Organisation de Coopération et de Développement Économiques
Organisation for Economic Co-operation and Development

08-Jun-2010

English/French

COUNCIL

Council

REPORT BY THE EXTERNAL AUDITOR TO THE COUNCIL OF THE ORGANISATION OF ECONOMIC CO-OPERATION AND DEVELOPMENT

Part 1: Report on the Financial Statements for 2009

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Cour des comptes	**Organisation for Economic Co-Operation and Development**	ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT OECD

REPORT FOR THE COUNCIL

ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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I. INTRODUCTION

1. In preparation for certification of the financial statements for the year 2009, a team of four auditors carried out an on-site audit of the OECD from 15 to 31 March 2010. This audit focused primarily on:

   a. The keeping of the accounts of the OECD and its Staff Provident Fund and the reporting of transactions relating to the financial year;

   b. The collection of the Organisation's income, and in particular its assessed and voluntary contributions;

   c. Human resources management, and especially official travel expenses for missions abroad;

   d. Management of the OECD's Staff Provident Fund and Pension Budget and Reserve Fund (PBRF);

   e. Cash and cash equivalents;

   f. Fixed assets;

   g. Provisions.

2. The audit was carried out in accordance with IPSAS standards, the OECD's Financial Regulations and the contract between the OECD and the Cour des Comptes.

3. The auditors confirm that they had access to the accounts, supporting evidence and all other relevant documentation.

4. Each observation and recommendation has been discussed with the managers concerned. The audit wrap-up meeting took place on 31 March. The provisional observations were amended in the light of the written comments submitted by the OECD on 26 and 29 April 2010.

II. LIST OF RECOMMENDATIONS

a. Recommendation No. 1: The OECD should publish general instructions regarding the keeping of accounting records and financial statements, specifying in particular the accounting adjustments entailed for compliance with IPSAS standards, and develop software so that such adjustments could be made automatically (confirmation of two of the previous year's recommendations).

b. Recommendation No. 2: Future financial statements should include a note indicating the amounts of assessed and voluntary contributions available to each Part I output group and each Part II programme**.**

c. Recommendation No. 3: In notes 5, 15 and 20 to the financial statements, the OECD should elaborate on the main reasons for the changes noted in accounts relating to restricted bank deposits and provisions for liabilities and charges**.**

d. Recommendation No. 4: The OECD should reduce the "provision for uncollected assessed contributions – non-member countries participating in Part II programmes" by writing off clearly uncollectible receivables to the reserves it has constituted to cover the risk of non-collection of assessed contributions from non-member countries.

e. Recommendation No. 5: The OECD should make a special effort to secure the payment of member countries' contributions to the Pension Budget and Reserve Fund by 30 June of each year (confirmation of a recommendation from the previous year).

f. Recommendation No. 6: The OECD should explore the option of not advancing 100% of official travel expenses, at least in the case of consultants**.**

g. Recommendation No. 7: The OECD should establish a formal procedure for deducting from the capital paid out upon death or permanent disability the outstanding balance of any loans made to the official in question**.**

h. Recommendation No. 8: In its financial statements at 31 December 2009, the OECD should break down the amount of outstanding staff loans (KEUR 7 283) between "current assets", for loan repayments due within less than one year, and "non-current assets", for outstanding amounts to be repaid in more than one year's time.

i. Recommendation No. 9: The special procedure for selecting PBRF portfolio managers should be formalised**.**

j. Recommendation No. 10: Bank accounts should be reconciled soon after the end of each month, and if possible automatically**.**

k. Recommendation No. 11: The Organisation should establish procedures to ensure that the data managed by banks (account numbers and titles) continuously match those of its accounting system**.**

l. Recommendation No. 12: The Organisation should take the steps necessary to institute an annual inventory of its property as soon as possible**.**

m. Recommendation No. 13: The OECD should maintain two separate accounts in respect of maintenance costs for computer hardware and software**.**

n. Recommendation No. 14: The OECD should disclose the information stipulated by IPSAS Standard 19 to justify its provisions. For cases demanding confidentiality, minimal information is necessary**.**

III. OBSERVATIONS

A. FINANCIAL STATEMENTS

1. Overview of 2009 accounts

5. The OECD's Statement of Financial Performance for 2009 shows a 75.55% reduction in the deficit for the year (from KEUR -111 911 to KEUR -29 605), attributable for the most part to the KEUR 35 163 surplus on financial activities, after a KEUR 48 340 deficit in 2008, thanks to the rebound of financial markets, which had a beneficial impact on assets of the Organisation's Pension Budget and Reserve Fund (PBRF).

6. This good financial outcome only partially offset the deficit on operating activities (KEUR -64 768), which was only slightly (1.88%) greater than that of 2008 because the efforts made to trim other operating expenses were counterbalanced by the rise in personnel expenditure (+4.63%), and especially by that of pensions (+7.22%) and post-employment health care benefits (+9.93%).

7. This deficit does not create a cash flow problem for the Organisation because of the very large volume of deferred income (KEUR 142 337) corresponding to voluntary contributions collected in advance of the programmes they will be funding.

8. The OECD's financial position for 2009 was little changed from the previous year. Assets were up by 5.38%, due in particular to the 33.88% increase in financial assets attributable primarily to investments by the two OECD pension funds – the Staff Provident Fund and the above-mentioned PBRF (these assets representing KEUR 275 579 in 2009). At the same time, liabilities were up by 5.01%, due in particular to a 6.99% increase in the actuarial value of staff benefits (pension benefits and post-employment health care, which represented KEUR 1 543 283 in 2009).

9. Liabilities (KEUR 1 931 975) exceeded assets (KEUR 1 007 950) by KEUR 924 025. This difference has little significance in the case of the OECD, as was noted last year, given the following specific characteristics of the Organisation's liabilities:
   - The very small proportion of borrowings (KEUR 6 800, or 0.35%), which are strictly reserved for funding the staff loan programme;
   - The aforementioned high volume of deferred income (KEUR 287 306, or 14.87%); and, especially,
   - The high volume of long-term commitments to staff (78.18%), comprised by the actuarial value of pensions payable in the future by the PBRF (KEUR 1 251 070) and post-employment health care benefits (KEUR 259 391) – commitments which are in fact covered by the member countries.

10. Moreover, the OECD decided in 2004 to increase PBRF assets at a rate that would ultimately enable them to match pension liabilities, thanks to a combination of the member countries' annual contributions and employer contributions to the pension schemes, and thanks to a pro-active investment policy favouring equity. The actuarial projections made in 2004 showed that the value of assets would offset pension liabilities around 2040. The external auditor has asked the Organisation to update these projections in order to assess the consequences of the 2008 crisis in financial markets and the resultant decline in asset values. Whatever the impact of that crisis (the findings of the requested actuarial study are not yet available), this policy limits the risks incurred by the member countries because of pension liabilities. It is not possible, however, to deduct PBRF assets from the corresponding pension liabilities, because the PBRF does not constitute an independent pension fund within the meaning of IPSAS standards.

2. Preparation of accounting instructions

11. There is no procedural handbook for year-end closing operations. To prepare the financial statements for 2009, the Organisation's financial unit (PBF) on 10 November 2009 sent its correspondents in other directorates a basic timetable of year-end closing operations, supplemented by 17 messages sent out between 21 December 2009 and 12 March 2010 to remind people of those operations or to clarify them.

12. Nevertheless, PBF has begun to prepare accounting instructions to supplement the brief guidelines laid down in OECD Financial Regulation 21, as recommended in our report on the 2008 financial statements: a detailed outline has been drawn up for a handbook for managing year-end closing operations; this includes a list of persons involved, the timetable of operations and the list of accounting entries and adjustments to be performed. A description of part of these operations has been drafted in full.

13. Given the number and complexity of these operations and the unit's work load in 2009, the handbook is far from finished. The most difficult part to write involves the accounting adjustments required to convert cash-based budgetary accounting to accrual accounting that meets IPSAS standards. To prepare outturn accounts in fact entails accounting adjustments of KEUR 112 808 (versus KEUR 101 305 in 2008), as indicated in Note 24 to the financial statements, and to prepare the statement of financial performance entails accounting adjustments of KEUR 106 938 (versus KEUR 88 932 in 2008), as indicated in Note 22.

14. Before preparing software that could automate accounting adjustment operations, the Secretariat would like to review all such adjustments in order to ascertain which of them could be computerised. It has also pointed out that some complex transactions have already been automated (such as calculating deferred income from the share of voluntary contributions intended to fund actions in future years).

