemed significant in the context of the Statement of Financial Position. The principal amounts held are shown below.

| *Stated in 000s Euros* | **31 December 2018** | | | **31 December 2017** | | |
|---|---|---|---|---|---|---|
| | *Receivables* | *Payables* | *Net* | *Receivables* | *Payables* | *Net* |
| AED | 189 | (138) | 51 | 0 | 0 | 0 |
| CAD | 1,079 | 0 | 1,079 | 128 | 0 | 128 |
| SGD | 119 | (1,654) | (1,535) | 84 | (1,716) | (1,632) |
| USD | 1,809 | (375) | 1,434 | 1,609 | (205) | 1,404 |
| **TOTAL** | **3,196** | **(2,167)** | **1,029** | **1,821** | **(1,921)** | **(100)** |

*Credit risk*

Credit risk is the risk of financial loss if customers or counterparties to financial instruments fail to meet their contractual obligations. It arises principally from the Organization's investments, receivables, notably its statutory contributions, and cash and cash equivalents. The carrying amount of financial assets represents the maximum credit exposure. Credit risk is often limited as the delivery of a project by the Organization is subject to initial payment. The Organization provides for amounts that it deems not collectable and the carrying amounts are already reflected in the Statement of Financial Position in the net amount of statutory contributions receivable and accounts receivable.

| *000s Euros* | **31 December 2018** | **31 December 2017** |
|---|---|---|
| Cash and cash equivalents | 112,761 | 111,131 |
| Statutory contributions receivable | 1,596 | 1,064 |
| Accounts receivable | 6,055 | 7,526 |
| Investments | 8,884 | 4,031 |
| **Maximum exposure to credit risk** | **129,296** | **123,752** |

Credit quality is the assessed risk of default of counterparties to which the Organization extends credit and those parties with whom the Organization invests. The credit quality assessed extends to customers (including member countries), investments and banks of the Organization. The number and range of accounts receivables, including statutory contributions receivable, is diverse consisting mainly of government entities, non-profit organizations and some private companies. Credit ratings, from external rating agencies are not readily available for all receivables.

*Credit risk on statutory contributions receivable:* The credit rating attached to statutory contributions receivable is shown below. The credit rating used corresponds to the sovereign credit rating, which is an evaluation made by a credit rating agency and evaluates the creditworthiness of the issuer of the country, which may not necessarily correspond to the exact counterparty's ability to pay.

| *Statutory contributions receivable at 31 December 2018 (EUR 000s)* | | | | |
|---|---|---|---|---|
| **Rating** | **1 year or less** | **1-5 years** | **> 5 years** | **TOTAL** |
| A | 35 | 0 | 0 | 35 |
| BBB+ | 29 | 0 | 0 | 29 |
| BBB | 49 | 0 | 0 | 49 |
| BBB- | 39 | 0 | 0 | 39 |
| BB+ | 6 | 0 | 0 | 6 |
| B+ | 39 | 0 | 0 | 39 |
| B | 54 | 0 | 0 | 54 |
| B- | 122 | 0 | 0 | 122 |
| CCC | 36 | 0 | 0 | 36 |
| C | 241 | 0 | 0 | 241 |
| Not rated | 220 | 0 | 0 | 220 |
| **Total current** | **870** | **0** | **0** | **870** |
| B | 0 | 26 | 19 | 45 |
| B- | 0 | 74 | 0 | 74 |
| CCC | 0 | 134 | 126 | 260 |
| Not rated | 0 | 191 | 156 | 347 |
| **Total non-current** | **0** | **425** | **301** | **726** |

*Credit risk on cash and cash equivalents and investments:* The Organization determines credit quality of the investments and banks using information obtained from external rating agencies published for each counter party. In accordance with its financial risk management policy, the Organization does not invest with a counterparty having a credit rating below A, except through operational necessity. Cash held on site is included in the table below as not rated, although there is no assumed credit risk.