15. For the moment there is a risk of error or discontinuity in the year-end closing operations, with which only a handful of officials are well acquainted (although this risk has been lowered by the recruitment of an extra official assigned to the processing of the operations in question). It would seem important for the OECD to finish the year-end closing handbook and automate some of the vital accounting adjustments as soon as possible.

Recommendation No. 1: The OECD should publish general instructions regarding the keeping of accounting records and financial statements, specifying in particular the accounting adjustments entailed for compliance with IPSAS standards, and develop software so that such adjustments could be made automatically (confirmation of two of the previous year's recommendations).

3. Presentation of a new note to the financial statements on the budget and its administration

16. Note 23 to the financial statements explains the new budgetary presentation adopted in 2009. A first table breaks down the budget by major segment (Part I, Part II and annex budgets), comparing budget appropriations with actual expenditure for 2009 and indicating the net result of budget administration (a surplus of KEUR 14 797), which Note 24 compares, as in previous years, with the accounting outcome in line with IPSAS standards (a deficit of KEUR 29 605).

17. A second table breaks down Part I of the budget into 21 "output groups" corresponding to the Organisation's six strategic objectives, and it breaks down Part II into 27 programmes. The breakdown of Part I into output groups constitutes the major innovation of 2009.

18. This new note is useful and written clearly. It nonetheless has a shortcoming insofar as it shows only those appropriations, in either Part of the budget, that correspond to assessed contributions, without indicating revenue from any voluntary contributions that supplement them.

19. The Secretariat cites legal grounds to explain this shortcoming: in a table intended, *inter alia*, to show the difference between budget appropriations and actual expenditure, voluntary contributions would be out of place because they do not constitute budget appropriations as defined in the Organisation's Financial Regulations[1].

20. Insofar as voluntary contributions expended in 2009 nonetheless amounted to KEUR 90 091, equal to 25.40% of budget appropriations actually disbursed on Parts I and II of the budget[2], it would be useful if future financial statements were to add a note stating, in respect of each Part I output group and each Part II programme, the budget appropriations adopted and the amount of voluntary contributions estimated at the beginning of the year, along with the year's aggregate actual outlays funded by both types of contributions.

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[1] OECD Financial Regulation 3 §2 stipulates that "*The Budget refers to the sum of the **appropriations** financed from assessed contributions and **other income**. Voluntary contributions and grants are not considered as part of the Budget of the Organisation. They are resources additional to the Budget. Best estimates of the voluntary contributions and grants required to produce the Programme of Work are provided in the framework of Programme of Work and Budget proposals*."

[2] Appropriations actually expended from assessed contributions amounted to KEUR 176 743 for Part I and KEUR 87 815 for Part II of the budget, for a total of KEUR 264 558, supplemented by KEUR 90 091 in earmarks from voluntary contributions, for a combined total of KEUR 354 649 in budget outlays for both Parts of the budget.

21. Such information would be compliant with IPSAS Standard 1 § 15 a)[3]. Moreover, in 2009 the Budget Committee expressed a desire for access to this kind of information.

Recommendation No. 2: Future financial statements should include a note indicating the amounts of assessed and voluntary contributions available to each Part I output group and each Part II programme.

4. Notes 5, 15 and 20 to the financial statements

22. A number of changes in the Organisation's accounts between 31 December 2008 and 31 December 2009 are not explained in adequate detail in the financial statements.

23. The statement of financial position shows a decrease in "Cash and cash equivalents, restricted" (*i.e.* earmarked for a specific destination) from KEUR 81 372 to KEUR 34 876 from 2008 to 2009. Note 5 to the financial statements, on Cash and cash equivalents, explains the change by a reduction from KEUR 26 843 to KEUR 13 159 in cash investments of the Pension Budget Reserve Fund (PBRF), which resumed its equity investing in 2009 (see below), and by the change in restricted bank deposits, from KEUR 54 529 to KEUR 21 717, stating only that these funds came from the sale of office space on Rue Chardon Lagache, from a MEUR 9.7 investment intended to cover risks of variations in staff medical insurance claims, and from funds received from the member countries and earmarked for the "Site project"[4], without specifying the amount involved.

24. In actual fact, most of the non-PBRF-related change in restricted bank deposits stemmed from the aforementioned funds earmarked for the "Site project", or KEUR 32 580 which was transferred to the Organisation's treasury upon the project's completion.

25. The statement of financial position also shows a reduction in the provisions for liabilities and charges, from KEUR 10 353 to KEUR 111, between 2008 and 2009. Note 15 refers to three components of these provisions, without specifying the impact thereof: litigation-related risks, returns of unsold OECD publications and the indemnity for early cancellation of the Tour Europe rental contract.

26. Actually, the provisions decreased between 2008 and 2009 almost exclusively as a result of the aforementioned indemnity payment, in the amount of MEUR 10, which resulted in the elimination of the KEUR 10 165 provision set aside for that purpose in 2008.

27. The statement of financial performance shows a reduction from KEUR 11 554 to KEUR 285 in "Other" operating expenses from 2008 to 2009. Note 20, on Operating expenses, explains this change with the fact that the amount of the provision for liabilities and charges in respect of receivables and publications fell from KEUR 10 010 to KEUR -885, without giving any justification for the swing.

28. In point of fact, the said provision changed because of the aforementioned indemnity for early cancellation of the Tour Europe lease, as well as the elimination of the MEUR 1 provision for obsolescence of OECD publications that had been set aside in 2008 and 2009 because inventories of old publications were destroyed when the Organisation decided to outsource its publishing activities in 2009.

[3] "*Specifically, the objectives of general purpose financial reporting in the public sector should be to provide information useful for decision-making, and to demonstrate the accountability of the entity for the resources entrusted to it by: (a) Providing information about the sources, allocation and uses of financial resources*;".

[4] The major multi-year project that included renovation of the Château de la Muette and construction of a Conference Centre as well as a new office building, the Marshall Building.

29. Notes 5, 15 and 20 to the financial statements would be clearer if they mentioned the various events behind the changes noted in the 2009 financial statements (completion of the Site Project, payment of the Tour Europe indemnity and elimination of the publications provision and inventory) and the precise financial impact thereof.

Recommendation No. 3: In notes 5, 15 and 20 to the financial statements, the OECD should elaborate on the main reasons for the changes noted in accounts relating to restricted bank deposits and provisions for liabilities and charges.

This recommendation was implemented immediately: following our audit, the notes were expanded in the latest version of the financial statements.

B. INCOME

1. Continued reduction of arrears in payments of assessed contributions

30. In 2009, in accordance with its budget, the OECD called up KEUR 311 705 in assessed contributions from its member countries and international organisations, compared to KEUR 331 999 in 2008 (-6.11%). These contributions were allocated as follows:
- Part I of the budget ("activities financed by all the member countries"): KEUR 161 900, versus KEUR 158 300 in 2008 (+2.27%).
- Part II of the budget ("other activities"), for individual programmes financed by interested member or non-member countries: KEUR 72 035, versus KEUR 70 399 in 2008 (+2.32%).
- Annex budgets, which include contributions from member countries to the Organisation's pension fund: KEUR 73 553, versus KEUR 99 331 in 2008 (-25.95%); the reduction in contributions to the annex budgets is attributable to completion of the Site project, which members stopped funding in 2009.
- Contributions from other international organisations: KEUR 4 218, versus KEUR 3 969 in 2008 (+6.27%); these are contributions from other "Co-ordinated Organisations" (which co-ordinate management of salaries and pensions) towards the Secretariat expenses defrayed by the OECD.
- The financial statements for 2009 show a reduction from KEUR 276 894 to KEUR 263 781 in assessed contributions received as compared to 2008 (-4.74%). A portion of these contributions, recognised in 2009 for subsequent use, has been classified as deferred income; such income fell by 31.71% (from KEUR 59 308 to KEUR 40 501) from 2008 to 2009.
  Assessed contributions still owed by countries at year-end were down sharply (by 35.82%) between 2008 and 2009, from KEUR 37 184 to KEUR 23 864.
- The situation improved significantly for the member countries, whose debt decreased from KEUR 32 353 to KEUR 23 351, with the collection rate on assessed contributions for 2009 rising to 92.69%, versus 91.62% for 2008.
- It also improved for non-member countries, including OECD accession countries, from KEUR 550 to KEUR 514.
- The largest amounts still outstanding are owed by the United States (KEUR 11 335), Mexico (KEUR 6 477)[5], the United Kingdom (KEUR 2 562) and Japan (KEUR 629), in respect of member countries; and,
- Chile (KEUR 74.68), Colombia (KEUR 39.10), South Africa (KEUR 39.01) and Tunisia (KEUR 36.11), in respect of non-members.