| *000s Euros* | **31 December 2018** | **31 December 2017** |
|---|---|---|
| | Carrying value | Carrying value |
| **Cash and cash equivalents** | **112,721** | **111,079** |
| AA | 34 | 0 |
| AA- | 33,317 | 17,233 |
| A+ | 46,543 | 55,175 |
| A | 32,704 | 38,447 |
| Not rated[10] | 123 | 224 |
| **Investments at amortised cost** | **8,884** | **4,031** |
| AA- | 4,031 | 4,031 |
| A | 4,853 | 0 |
| **TOTAL** | **121,605** | **115,110** |

[10] Not-rated concerns cash held with banks in Argentina, Cameroon, El Salvador, Ethiopia, Côte d'Ivoire, Kenya, Thailand and Zimbabwe, where ratings are not readily available. For operational reasons, a local bank partner is used in these duty stations. To limit exposure, amounts held are minimised to immediate operational purposes.

*Liquidity risk*
Liquidity risk is the risk that the Organization is not able to meet its financial obligations as they fall due. The Organization manages its liquidity risk by ensuring that sufficient funds are available to meet its current liabilities without incurring unacceptable losses or risking its reputation. It does this by continually monitoring its receivables position, its available funds and proposed expenditure commitments.

The liquidity risk is mitigated by holding readily available cash and cash equivalents in a mandatory level of the General Reserve Fund for operational expenditures. The Financial Regulations also specify that member countries pay their contribution dues to the Organization each year before the end of April. Resource allocations for activities are made against available or committed and due funds only, generally before the start of the activity. The tables below presents current financial liabilities per maturity date:

| **As at 31 December 2018** *(EUR 000s)* | **1 year or less** | **1-5 years** | **> 5 years** | **Total** |
|---|---|---|---|---|
| **Current liabilities** | | | | |
| Accounts payable and accrued charges | 8,285 | 0 | 0 | **8,285** |
| **TOTAL** | **8,285** | **0** | **0** | **8,285** |

| **As at 31 December 2017**[11] *(EUR 000s)* | **1 year or less** | **1-5 years** | **> 5 years** | **Total** |
|---|---|---|---|---|
| **Current liabilities** | | | | |
| Accounts payable and accrued charges | 7,102 | 0 | 0 | **7,102** |
| **TOTAL** | **7,102** | **0** | **0** | **7,102** |

## Note 19: Capital financing reserve

The Capital financing reserve forms part of the Organization's equity and is an exact balance of the fixed assets owned by the Organization. Purchases of fixed assets add to the reserve, while disposals and sales of fixed assets, and depreciation, reduce it.

## Note 20: Accumulated reserve funds

Accumulated Reserve Funds constitute the reserves of the Organization. The Organization’s funds are created by GA resolution, which determine the use and limits of each of the funds. They are added to by surpluses and reduced by deficits of the Organization each year, according to the use of the budgets that are linked to them.

## Note 21: General Reserve Fund (GRF)

The GRF is a statutory fund, required under the Financial Regulations and created by GA Resolution AG/52/RES/7, and is the primary operating reserve of the Organization. Transfers to and from the GRF are by GA resolutions. General Budget surpluses add to the level of the fund and deficits reduce it. The Financial Regulations stipulate a statutory level on the GRF.

In 2018 the net operating result from the Regular Budget was a surplus of EUR 3.815 million (2017: surplus of EUR 2.092 million) of which a surplus of EUR 3.427 million (2017: surplus of EUR 2.378 million) is attributable to the GRF and a surplus of EUR 0.388 million (2017: deficit of EUR 0.286 million) is attributable to the RB Reserve Fund.

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[11] During 2018, the entity determined that deferred revenue did not meet the definition of a financial liability and have excluded the deferred revenue from the financial instrument note disclosure. This change in disclosure results in a decrease of EUR 56.9M on the total financial liabilities amount previously disclosed in 2017.

**Statutory level of the GRF**

There are two stipulations in the Financial Regulations regarding the level of the GRF: the reserve, cumulated with the Permanent Fund for Crisis Relief, is sufficient to cover at least: i) one sixth of the operating expenditure on the Organization's Regular Budget for the previous financial period, excluding expenditure to cover for depreciation allocations and expenditure valued on an in-kind basis; ii) 117% of the net outstanding statutory contributions receivable from member countries covered under Article 52.

1. Operating expenses: Regular Budget operating expenses net of depreciation and in-kind expenditure were EUR 58.103 million in 2018, (2017: EUR 57.741 million), requiring EUR 9.684 million (2017: EUR 9.624 million) to be set aside as a reserve requirement to cover operating expenses.
2. Dues under Article 52: At 31 December 2018, the *net* amount outstanding from member country statutory contributions from member countries subject to Article 52 was EUR 0 (2017: EUR 0). The reserve for dues under Article 52 is EUR 0 (2017: EUR 0).

The total reserve requirement is therefore EUR 9.684 million (2017: EUR 9.624 million). The current level of the GRF, cumulated with the permanent Fund for Crisis Relief, is EUR 21.187 million (2017: EUR 17.760 million). The GRF balance, cumulated with the balance of the Permanent Fund for Crisis Relief is thus in compliance with the requirements of the Financial Regulations with a margin of EUR 11.503 million or 54% of the current level of the two funds (2017: EUR 8.136 million or 46%).

## Note 22: Permanent Fund for Crisis Relief (PFCR)

The PFCR was created in 2005 by GA resolution AG-2005/RES-08, with an initial allocation transferred to it from the GRF. This fund exists to enable the Organization to respond immediately to crises or emergencies anywhere in the world. It is funded directly from voluntary member country contributions, in response to a specific call by the Organization, or by amounts transferred to it from other reserve funds, out of available surpluses in each financial year, following GA approval. The mandated level of the fund is EUR 0.855 million.

In 2018 and 2017, there were no expenditures against the PFCR, thereby maintaining the level against its mandated level.

## Note 23: Special Allocations Fund (SAF)

The SAF was created by GA resolution AG/67/RES/5. The SAF is a supplemental reserve fund financed from voluntary contributions of member countries, over and above their statutory contributions. There is no mandated level for the SAF. The Financial Regulations now allow voluntary contributions to be received into the Regular Budget; the reserve has become redundant. Residual transfers to the General Fund have now taken place, the balance on the reserve is zero.

## Note 24: Capital Investment Fund (CIF)

The CIF is a statutory fund of the Organization, created by GA Resolution AG/52/RES/7. It is employed to finance acquisitions of fixed assets for the Organization, including for the RBs and LOs. The CIF is reduced when purchases of fixed assets are made and added to by the amount of annual depreciation on the fixed assets of the Organization. It can also be replenished via direct sequestration of statutory contributions, or through transfers from the GRF and from other specific reserves, following a GA resolution. Although there is no mandatory level of this fund, there needs to be adequate funds available for the capital expenditure budget of the Organization for the following year.

The CIF increased by EUR 1.087 million (2017: EUR 1.082 million) from EUR 9.428 million on 31 December 2017 to EUR 10.515 million on 31 December 2018.

## Note 25: RB Reserve Fund

The RB Reserve Fund created by GA Resolution AG/63/RES/5. It is funded by member country statutory contributions from countries that are attached to each RB. It is reduced by operating expenditure (excluding pay costs that are funded by the General Budget) of each RB. Each RB is treated separately within the fund, although the overall level of the fund is the sum for all of the RBs. There is no stipulated mandatory level for this fund.

The net operating surplus for RB operations of EUR 0.388 million in 2018 (2017: deficit of EUR 0.286 million) increased the level of the RB Reserve Fund to EUR 1.603 million (2017: decreased to EUR 1.215 million).

## Note 26: Combined budget

The final revised combined budget is the approved budget for the Organization that contains re-allocations from the GA-approved combined budget, approved by the EC at its March 2018 session for the Regular Budget. Trust Fund and Special Accounts Budgets were increased throughout 2018 as additional projects were approved according to the Organization's Financial Regulations. Reporting in these Financial Statements is made against the final revised combined budget and its sub-components.