[5] Mexico paid its debt in full at the beginning of 2010.

31. **This trend confirms the progress observed since 2007 in the policy of recovering assessed contributions from member countries.**

Arrears on assessed contributions from member countries

31 December	Amount of contributions in arrears (in MEUR)
2003	40.4
2004	58.0
2005	26.1
2006	66.1
2007	35.9
2008	32.3
2009	23.3

Source: External Auditor, from the Financial Statements for 2009

32. The "provision for uncollected assessed contributions – non-member countries participating in Part II programmes" was slightly lower than in 2008 (KEUR 116 versus KEUR 122) because of the payment of arrears by the EBRD and partial payment by Zimbabwe. This corresponds to long-standing debts (that of Rwanda dates from 2001 and 2006) or to the debts of countries with major economic difficulties (Belarus and Zimbabwe) for which it is not possible to establish a payment schedule.

33. Some of the Organisation's clearly uncollectible receivables included in the aforementioned provision could be written off by drawing down the two reserves constituted to cover the risks of non-recovery of assessed contributions by non-member countries: the KEUR 301 reserve at 31 December 2009 constituted from observer fees paid by non-members until 2004[6] and the KEUR 168 reserve at 31 December 2009 constituted from contributions of non-member countries to the "Agricultural Schemes and Codes" programmes.

Recommendation No. 4: The OECD should reduce the "provision for uncollected assessed contributions – non-member countries participating in Part II programmes" by writing off clearly uncollectible receivables to the reserves it has constituted to cover the risk of non-collection of assessed contributions from non-member countries.

34. The member countries experience persistent difficulties paying their contributions to the Organisation's Pension Budget and Reserve Fund (PBRF): 49.55% of those contributions (KEUR 23 725 out of KEUR 47 880) had not been paid by 30 June 2009 – the deadline for paying

[6] Since 2005, observer fees have been included in the Organisation's budget.

into the PBRF – versus 50.03% of contributions by 30 June 2008, and 3% of contributions (KEUR 1 532) had still not been paid by 31 December 2009, whereas all of them had been paid in by the end of 2008. Since the annual contributions of member countries exceed the amount of pension benefits to be paid out during the year in order to constitute a reserve to cover the OECD's long-term pension commitments, such a delay reduces the OECD's investment possibilities and the rate of coverage of its commitments.

Recommendation No. 5: The OECD should make a special effort to secure the payment of member countries' contributions to the Pension Budget and Reserve Fund by 30 June of each year (confirmation of a recommendation from the previous year).

2. Reduction of arrears on payments of voluntary contributions

35. Despite the financial and economic crisis, voluntary contributions paid to the OECD continued to increase. In 2009 the Organisation accepted KEUR 109 441 in such contributions – 4.55% more than in 2008 (KEUR 104 674).

36. The net amount[7] of voluntary contributions recognised by the Organisation in 2009, in respect of 2009 and previous years, came to KEUR 107 251, versus KEUR 103 129 in 2008 (+4%).

37. Expenditure committed in 2009 and funded by these grants increased by 13.64% as compared with 2008 (from KEUR 79 275 to KEUR 90 091).

38. Contributions accepted and classified as deferred income since they relate to expenditure due to be committed in subsequent years amounted to KEUR 142 337, versus KEUR 123 802 in 2008; this deferred income was classified as either short-term (KEUR 58 565) or long-term (KEUR 83 772).

39. Voluntary contributions accepted but not yet received amounted to KEUR 63 465, compared to KEUR 63 110 in 2008; these are contributions that are not yet due, receivable in future years, amounting to KEUR 59 387, and contributions in arrears, amounting to KEUR 4 078 (compared to KEUR 57 777 and KEUR 5 333 in 2008).

40. The analysis of overdue payments[8] shows that 40% of them are less than 90 days old and are therefore attributable to the high volume of grants accepted during the final quarter of 2009. Only 6.81% of the overdue payments (KEUR 278) are more than a year old.

41. The provision to cover the risk of non-recovery of certain overdue grants decreased from KEUR 73 to KEUR 29 between 2008 and 2009. This includes no receivable identified as potentially unrecoverable and fully provided for, but two 2008 receivables whose recovery seems possible and half the value of which has been provided for.

[7] The net figure takes account of voluntary contributions cancelled by donors during the year as well as contributions refunded to countries because they were surplus to funding requirements for the relevant programmes: these operations amounted to KEUR 2 190 in 2009 and KEUR 1 545 in 2008. Such cancellations may concern grants accepted in previous years.

[8] See Annex 1 to report BC (2010)10 "Voluntary Contributions due to the Organisation as at 31 December 2009".

C. PERSONNEL EXPENSES

1. Mission expenses

42. The mission expense accounts listed below were examined especially closely.

Mission expense accounts (in Euros)

Acc't no.	Title	31/12/2008	31/12/2009
	Balance sheet accounts:		
120050	AGENTS EXCESS ADVANCES TO BE RECOVERED RE MISSIONS	10 633.51	4 901.62
120051	NON-REIMBURSED AGENTS EXCESS ADVANCES TO BE RECOVERED RE MISSIONS	701.03	11 049.04
125102	MISSION EXPENSES TO BE RECOVERED	260 326.15	257 115.25
129001	MISSIONS PER DIEM ADVANCES	298.21	298.21
129003	FI-TV MISSIONS PER DIEM ADVANCES	433 245.43	727 203.31
231021	MISSIONS NOT YET INVOICED		9 746.33
	Outturn accounts:		
531101	MISSIONS: PERMANENT STAFF	13 258 696.77	12 791 983.68
531102	MISSIONS: NON-PERMANENT STAFF	967 344.86	1 026 176.91
531103	MISSIONS: GUESTS	8 541 158.63	8 220 953.71

Source: OECD

43. Substantial balances at 31 December 2009 can be seen for "mission expenses to be recovered" (KEUR 257) and "FI-TV missions per diem advances" (KEUR 727). Out of the 960 per diem advances corresponding to the latter account, 666 had been adjusted by the date of the audit. Some (91) of the 294 unadjusted advances had been paid out prior to 30 September 2009. Only one of them had not been adjusted for an objective reason. Checks on the 14 largest advances showed that two of them involved officials whose contracts had expired on 31 December 2009 and six whose contracts would expire at the end of 2010 – dates suggesting a risk of difficulties recovering any overpayments.

44. This risk is borne out by a liability of EUR 4 901.62 in respect of recoverable mission expense overpayments. One of the overpayments, for EUR 1 355.28, was to an official who left the Organisation on 31 December 2009.

45. These advances to be recovered and these overpayments reflect the lengthy processing cycle for all mission payment operations. The delay stems from a peculiarity of the provisions of the Staff Regulations with regard to missions (Regulations 17.3.8 to 17.3.20): payment of an advance amounting to 100% of pre-departure estimated mission expenses, instead of 80% in the case of the UN, for example. The settlement of mission expenses entails payment of very small amounts not expected initially or requests for the reimbursement of overpayments, *e.g.* when officials have cut short the length of a mission. Administrative officers and entities in the OECD's substantive directorates therefore have little motivation to have the accounting units settle missions.

46. To limit the amount of advances to be adjusted at the end of the year, and to limit unrecovered overpayments, it would be preferable to change the regulations and no longer advance 100% of estimated mission expenses. Such a change would take a very long time to implement in respect of permanent staff, but it could be introduced for consultants and trainees, who are not subject to the same rules.

Recommendation No. 6: The OECD should explore the option of not advancing 100% of official travel expenses, at least in the case of consultants.

47. In auditing a sample of nine mission expense adjustments[9], it was noted incidentally that in eight out of nine cases there was a difference between the fares for flights booked by the Organisation and the lowest fares available, which the OECD travel agency said resulted from the following reasons: "rejection of airline", "rejection of flight times", "late confirmation" or "rejection of connecting flight(s)". Rejection of certain airlines or a preference for non-stop rather than connecting flights may be explained by concerns for staff safety, to make their journey less tiresome[10] or to reduce the risk of lost luggage. Better mission planning could probably make it possible to obtain lower fares than would be available for travel booked less long in advance[11].