| *000s Euros* | GA-Approved Original Combined Budget 2018 | | | | Revisions | | | | Final Revised Combined Budget 2018 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Total** | **Regular Budget** | **Trust Fund and Special Accounts** | **Combination adjustment** | **Total** | **Regular Budget** | **Trust Fund and Special Accounts** | **Combination adjustment** | **Total** | **Regular Budget** | **Trust Fund and Special Accounts** | **Combination adjustment** |
| **Operating revenue** | | | | | | | | | | | | |
| Statutory contributions | 55,998 | 55,998 | 0 | 0 | 34 | 34 | 0 | 0 | 56,032 | 56,032 | 0 | 0 |
| Regional Bureau financing | 1,305 | 1,305 | 0 | 0 | 0 | 0 | 0 | 0 | 1,305 | 1,305 | 0 | 0 |
| In-kind contributions | 35,040 | 34,570 | 470 | 0 | 2,031 | 2,501 | (470) | 0 | 37,071 | 37,071 | 0 | 0 |
| Voluntary contributions | 3,576 | 3,576 | 0 | 0 | (26) | (26) | 0 | 0 | 3,550 | 3,550 | 0 | 0 |
| Reimbursements and recoveries | 25,001 | 3,151 | 23,939 | (2,089) | 25,799 | 28 | 26,782 | (1,011) | 50,800 | 3,179 | 50,721 | (3,100) |
| Financial income | 620 | 620 | 0 | 0 | (121) | (121) | 0 | 0 | 499 | 499 | 0 | 0 |
| Other income | 566 | 566 | 0 | 0 | (32) | (32) | 0 | 0 | 534 | 534 | 0 | 0 |
| Exchange rate gains/(losses) net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total operating revenue** | **122,106** | **99,786** | **24,409** | **(2,089)** | **27,685** | **2,384** | **26,312** | **(1,011)** | **149,791** | **102,170** | **50,721** | **(3,100)** |
| **Operating expenses** | | | | | | | | | | | | |
| Pay costs | 51,658 | 41,295 | 10,363 | 0 | 10,320 | 200 | 10,120 | 0 | 61,978 | 41,495 | 20,483 | 0 |
| In-kind pay costs | 22,951 | 22,481 | 470 | 0 | 2,603 | 3,073 | (470) | 0 | 25,554 | 25,554 | 0 | 0 |
| Other staff costs | 3,169 | 1,490 | 1,679 | 0 | (286) | 433 | (719) | 0 | 2,883 | 1,923 | 960 | 0 |
| Premises running costs | 3,287 | 3,287 | 27 | (27) | 125 | 113 | 141 | (129) | 3,412 | 3,400 | 168 | (156) |
| In-kind premises running costs | 12,089 | 12,089 | 0 | 0 | (572) | (572) | 0 | 0 | 11,517 | 11,517 | 0 | 0 |
| Maintenance | 3,658 | 3,444 | 214 | 0 | 533 | 132 | 401 | 0 | 4,191 | 3,576 | 615 | 0 |
| Missions and meetings | 12,074 | 5,307 | 6,767 | 0 | 7,911 | (372) | 8,283 | 0 | 19,985 | 4,935 | 15,050 | 0 |
| Office expenses | 3,405 | 1,659 | 1,746 | 0 | (837) | (235) | (602) | 0 | 2,568 | 1,424 | 1,144 | 0 |
| Telecommunication costs | 1,342 | 1,305 | 37 | 0 | (169) | (222) | 53 | 0 | 1,173 | 1,083 | 90 | 0 |
| Third party and other costs | 2,912 | 1,868 | 3,106 | (2,062) | 8,057 | (166) | 9,105 | (882) | 10,969 | 1,702 | 12,211 | (2,944) |
| Depreciation and amortization | 5,561 | 5,561 | 0 | 0 | 0 | 0 | 0 | 0 | 5,561 | 5,561 | 0 | 0 |
| **Total operating expenses** | **(122,106)** | **(99,786)** | **(24,409)** | **2,089** | **(27,685)** | **(2,384)** | **(26,312)** | **1,011** | **(149,791)** | **(102,170)** | **(50,721)** | **3,100** |
| **Surplus / (Deficit) for the year** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |



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## Note 27: Financial Performance on Regular and Specific Budgets

The Organization conducts its activities through its various budgets which it considers as its operating segments. Whilst the Regular Budget has significant assets and liabilities and is linked to a number of funds, the Specific Budgets are accounted for as liabilities. For this reason and the fact that the Regular Budget covers risks and liabilities of the Specific budgets, no separate Statement of Financial Position or Statement of Cash flows is provided for the Specific Budgets.