Differences between airfares paid and the lowest possible fares (in Euros)

Route / references	Fares paid	Full fare	Lowest fare	Differences	Reason for cancellation
1. Paris/Mexico City Return	4 381.94	7 339.26	3 603.81	778.13	Rejection of airline
2.Singapour/Auckland Return	7 012.37	10 648.02	3 851.46	3 160.91	Rejection of flight times
3. Paris/Santiago Return [12]	5 094.74	10 318.06	3 404.04	1 690.70	Late booking
4. Paris/Santiago Return	5 094.74	10 318.06	3 850.50	1 244.24	Rejection of connecting flight(s)
5. Paris/Santiago Return	5 094.74	10 318.06	3 850.50	1 244.24	Rejection of connecting flight(s)
6. Paris/Santiago Return	5 355.74	10 318.06	3 850.50	1 505.24	Rejection of connecting flight(s)
7. Paris/Santiago Return	5 355.74	10 318.06	3 850.50	1 505.24	Rejection of connecting flight(s)
8. Riyadh/Paris/London	3 357.83	6 113.73	2 421.35	936.48	Rejection of connecting flight(s)

Source:External Auditor, from the supporting documentation of prepayments

9 Mission expenses in significant amounts comprising the "Mission expenses to be recovered" account at 31 December 2009.

10 Specific and convincing reasons for rejecting certain flights were given to the auditors during their investigation.

11 The external auditor will study this matter further.

12 This invoice was ultimately cancelled because a cheaper flight was chosen.

2. Staff loans

48. The audit of a sample of staff loans taken out in 2009 for amounts exceeding EUR 50 000 prompts the following comments.

49. Some officials have as many as four loans outstanding. The Organisation makes sure that total loans do not exceed 35% of net salary, but it does not check the level of loans obtained elsewhere.

50. There is a provision to pay out a capital sum in the event of an official's death or permanent disability. It is customary that the un-repaid balance of any loans taken out by the official in question be deducted from this capital sum. This practice is not stipulated in the Staff Regulations, which could give rise to disputes.

51. The OECD books all of its outstanding loans as non-current assets, whereas some of them are due to be repaid within less than one year. According to IPSAS 1 § 76, however, loans to OECD officials should be broken down into current assets and non-current assets, since some of them are repayable within less than twelve months. Furthermore, the OECD Financial Regulations also define "short-term" as less than or equal to 12 months.

Recommendation No. 7: The OECD should establish a formal procedure for deducting from the capital paid out upon death or permanent disability the outstanding balance of any loans made to the official in question.

Recommendation No. 8: In its financial statements at 31 December 2009, the OECD should break down the amount of outstanding staff loans (KEUR 7 283) between "current assets", for loan repayments due within less than one year, and "non-current assets", for outstanding amounts to be repaid in more than one year's time.

This recommendation was implemented immediately: Following our audit, this information was added to Note 8 in the latest version of the financial statements.

D. PENSION SCHEMES

1. Staff Provident Fund

52. The OECD Staff Provident Fund is a defined-contribution pension plan that was set up in 1957, subsequently closed to new participants and replaced in 1974 by the "Co-ordinated Organisations Pension Scheme" (COPS). The Fund still manages the interests of serving officials who have left assets in the Fund or who chose to continue contributing to the Fund rather than opting to subscribe to the COPS, as well as those of pensioners who make withdrawals from the Fund, at regular or irregular intervals, to use as pension.

53. The Fund now has only 17 serving staff members (versus 30 in 2008) and 234 pensioners (versus 253 in 2008), because seven serving officials and 13 pensioners opted in 2009 to join the New Pension Scheme (NPS) and thus transferred their assets to the PBRF, and 12 accounts were closed out (four of which following the pensioners' death). The total value of Fund assets declined, from KEUR 38 244 to KEUR 32 821, despite the investment interest earned (KEUR 1 389), because of payments totalling KEUR 3 156 to participants or their beneficiaries, or to the PBRF when the aforementioned accounts were closed out and transferred. The Provident Fund is in a position to credit its participants' accounts with KEUR 1 365, thanks to the aforementioned interest, whereas it had debited them by KEUR 202 in 2008.

54. The Joint Pensions Administrative Section (JPAS) – the body mandated by the Organisation to manage the Staff Provident Fund – acted to uphold the interests of the Fund's pensioners by filing suit in 2009 with the Tribunal de Grande Instance de Paris against the managers of the Oddo Cash Arbitrage Fund ("Oddo"), which was liquidated in 2008 in the wake of the crisis in sub-prime mortgage loans, in order to obtain reimbursement of the capital (KEUR 3 022) that the Fund had invested in Oddo, along with damages and interest. **This initiative is in line with the recommendations of the Organisation's successive external auditors.**

2. Pension Budget and Reserve Fund (PBRF)

55. The Pension Budget and Reserve Fund (PBRF) is a reserve fund set up to smooth the funding of the Co-ordinated Organisations' Pension Scheme as well as that of the New Pension Scheme (NPS), which replaced the former for new entrants joining the OECD from 2002 onwards. The COPS and the NPS are two defined-benefit schemes for retirement, disability and survivors' pensions. The COPS is also in force in the five other "Co-ordinated Organisations"[13] – international organisations which co-ordinate their salary and pension policies. The NPS closely resembles the COPS and is in force in one other international organisation. Pensioners of the Co-ordinated Organisations, with the exception of NATO pensioners, are managed by Computation Unit 1 of the JPAS, whose staff are OECD officials. In addition, administration of the PBRF has also been entrusted to the JPAS. A review of PBRF operations in 2009 prompts the following observations.

56. In its report on the 2008 financial statements, the external auditor had recommended updating the PBRF investment guidelines in line with the strategic orientations adopted in 2007, in respect of hedge funds, and implementing those guidelines. These recommendations were accepted: the Management Board of the PBRF altered the Pension Fund's investment policy, with the Budget Committee's approval, and formal amendment of the 2007 Guidelines in respect of hedge funds was presented to the Budget Committee on 15 April 2010 and approved; the investment policy being implemented is consistent with the 2007 Guidelines.

57. The Organisation maintained the proportion of equity (62%), fixed-income investments (28%) and "alternative asset classes" (10%). The equity share was initially to be subdivided into equity from Europe (40%), North America (11%), the Asia Pacific area (3%) and emerging markets (8%), but it was not possible to adhere to this breakdown because the market lacked available products composed solely of stocks from each of the designated areas. It was for this reason that the Organisation, with Budget Committee approval, invested in a so-called "Global equity" fund comprising American, European and Asia Pacific-area stocks. Consequently, the portfolio was broken down into 32% purely European stocks invested exclusively in the euro area, 22% in "Global" stocks and 8% in emerging-market stocks. The Investment Guidelines were amended accordingly. The Management Board decided to spread out investments in "Global" and emerging markets equity over three instalments (in April 2009, October 2009 and January 2010). In the interim, the cash allocated to these two asset classes was invested in a current account (remunerated at the EONIA[14] rate) and in term deposits (remunerated at market interest rates).

58. The share of real estate was kept at 7%; the Management Board decided, in order to optimise the level of risk in line with the recommendations of the external expert consultant, that real estate investments would be limited exclusively to the euro area in the form of investments in a real estate mutual fund in three instalments spread over the two years beginning in November 2009. The Investment Guidelines

[13] The Council of Europe, the European Centre for Medium-Range Weather Forecasts (ECMWF), the European Space Agency (ESA), the North Atlantic Treaty Organization (NATO) and the Western European Union (WEU).

[14] The EONIA (Euro OverNight Index Average) is the daily benchmark rate for unsecured overnight interbank lending in the euro area.

were amended accordingly. With regard to investments in hedge funds[15] (3%), a new study was conducted in order to select a mutual fund. However, the Management Board had doubts over the size, fees and historic returns of the funds under consideration and decided not to invest in this class of assets. In its stead, the Management Board chose to launch a selection process to find an “absolute return” balanced fund. In addition, it decided that the 3% allocation would remain invested in an Axa insurance provident fund account (at a guaranteed rate of 4% in 2010), pending completion of the aforementioned selection process. Draft amendments to the Investment Guidelines were presented to the Budget Committee on 15 April 2010 and approved, ratifying the change.

59. At the time of the certification audit for the 2008 financial statements, in April 2009, the investment strategy mapped out in 2007 had not yet been fully implemented because of the time needed to validate contracts under the OECD Financial Regulations, as well as the other considerations cited above with regard to real estate and hedge funds. Moreover, the Management Board had decided to keep the proceeds from member country contributions collected since July 2008, equal to 7% of PBRF inflows in December 2008, in cash investments rather than investing in equity and bonds, because of the planned introduction of the new investment strategy and the volatility of financial markets.

60. Now, the 2007 Guidelines, adjusted as indicated above, are effectively being applied. The PBRF portfolio at 31 December 2009 was allocated as follows (excluding the 5.2% of the Fund kept as cash for current operations to disburse benefits): 60.6% in equity, 24.4% in fixed-income securities, 1.9% in real estate investments and 13.1% in cash earmarked for subsequent long-term investment (in other real estate investments, hedge funds and equity from the rest of the world and emerging markets).