| *000s Euros* | **TOTAL** | **Regular Budget** | **Specific budgets and adjustment** | |
|---|---|---|---|---|
| | | | **Trust Fund and Special Accounts** | **Combination adjustment** |
| **Operating revenue** | | | | |
| Statutory contributions | 55,998 | 55,998 | 0 | 0 |
| Regional Bureau financing | 1,305 | 1,305 | 0 | 0 |
| In-kind contributions | 31,037 | 30,252 | 785 | 0 |
| Voluntary contributions | 3,553 | 3,553 | 0 | 0 |
| Reimbursements and recoveries | 41,183 | 4,561 | 41,204 | (4,582) |
| Financial income | 369 | 369 | 0 | 0 |
| Other income | 680 | 680 | 0 | 0 |
| Exchange rate gains/(losses) net | 75 | 62 | 13 | 0 |
| **Total operating revenue** | **134,200** | **96,780** | **42,002** | **(4,582)** |
| **Operating expenses** | | | | |
| Pay costs | 59,678 | 41,761 | 18,734 | (817) |
| In-kind pay costs | 20,293 | 19,508 | 785 | 0 |
| Other staff costs | 2,462 | 1,808 | 670 | (16) |
| Premises running costs | 3,194 | 3,192 | 62 | (60) |
| In-kind premises running costs | 10,744 | 10,744 | 0 | 0 |
| Maintenance | 3,166 | 2,907 | 267 | (8) |
| Missions and meetings | 19,817 | 5,527 | 14,322 | (32) |
| Office expenses | 1,976 | 1,364 | 620 | (8) |
| Telecommunication costs | 943 | 923 | 104 | (84) |
| Third Party and other costs | 3,502 | 621 | 6,408 | (3,527) |
| Depreciation and amortization | 4,610 | 4,610 | 30 | (30) |
| **Total operating expenses** | **130,385** | **92,965** | **42,002** | **(4,582)** |
| **Surplus for the year** | **3,815** | **3,815** | **0** | **0** |



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## Note 28: Financial performance – operating revenue detail

| *000s Euros* | **Revised Combined Budget 2018*** | **2018** | **2017** |
|---|---|---|---|
| **Statutory contributions** | **56,032** | **55,998** | **54,368** |
| **Regional Bureau financing** | **1,305** | **1,305** | **1,267** |
| In-kind pay costs | | 20,293 | 19,630 |
| In-kind premises running costs | | 10,744 | 11,347 |
| **In-kind contributions** | **37,071** | **31,037** | **30,977** |
| Member Country contributions | | 553 | 551 |
| INTERPOL Foundation | | 3,000 | 3,000 |
| **Voluntary contributions** | **3,550** | **3,553** | **3,551** |
| Trust Fund and Special Account income | | 41,204 | 33,089 |
| Other reimbursements | | (21) | 421 |
| **Reimbursements and recoveries** | **50,800** | **41,183** | **33,510** |
| **Financial income** | **499** | **369** | **673** |
| I-Checkit revenue | | 267 | 265 |
| Other revenue | | 413 | 503 |
| **Other income** | **534** | **680** | **768** |
| **Exchange rate gains/(losses) net** | | **75** | **(786)** |
| **Total operating revenue** | **149,791** | **134,200** | **124,328** |

* The Revised Combined Budget is approved at a summary level

Material variances versus the budget or the prior year are:

- *Reimbursements and recoveries* – increase in 2018 versus 2017 primarily as a result of a higher implementation of Trust Fund and Special Accounts albeit the implementation of these are significantly below the approved revised 2018 budget for the year;
- *In-kind contributions* – Similar in 2018 to 2017 but significantly below the approved revised budget for 2018 on account of a lower number of seconded officials than budget;
- *Exchange rate* – the Organization holds balances in foreign currencies and is susceptible to exchange rate movements which provided a small gain in 2018 but a loss in 2017. No exchange gain or loss is budgeted.