61. Long-term securities are managed by six portfolio managers whose selection was carried out in accordance with the Organisation’s Financial Regulations, the procedures of which were modified in respect of this type of contract so that in particular the PBRF Managing Board could play an important role in the final choice of a manager. This procedure prompts no criticism from the external auditor, but the aforementioned changes to the fund selection procedure are not stipulated formally in any document.

Recommendation No. 9: The special procedure for selecting PBRF portfolio managers should be formalised.

62. Net realized or unrealized gains (or losses) and management fee rebates amounted to KEUR +32 134 in 2009 (versus KEUR -53 297 in 2008). The PBRF’s performance was a positive 15.8% in 2009 (as compared with a negative 24.78% in 2008). This gain is however smaller than that of the reference index (22.52%). As indicated above, the Management Board did in fact decide to stagger investments in “Global equity” and “Emerging markets”, and it postponed, and then spread out, investment in real estate, which meant that PBRF resources (stemming from employee and employer contributions and contributions by the member countries, net of pension payments and administrative costs) were invested only partially, whereas the securities composing the reference index, which rebounded after the crisis, span the entire asset allocation.

63. To ascertain the crisis period’s impact on the course of the OECD Fund would entail updating the actuarial projections made in 2004, which showed that the actuarial value of PBRF assets would equal that of liabilities around 2040. This study is going to be conducted during the year as part of the five-year review. The findings of that update, as requested by the external auditor, will be reported in our next performance audit report.

[15] *Fonds alternatifs* in French.

E. ASSETS

1. Cash flow management

64. The list of persons having signature authority over OECD bank transactions since 8 June 2009, as provided by the Treasury Division, is not in compliance with the stipulations of the Financial Procedures relating to treasury operations, which constitute the main reference for staff because they are available online. In fact, only one of the eight persons on the first list is mentioned in the procedures. This discrepancy reflects a departure from proper delegations of authority.

65. The out-of-date list posted on the Organisation's Intranet was taken offline during our audit in the wake of the aforementioned finding.

2. Bank reconciliation statements

66. It was recommended last year that the OECD formalise the conditions and frequency of bank account reconciliations and indicate the names of the officials who prepare them. In its response to that recommendation, the Secretariat had written that "automation of the bank reconciliation statements will be studied with the IT services" and that "the objective of the Treasury division is to process the bank reconciliation controls electronically and its priority is to detect and solve anomalies quickly."

67. A review of the reconciliation statements for the month of December 2009 showed that the statements had not been prepared until the beginning of February 2010 (4 February). We consider that this time lag does not yet satisfy the rules of good management, which call for reconciliation statements to be prepared sooner (generally within 15 days).

Recommendation No. 10: Bank accounts should be reconciled soon after the end of each month, and if possible automatically.

The Secretariat reports that formalised bank reconciliation statements have been generated automatically and published monthly since July 2009, as recommended by the external auditor. It deems that one month is required to prepare the bank account reconciliation statements for December, given the volume of closing operations to be carried out at the end of the financial year.

3. Bank account circularisation

68. The Organisation's banks advised the external auditor of the positions of OECD accounts at 31 December 2009. A review of their responses revealed discrepancies between the bank account numbers reported and those of the Accounting Division. For instance, the Crédit du Nord bank account number (in SAP) was different from the one cited by the bank in its letter of response. The Treasury Division stated that the number that should be associated with account 101018 is in fact the one mentioned by the bank. It advised that the number recorded in SAP corresponds to the old Crédit du Nord account number, which was changed at the bank's initiative in 2006. It stressed that the change had been reflected in payment systems but not in the account titles in SAP. It will take advantage of these changes to check the titles of other accounts to see if any further changes are necessary.

69. A second example involves reconciling the confirmation of JP Morgan account balances with general ledger balances, which failed to turn up two amounts in the general ledger that had been reported by JP Morgan (the total amount involved being more than MEUR 92). The Accounting Division stated

that the two amounts were booked to SAP accounts 103211 and 102050. It indicated that it was going to change the SAP title for account 103211 in order to make it more explicit ("JPMorgan investment account 28000085"). It also advised that the interest from the JP Morgan investment account relating to the December 2009 activity had been posted to account 102050 as of 31 December 2009 and that in the future it would be using account 125107 ("interest receivable") to book this interest.

70. A review of bank accounts in the SAP system would therefore seem necessary. This would ensure that account titles matched those of the banks and that interest earned and interest charges were posted properly to the relevant accounts.

Recommendation No. 11: The Organisation should establish procedures to ensure that the data managed by banks (account numbers and titles) continuously match those of its accounting system.

4. Physical inventories

71. The OECD has still not conducted a physical inventory of all its fixed assets. To explain this situation, the Secretariat cites the ongoing relocation of staff from several directorates to new offices in 2010. Extending the length of time that elapses with no physical inventory could prove detrimental to the protection of the Organisation's assets.

72. This is because physical inventories reveal signs of obsolescence or physical deterioration of assets, thus contributing to their maintenance. Physical inventories are the instrument of choice for uncovering any losses and for computing certain provisions.

Recommendation No. 12: The Organisation should take the steps necessary to institute an annual inventory of its property as soon as possible.

5. IT systems maintenance

73. IT maintenance costs are all charged to a single account (552104), whether the maintenance involves hardware or software. The balance of this account at 31 December 2009 amounted to KEUR 2 741. The breakdown between the two types of maintenance could not be provided. Distinguishing between the two types of maintenance would make it easier to indentify expenses that could be capitalised.

Recommendation No. 13: The OECD should maintain two separate accounts in respect of maintenance costs for computer hardware and software.

IV. LIABILITIES: PROVISIONS

Account number	Title	31/12/2008	31/12/2009
	PROVISIONS FOR LIABILITIES AND CHARGES:		
251062	PROVISIONS FOR RISKS	-10 353 054.86	-110 530.00
572109	EXCEPTIONAL EXPENSES	10 164 791.00	-125 993.25
573106	PROVISIONS CHARGE: OTHER LOSSES	16 839.00	-71 635.90
	OTHER PROVISION ACCOUNTS		
251060	PROVISIONS FOR PERSONNEL CLAIMS - HOME LEAVE AND REPATRIATION	-17 810 595.00	-19 615 710.00

Source: OECD

74. An examination of provisions prompts two comments on the accounting procedure used and compliance with IPSAS Standard 19.

75. The "exceptional expenses" account showed a credit balance of KEUR 126 at 31 December 2009: it would have been more accurate if, in 2008, an addition had been made to a provision for liabilities and charges account (No. 573106) and that provision reversed in 2009 by a recovery account and the amount booked as an exceptional expense. The 2009 outcome would not have been altered, but the presentation would have been more appropriate.

76. The financial statements do not comply with IPSAS Standard 19 §97:

IPSAS Standard 19 §97

For each class of provision, an entity should disclose:
(a) The carrying amount at the beginning and end of the period;
(b) Additional provisions made in the period, including increases to existing provisions;
(c) Amounts used (that is, incurred and charged against the provision) during the period;
(d) Unused amounts reversed during the period; and
(e) The increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate.

77. The Organisation has not disclosed the detailed information called for in §97 of the standard, invoking the confidentiality grounds cited in §109, in respect of the penalty for early cancellation of the lease on Tour Europe (see above) and staff-related disputes.

IPSAS Standard 19 §109

In extremely rare cases, disclosure of some or all of the information required by paragraphs 97 to 107 can be expected to prejudice seriously the position of the entity in a dispute with other parties on the subject matter of the provision, contingent liability or contingent asset. In such cases, an entity need not disclose the information, but should disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.

78. Even when circumstances dictate a policy of confidentiality, information should be disclosed about the general nature of the dispute.

Recommendation No. 14: The OECD should disclose the information stipulated by IPSAS Standard 19 to justify its provisions. For cases demanding confidentiality, minimal information is necessary.

This recommendation was implemented immediately: in the wake of our audit, Note 15 was expanded in the final version of the financial statements.

V. FOLLOW-UP TO PREVIOUS RECOMMENDATIONS

Follow-up to the recommendations of the Cour des Comptes' report on the financial statements for 2008

Recommendations	Follow-up actions
1. The OECD should publish general instructions regarding the keeping of accounting records and financial statements.	Recommendation being implemented: a handbook for managing year-end closing operations is being prepared.
2. The OECD should as a priority draw up instructions, to be incorporated into the general instructions mentioned above, regarding adjustments arising from the application of IPSAS standards; in addition, the OECD should develop software allowing such adjustments to be made automatically.	Recommendation being implemented: the aforementioned handbook will contain a list of IPSAS adjustments. The Secretariat will review the list of these adjustments to ascertain which ones would lend themselves to computerisation. Some transactions are already performed automatically.
3. The OECD should make a special effort to secure the payment of member countries' contributions to the Pension Budget and Reserve Fund by 30 June of each year.	The Secretariat sends out a call for contributions in the first quarter, a reminder at the beginning of May and reminders to member countries whose payments are overdue. Nevertheless, the situation deteriorated at the end of 2009.
4. The OECD should take the necessary steps to recover overpayments of mission expense advances to unsalaried consultants.	Recommendation specified this year.
5. The OECD should adapt the PeopleSoft software so that it can be used to calculate removal and travel expenses by integrating data relating to the specific tariffs applicable by city and by geographical area.	Recommendation not yet implemented; will be examined following the scheduled review of the Organisation's software packages in 2010.
6. The OECD should update the 2007 guidelines on PBRF investments with regard to hedge funds and implement those guidelines.	Recommendation being implemented: a draft update of the guidelines to be presented to the Budget Committee on 15 April 2010. The 2007 guidelines have been implemented.
7. The OECD should supplement note 17 to the financial statements by indicating the actuarial differences observed over the past five years.	Recommendation implemented immediately in the final version of the 2008 financial statements.

8. The OECD should reclassify as fixed assets expenditure on "Site Project" work and equipment which had initially been classified as maintenance charges.	Recommendation implemented immediately in the final version of the 2008 financial statements.
9. The OECD should delete closed petty cash accounts from the general balance in the SAP system.	Recommendation implemented: it is now possible to obtain a SAP balance with or without closed petty cash accounts.
10. The OECD should draw up formal rules for the opening of petty cash accounts and the designation of cashiers.	This recommendation will be reflected in the next revision of financial procedures.
11. The OECD should close the Moscow petty cash account.	Recommendation not implemented: after exploring the possibility of closing this account, the Secretariat decided to maintain it so as to be able to defray certain expenses. It took the opportunity provided by the recommendation to formalise and update operating procedures for the petty cash account.
12. The OECD should introduce a procedure to ensure the continuous updating of authorised signatures for bank accounts.	Signature authorities will be updated as part of the next revision of the financial procedures.
13. The OECD should consider the possibility of closing dormant bank accounts.	Recommendation implemented in part. Four accounts were closed and may be included or not in the SAP balance, under the closed-accounts option. Two other accounts are zeroed out each evening.
14. The OECD should set out the conditions applicable to the preparation of bank reconciliation statements and the frequency with which such statements should be drawn up, and should also specify the names of the persons who have prepared them.	Recommendation implemented: reconciliation statements are prepared monthly, and a cover page indicates the name of the official who prepared them and the name of the one who signed them.
15. The OECD should reassess the advisability of using bank cards, remind cardholders of their responsibilities and arrange for the use of such cards to be flagged by the SAP system.	Recommendation implemented: a guide to the use of bank cards has been published.
16. The OECD should draw up written procedures for making the corrections needed to the automatic processing of exchange losses and gains by the SAP system.	Recommendation being implemented: the handbook for managing year-end closing operations will incorporate the controls necessary after SAP's automatic processing of exchange losses and gains.
17. The OECD should ensure that the Procurement Board has a full complement of members and should provide for posts to be filled systematically.	The composition of the Procurement Board will be reviewed in 2010.
18. The OECD should pay its rents on the due dates stipulated in leases.	Recommendation implemented: a procedure has been instituted so that rent payments for each annex are not made before the first day of the quarter for which the rent is due.

19. The OECD should seek to identify the reasons for the discrepancies observed between the physical inventories of publications and the data reported in the accounts of assets relating to publications, and should remedy this situation.	Recommendation implemented: the discrepancies between physical inventories and quantities reflected in the accounts have been reduced.
20. The OECD should harmonise the methods deployed by each division to conduct fixed-asset inventories.	This recommendation will be implemented in 2011, after the current period of relocation of many OECD annexes.

VI. ACKNOWLEDGEMENTS

79. We extend our most heartfelt thanks to Directors and staff members of the OECD Secretariat for the warmth of their welcome and the accuracy of the information they provided us with in the course of our audit.

VII. CONCLUSION

80. On the basis of the checks carried out, the External Auditors certify that from their point of view the accounts for 2009 give a true and fair view of the financial situation of the OECD and its Staff Provident Fund as of 31 December 2009.

FINANCIAL STATEMENTS OF THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT AS AT 31 DECEMBER 2009

OECD

12 May 2010

REPORT OF MANAGEMENT

The Organisation for Economic Co-operation and Development's financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) and the Organisation's Financial Regulations. The management of the Organisation, in this context the three signatories below, is responsible for these statements, as well as for establishing and maintaining adequate internal financial controls.

The Organisation's system of internal financial control is designed to provide reasonable assurance regarding the reliability of financial reports and the preparation of financial statements. This system includes policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; (ii) permit preparation of financial statements in accordance with IPSAS; (iii) provide reasonable assurance that receipts and expenditures are being made in accordance with relevant authorisations and in compliance with the Organisation's Financial Regulations and (iv) provide reasonable assurance regarding the prevention or timely detection of unauthorised acquisition, use or disposition of the Organisation's assets. Because of their inherent limitations, internal controls may not prevent or detect all misstatements.

Matters of internal control and financial reporting are overseen by the Audit Committee. The Committee meets regularly and, among other things, reviews reports by management, the Director of Internal Audit and the External Auditor.

In the opinion of OECD management, these financial statements present fairly the Organisation's financial position at 31 December 2009 and of the results of operations and cash flows for year ended at that date. The statements have been audited by the External Auditor. Its report follows.

P. van Haute

Anthony J Rottier

Angel Gurría Secretary-General	Patrick van Haute Executive Director	Anthony Rottier Head Programme, Budget and Financial Management Service

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Free translation from the French opinion of the External Auditors

The First President

Paris, May 12th, 2010

To Mr. Angel GURRÍA,
Chairman of the Council of the Organisation for Economic Co-operation and Development

OPINION OF THE EXTERNAL AUDITOR

We have examined the OECD's financial statements for the year ending on 31 December 2009, which comprise the Statement of Financial Position, Statements of Financial Performance, Statement of Cash Flow and Statement of Changes in Net Assets, and a summary of significant accounting policies and other explanatory notes. These financial statements are the responsibility of the OECD's management. Our responsibility is to express an opinion on these financial statements on the basis of our audit.

We conducted our audit in accordance with the International Standards on Auditing. Those Standards require that our work be organised and performed so as to obtain reasonable assurance about whether these financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the OECD's management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

It is our opinion that the financial statements give a true and fair view of the financial position of the OECD as at 31 December 2009 and of the result of its operations and cash flows for the year then ended, and that they have been prepared in accordance with International Public Sector Accounting Standards (IPSASs) or, where no such standards have yet been formulated, International Financial Reporting Standards (IFRSs / IASs).

Didier MIGAUD

OECD
Statements of Financial Position as at

	Notes	31 December 2009 €'000	31 December 2008 €'000
ASSETS			
Current assets			
Cash and cash equivalents, unrestricted	5	150,780	106,301
Cash and cash equivalents, restricted	5	34,876	81,372
Inventories	6	532	726
Accounts receivable and prepayments	7	95,396	98,976
Staff loan program	8	3,155	2,703
Total current assets		**284,739**	**290,078**
Non-current assets			
Financial assets	9	275,579	205,843
Receivables	7	12,248	19,961
Staff loan program	8	4,127	3,940
Furniture, fixtures and equipment	10	16,291	14,323
Land and buildings	11	413,633	420,981
Intangible assets	12	1,333	1,341
Total non-current assets		**723,211**	**666,389**
TOTAL ASSETS		**1,007,950**	**956,467**
LIABILITIES			
Current liabilities			
Borrowings	13	6,800	6,290
Payables	14	94,475	111,673
Provisions for liabilities and charges	15	111	10,353
Employee benefits	16	74,517	68,951
Deferred revenue	17	93,002	92,553
Total current liabilities		**268,905**	**289,820**
Non-current liabilities			
Employee benefits	16	1,468,766	1,373,499
Deferred revenue	17	194,304	176,497
Total non-current liabilities		**1,663,070**	**1,549,996**
TOTAL LIABILITIES		**1,931,975**	**1,839,816**
NET ASSETS		**(924,025)**	**(883,349)**
Member countries' contributed interest	18	(1,109,993)	(1,019,560)
Pension Budget and Reserve Fund reserve (PBRF)	18	186,176	213,795
Other reserves	18	29,397	34,327
Net deficit for the period	18 & 25	(29,605)	(111,911)
TOTAL NET ASSETS		**(924,025)**	**(883,349)**