## Note 29: Financial performance – operating expenses detail

| *000s Euros* | **Revised Combined Budget 2018*** | **2018** | **2017** |
|---|---|---|---|
| Salaries | | 36,733 | 32,374 |
| Employer's social charge costs | | 13,473 | 11,505 |
| Allowances | | 9,472 | 7,861 |
| **Pay costs** | **61,978** | **59,678** | **51,740** |
| **In-kind pay costs** | **25,554** | **20,293** | **19,630** |
| Training | | 557 | 456 |
| Employee welfare and recruitment costs | | 1,905 | 1,679 |
| **Other staff costs** | **2,883** | **2,462** | **2,135** |
| Building rental | | 1,769 | 1,682 |
| Utilities and other | | 1,425 | 1,573 |
| **Premises running costs** | **3,412** | **3,194** | **3,255** |
| **In-kind premises running costs** | **11,517** | **10,744** | **11,347** |
| IT equipment | | 2,369 | 1,999 |
| Building maintenance | | 797 | 792 |
| **Maintenance** | **4,191** | **3,166** | **2,791** |
| Travel | | 15,657 | 15,057 |
| Conferences and events | | 4,160 | 3,430 |
| **Missions and meetings** | **19,985** | **19,817** | **18,487** |
| Consumables and supplies | | 694 | 1,079 |
| Equipment hire and other | | 1,282 | 1,289 |
| **Office expenses** | **2,568** | **1,976** | **2,368** |
| Network costs | | 495 | 671 |
| Communication costs | | 448 | 505 |
| **Telecommunication costs** | **1,173** | **943** | **1,176** |
| Consultancy expenses | | 2,108 | 2,022 |
| Provisions for member country contributions | | (820) | 2,088 |
| Equipment donated | | 1,891 | 298 |
| Other administration expenses | | 323 | 351 |
| **Third party and other costs** | **10,969** | **3,502** | **4,759** |
| **Depreciation and amortization** | **5,561** | **4,610** | **4,548** |
| **Total operating expenses** | **149,791** | **130,385** | **122,236** |

* The Revised Combined Budget is approved at a summary level

Material variances versus the budget or the prior year are:

- *Pay costs* – increased in 2018 compared to 2017 primarily from the higher number of staff employed on Trust Fund and Special Account projects, but below budget on these projects.
- *In-Kind pay costs* – are below budget as a result of a lower number of officials than in the budget;

- *Third party and other costs* – decreased in 2018 compared to 2017 primarily as a result of a decrease in the provision of dues for non-payment of statutory contributions. The Organization does not budget for non-payment. Equipment donated increased in 2018 but was much lower than budget.

## Note 30: Property Lease Commitments

Amounts payable after the balance sheet date for non-cancellable operating leases for leased office premises at Cité Internationale in Lyon, for an apartment in Lyon, for leased offices in Brussels and Abidjan are as follows:

| *000s Euros* | **2018** | **2017** |
|---|---|---|
| Not more than 1 year | 1,486 | 1,481 |
| Later than one year and not later than 5 years | 4,162 | 5,577 |
| **Total property lease commitments** | **5,648** | **7,058** |

There are no property lease commitments longer than five years.

## Note 31: Contingent Assets, Contingent Liabilities, Commitments and Contractual Rights

### Contingent assets and contingent liabilities including legal disputes

The Organization has no contingent assets and contingent liabilities. In particular it has no contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to the Organization.

### Commitments

Future minimum lease rental payments for non-cancellable leases for property are shown in note 30 above. Excluding property commitments, outstanding commitments for signed contracts with suppliers for the acquisition of services and capital commitments but not yet delivered are as follows:

| *000s Euros* | **2018** | **2017** |
|---|---|---|
| Not more than 1 year | 3,644 | 2,502 |
| Later than one year and not later than 5 years | 898 | 1,094 |
| **Total commitments excluding property** | **4,542** | **3,596** |

There are no commitments longer than five years.

### Contractual rights

As at the reporting date the Organization has the following contractual rights, based on approved agreements:

| **Contractual rights at 31 December 2018** | *000s Euros* |
|---|---|
| Statutory contributions and RB financing for 2019 | 58,621 |

| | |
|---|---:|
| Revenue for the implementation of Trust Fund and Special Accounts | 97,295 |
| Voluntary contribution from the INTERPOL Foundation | 6,000 |
| Other revenue | 355 |
| **Total contractual rights** | **162,271** |

Of the above, EUR 111.720 million is to be received in 2019 and EUR 50.551 million is to be received after 2019.