OECD
Statements of Financial Performance for the year ended

	Notes	31 December 2009 €'000	31 December 2008 €'000
OPERATING REVENUES			
Assessed contributions	19	263,781	276,894
Voluntary contributions	19	90,091	79,274
Pension contributions	16 & 19	78,201	76,440
Sales of publications	19	16,306	15,071
Other	19	17,776	13,518
Total operating revenues		**466,155**	**461,197**
OPERATING EXPENSES			
Personnel	20	247,881	236,911
Pension and post-employment benefits	16 & 20	157,506	146,309
Consulting	20	27,462	27,987
Travel	20	22,039	22,767
Operating	20	75,750	79,240
Other	20	285	11,554
Total operating expenses		**530,923**	**524,768**
Deficit from operating activities		**(64,768)**	**(63,571)**
Financial revenue and expense, net	21	35,163	(48,340)
Deficit from ordinary activities		**(29,605)**	**(111,911)**
DEFICIT FOR THE PERIOD	18 & 25	**(29,605)**	**(111,911)**

OECD
Statements of Cash Flow for the year ended

	Notes	31 December 2009 €'000	31 December 2008 €'000
Cash flow from operating activities			
Deficit from ordinary activities		(29,605)	(111,911)
Depreciation, net	10,11 & 12	17,348	14,525
(Gain)/Loss on disposal of fixed assets	10 & 12	(74)	2
(Decrease) / increase in provisions for liabilities and charges	15	(10,242)	9,674
Increase in employee benefits - defined benefit programmes	16	106,256	90,488
Decrease / (increase) in receivables	7	11,293	(23,500)
Decrease / (increase) in inventories	6	194	(24)
Decrease in investments	5	-	10,529
(Decrease) / increase in payables	14	(17,198)	10,498
Increase in deferred revenue	17	18,256	42,830
Net cash flow from operating activities		**96,228**	**43,111**
Cash flow from investing activities			
Purchase of fixed assets	10,11 & 12	(12,062)	(43,681)
Proceeds from sale of fixed assets	10,11 & 12	176	-
(Increase) / decrease in staff loan program	8	(639)	1,219
Decrease in financial assets - Staff Provident Fund	9	5,423	4,632
Decrease / (increase) in financial assets - other	9	16	(121)
(Increase) / decrease in financial assets - PBRF	9	(75,175)	37,971
Net cash flow from investing activities		**(82,261)**	**20**
Cash flow from financing activities			
Decrease in liabilities - Staff Provident Fund	16	(5,423)	(4,632)
Proceeds from borrowings	13	13,500	13,190
Repayment of borrowings	13	(12,990)	(14,800)
Credits to member countries and others	18	(11,071)	(9,791)
Net cash flow from financing activities		**(15,984)**	**(16,033)**
Net (decrease) / increase in cash and cash equivalents		**(2,017)**	**27,098**
Cash and cash equivalents at beginning of period	5	187,673	160,575
Cash and cash equivalents at end of period	**5**	**185,656**	**187,673**

Income relating to the Site Project contributions is included in cash flow from operating activities. Additions to fixed assets relating to the Site Project are included in cash flow from investing activities.

Cash flows from operating activities are reported using the indirect method, whereby net surplus or deficit is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future cash receipts or payments, and items of revenue or expense associated with investing or financing cash flows.

Figure 1. OECD
Statements of Changes in Net Assets

	Member countries' contributed interest €'000	Accumulated surplus / (deficit) €'000	Reserves €'000	Pension Budget and Reserve Fund €'000	Net surplus / (deficit) for the period €'000	Total €'000
Balance at 31 December 2007	**(912,442)**	**(17,568)**	**33,544**	**180,242**	**(60,442)**	**(776,666)**
Allocation of prior year result	(102,659)	7,250	1,414	33,553	60,442	-
Credited to Member countries and other donors	-	(2,743)	-	-	-	(2,743)
Reserves/surpluses transferred to Budget	-	(6,417)	(631)	-	-	(7,048)
Surplus on revaluation of property	15,019	-	-	-	-	15,019
Net deficit for the period	-	-	-	-	(111,911)	(111,911)
Subtotal	(87,640)	(1,910)	783	33,553	(51,469)	(106,683)
Balance at 31 December 2008	**(1,000,082)**	**(19,478)**	**34,327**	**213,795**	**(111,911)**	**(883,349)**
Allocation of prior year result	(90,676)	5,240	1,144	(27,619)	111,911	-
Credited to Member countries and other donors	-	(1,155)	(5,395)	-	-	(6,550)
Reserves/surpluses transferred to Budget	-	(3,842)	(679)	-	-	(4,521)
Surplus on revaluation of property	-	-	-	-	-	-
Net deficit for the period	-	-	-	-	(29,605)	(29,605)
Subtotal	(90,676)	243	(4,930)	(27,619)	82,306	(40,676)
Balance at 31 December 2009	**(1,090,758)**	**(19,235)**	**29,397**	**186,176**	**(29,605)**	**(924,025)**

Member countries' contributed interest includes the pension benefits and post-employment health coverage liability, and the counterpart of land and buildings, as detailed in Note 18.

The Pension Budget and Reserve Fund is the value of the fund's net assets at the prior year end. The result of the fund for the current period is included in the net deficit for the period and is shown in the Statement of Financial Performance by Segment in Note 22.

Surpluses on the revaluation of property are credited directly to net assets, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense in the Statement of Financial Performance.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: General information

The "Organisation for Economic Co-operation and Development" (the "Organisation") was founded in 1961, replacing the Organisation for European Economic Co-operation, which had been established in 1948 in conjunction with the Marshall Plan. The Organisation groups 30 member countries committed to democratic government and the market economy and provides a forum where governments can compare and exchange policy experiences, identify good practices and promote decisions and recommendations, in line with the mission and role set forth in the Organisation's Convention:

- Achieve the highest sustainable growth and a rising standard of living in member countries, while maintaining financial stability,
- Contribute to sound economic expansion, in member as well as non-member countries in the process of economic development,
- Contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

The Organisation is governed by a Council composed of representatives of all the member countries. The Council appoints a Secretary-General for a term of five years.

The Organisation is based in Paris, France, with representation offices in Washington (DC), Mexico, Berlin and Tokyo.

The Organisation enjoys privileges and immunities, notably that of being exempt from paying most forms of taxation.

The Organisation is funded primarily by assessed and voluntary contributions from its member countries, within the framework of a biennial Programme of Work and annual Budget.

The Budget is the act whereby Council accords the necessary commitment authorisation and makes the necessary appropriations for the functioning of the Organisation and the carrying out of its activities. It determines the amount of contributions to be paid by members after taking into account other resources of the Organisation. The Organisation's member countries fund the Budget for Part I programmes, accounting for about 50% of the consolidated Budget. Their contributions are based on both a proportion that is shared equally and a scale proportional to the relative size of their economies. Part II Budgets include programmes of interest to a limited number of members or relating to special sectors of activity not covered by Part I. Part II programmes are funded according to a scale of contributions or other agreements among the participating countries. Annex Budgets are established for certain specific activities such as the Pension Schemes, Site Project and Publications. Note 23 gives further details of the income and expenditure budget and actual results for 2009.

The approval of the Budget by Council empowers the Secretary-General, subject to any special conditions established by Council:

- to commit and authorise expenditures and to make all payments to be borne by the Organisation, for the purposes assigned and within the limits of the appropriations and the commitment authority, as the case may be;

- to receive the income entered in the Budget, together with any other resources accruing to the Organisation in respect of its activities.

Over 70 non-member countries and international organisations also participate to various degrees in the Organisation's programme of work. Non-member countries' involvement in the Organisation includes participation in Part I committees, full participation in Part II programmes and as observers in various Organisation subsidiary bodies.

Helping ensure development beyond the OECD's membership has been part of the Organisation's mission from the start. The Organisation maintains active relationships with business, labour, civil society and parliamentarians. These stakeholders benefit from and make valuable contributions to the work of the OECD. It also shares expertise and exchanges views with more than 100 other economies

In November 2007 Council adopted the roadmaps for the accession of Chile, Estonia, Israel, Russia and Slovenia to the OECD Convention. Accession negotiations are taking place individually between the candidate countries and the OECD Committees that handle substantive aspects of the Organisation's work. Once the OECD Committees are satisfied that a candidate country fulfils their requirements for membership, a final decision on whether to issue an invitation for membership will be taken by Council. In addition, Enhanced Engagement programmes have been launched for Brazil, China, India, Indonesia and South Africa. Enhanced Engagement is a fundamental proposal by the OECD member countries to forge a more structured and coherent partnership, based on mutual interest, with these five major economies.