Revenue from statutory contributions have been approved at the General Assembly. Revenue for the implementation of Trust Fund and Special Accounts is for signed agreements with third parties for the implementation of project activity, including with the INTERPOL Foundation. In 2016, the Organization entered into a five-year agreement with the INTERPOL Foundation for a EUR 50 million donation. The total amount is to be received annually in equal amounts over five years. EUR 35 million (EUR 7 million) per year is to be received into sub-accounts of the Trust Fund to support the execution of special projects carried out by the Organization, and EUR 15 million (EUR 3 million per year) is designated as an unrestricted voluntary contribution with no specific purpose to the Organization's Regular Budget.

## Note 32: Key management personnel

The Secretary General directs the Secretariat in the implementation of its activities. The Secretary General is assisted by a Senior Management Board that reports directly to him. Together, the Secretary General and the Senior Management Board comprise the key management personnel of the Organization. The Senior Management Board is subject to the same regulations as other members of staff and they are eligible to the same benefits under the Staff Manual. The Senior Management Board includes officials that are seconded from their national administrations. There is no difference in the contracts of Senior Management Board staff from other staff members, their remuneration is determined according to the Organization's salary scales for work provided under a standard contractual work arrangement with the Organization.

Key management personnel aggregate remuneration, including gross salary and benefits and one-off separation costs where applicable, paid or accrued directly by the Organization, was as follows:

| **Key management personnel** | | | |
|---|---|---|---|
| **2018** | | **2017** | |
| **Number** | **Aggregate remuneration** *000s Euros* | **Number** | **Aggregate remuneration** *000s Euros* |
| 7 | 1,563 | 5 | 794 |

There were several changes in the composition of the Senior Management Board during the year including an increase in the total number as well as changes in personnel, notably in the officials that are seconded to the Organization. The aggregate remuneration in 2018 includes one-off separation costs that occurred in 2018 but not 2017. Included in the aggregate remuneration, though not number of individuals, are EUR 0.224 million (2017: EUR 0.101 million) for two staff (2017: 1) that are related parties to the key management personnel, working for the Organization under standard contracts. These amounts are included in the above aggregate remuneration only as these officials do not form part of the Senior Management Board nor do they have any direct influence on the decisions of the Senior Management Board.

The Secretary General is provided with a serviced apartment in Lyon, France, for which the operating cost is paid for by the Organization. This was EUR 0.146 million (2017: EUR 0.145 million), included in the above.

Key management personnel include four officers that are seconded from their national administrations (2017: 3) and whose expenses may partly be paid by the national administration. These seconded officials or their national administrations, received EUR 0.027 million from the Organization during the year (2017: EUR 0.012 million EUR) and is included in the table. The total value of the in-kind benefit that the Organization received from its seconded key management personnel, not included in the above table, is estimated as EUR 0.549 million (2017: EUR 0.445 million).

There were no loans to key management personnel or their close family members which were not available to other categories of staff. There were no material accounting transactions declared by Senior Management between the Organization and related parties during years 2018 and 2017.

## Note 33: Related-party transactions

The Organization is under the direct control of the member countries. It has no ownership interest in other associations or joint ventures. The Organization's supreme governing body is the General Assembly (GA), composed of representatives from all of the member countries. The GA elects an Executive Committee (EC) composed of thirteen delegates including the President of the Organization.

Neither the delegates to the GA nor the EC members, receive any remuneration from the Organization for their roles nor is the contribution of their time valued as an in-kind contribution. Members of the EC are entitled to reimbursement of travel expenses incurred in the execution of their duties, and are paid per-diems for accommodation, in accordance with the Organization's travel policy.

The INTERPOL Foundation was created and registered under Swiss law in October 2013 with the aim of supporting global law enforcement activities. The INTERPOL Foundation has its own board of management, is autonomous and independent of the Organization and is therefore not considered a related party. Transactions with the Foundation are made according to a specific agreement and managed as for Trust Funds and Special Accounts.

## Note 34: Events after the reporting date

The Organization's reporting date for these Financial Statements is the 31 December 2018. There have been no known, material events between the Statement of Financial Position date and the date when the Financial Statements have been authorised for issue that would have materially impacted the information contained in these Financial Statements.

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