On 15 December 2009, Council decided to invite Chile to accede to the OECD Convention and thereby become a member of the Organisation. On 11 January 2010, an Accession Agreement was signed between Chile and the Organisation on the terms of Chile's accession to the Organisation. This Agreement sets out, in the format of an international treaty, Chile's Final Statement, accepting the obligations of membership and the Council's Decision to invite Chile to accede to the OECD Convention. Chile will become a member of the Organisation on the date of the deposit of its instrument of accession to the OECD Convention, currently foreseen by the end of May 2010.

Note 2: Adoption of new and revised Standards

In 2008 the Organisation elected to adopt IPSAS 25 Employee Benefits in advance of its effective date of annual financial statements covering periods beginning on or after 1st January 2011. As IPSAS 25, which is based on IAS 19, "Employee Benefits", was already adopted by the Organisation, the adoption of this standard has not led to any changes in the Organisation's accounting policies and no changes were required to prior period reported numbers.

The Organisation will take advantage of the transitional provisions in its adoption of IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers), in respect of voluntary contributions and grants that it receives that are non-exchange transactions. These transactions are currently recognised as exchange transaction voluntary contributions and recognised as revenue as indicated in Note 3: Significant accounting policies – Revenue recognition.

In 2009 the Organisation elected to adopt IPSAS 24 Presentation of Budget Information in Financial Statements. The statements of comparison of budget and actual amounts for income and expenditure are included in Note 23.

Note 3: Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board (IPSASB), based on International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board.

When the IPSASB does not include any specific standard, IFRSs and IASs are applied.

The financial statements have been prepared on a going-concern basis and the accounting policies have been applied consistently throughout the period. They have also been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments.

The principal accounting policies adopted are set out below.

Foreign currencies

All assessed contributions are payable in euros. Voluntary contributions are accepted in euros and other currencies. Assets and liabilities that are denominated in foreign currencies are retranslated into euros at the exchange rate prevailing on the date of the Statement of Financial Position.

Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Both realised and unrealised gains and losses resulting from the settlement of such transactions and from the retranslation at the reporting date of assets and liabilities denominated in foreign currencies are recognised in the Statement of Financial Performance.

Hedge accounting

The Organisation may enter into a cash flow hedge in respect of its future forecasted revenues in currencies other than the euro. A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction and that will affect reported net income.

Intangible assets

Computer software development costs recognised as assets are amortised using the straight-line method over their useful life not exceeding a period of three years.

Generally, costs associated with developing or maintaining computer software programmes are recognised as expenses when incurred. However, expenditures that enhance or extend the performance of computer software programmes beyond their original specifications are recognised as a capital improvement and added to the original cost of the software.

Tangible assets

Property, furniture, fixtures and equipment

Land and buildings are stated in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation, adjusted for any subsequent additions, accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the fixed assets revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the Statement of Financial Performance to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the fixed assets revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to income. Due to the significantly different useful lives of the individual parts of property the costs have been allocated into components; structure of buildings, roofing and windows, fixtures and fittings, which are also broken down into sub-components that are depreciated over different periods as shown below. The useful life of the component structure of buildings is adjusted to reflect significant renovation work that extends the estimated useful life of the asset. The useful life of all other components of buildings are reviewed periodically and adjusted if necessary.

Freehold land is not depreciated.

Furniture, fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction/renovation, over their estimated useful lives, using the straight-line method on the following basis:

- Structure of buildings: 50 years
- Roofing and windows: 15 - 33 years
- Fixtures and fittings: 5 - 25 years
- Other fixed assets: 3 - 10 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance.

Impairment of tangible and intangible assets

The carrying values of fixed assets are reviewed for impairment if events or changes in circumstances indicate that they may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Any provision for impairment is charged against the Statement of Financial Performance in the year concerned

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less the estimated costs of completion and costs to be incurred in marketing, selling and distribution. Due to the short to medium term focus of publications, a provision for depreciation is made for all of those issued prior to 2007, as well as more recent issues with inventory on hand in excess of one year's sales volume. A provision for depreciation is made for supplies held in inventory for more than one year and in excess of one year's consumption.

Receivables

Receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

No allowance for loss is recorded with respect to receivables related to member countries' assessed contributions, except for exceptional and agreed technical reasons.

For all other receivables, an allowance for loss is established based on a review of outstanding amounts at the reporting date.

Investments and other financial assets

Investments and financial assets reported in the Statement of Financial Position consist mainly of investments held on behalf of the participants of the Staff Provident Fund, and of contributions by member countries to the Pension Budget and Reserve Fund. These financial assets consist of shares in investment funds and in bank deposits. The investment funds may be invested in bonds, equity, real estate and derivative financial instruments based on risk and performance objectives.

The assets of the Pension Budget and Reserve Fund are recorded at fair value through the Statement of Financial Performance, whereas those of the Staff Provident Fund are not reported through the Statement of Financial Performance since the investment results accrue to the participants. Both Funds are included in non-current assets reflecting the long-term investment strategy. At the end of each reporting period a valuation is made of the investments held by the Funds. The value is made by reference to official prices quoted on the day of valuation, excluding accrued interest from the date of the last interest payment in the case of bonds and fixed interest securities, or from contract valuations obtained from the fund manager in respect of unquoted investments. The difference between the fair market value and the book cost is recorded as unrealised portfolio gain or loss.

For purchases of investments, the book cost of each investment is calculated on the basis of the purchase price, excluding any interest accrued to the date of purchase or expenses incurred in connection with the purchase. If securities of the same issue are bought at different prices, then an average purchase price is calculated for each unit of security.

For sales or redemption of investments, the proceeds on the capital account are calculated on the basis of the sale price or amount repaid and excludes any interest accrued to the date of sale as well as all expenses incurred in connection with the sale.

For the purposes of determining the capital gains or losses on sale or redemption of investments, the sale proceeds on capital account, as determined above, is compared with the capital cost of the investment.

Cash and cash equivalents

Cash and cash equivalents comprise cash in banks, time deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial risks

The Organisation has developed risk management policies in accordance with its Financial Rules and Regulations. The Organisation is exposed to a variety of financial risks, including market risk (foreign currency exchange and price), liquidity and credit risks. The Organisation does not use significant derivative financial instruments to hedge risk exposures.

a) Foreign currency exchange risk

The Organisation receives voluntary contributions and income from the sale of publications in currencies other than the euro and is exposed to foreign currency exchange risk arising from fluctuations of currency exchange rates.

Outside the euro zone, the Organisation has representation offices in the USA, Japan and Mexico with limited assets. Operating expenses paid in local currencies are generally offset by publication sale receipts in the same currency.

b) Price risk

The Organisation is exposed to equity securities price risk related to investments in its pension funds.

c) Liquidity risk

The Organisation may negotiate and use uncommitted bank credit facilities in the event of liquidity requirements.

d) Credit risk

The Organisation has no significant credit risk since contributors are generally highly credit-worthy.

Provisions

Provisions are recognised when the Organisation has a present obligation as a result of a past event, and it is probable that the Organisation will be required to settle that obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the date of the Statement of Financial Position.

Employee benefits

In addition to a defined contribution retirement savings plan (i.e. the Staff Provident Fund which is closed to new entrants as from 1974), the Organisation operates a number of defined benefit contribution programmes, including: a pension plan, post-employment health coverage, and long service benefits.

The Joint Pension Administration Section (JPAS), (a Section that administrates the pension schemes for 6 co-ordinated organisations, of which the OECD is one), acting as the Organisation's actuary, performs valuations of the defined benefit obligations and the related expense, which is recognised annually. The latest actuarial valuations were carried out as at 31 December 2009 using the Projected Unit Credit Method.

The Projected Unit Credit Method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

The Organisation's pension benefit obligations are partially funded by separately held assets. The assets of the Pension Budget and Reserve Fund and the assets of the Staff Provident Fund are held separately from all the other assets of the Organisation. The Funds' assets may be used only to pay benefits and the Funds' expenses.

Revenue recognition

Assessed and voluntary contributions are recorded when these resources are approved.

Revenue from voluntary contributions is recognised up to the amount expensed in the period. The balance of unspent voluntary contributions and other revenues that relate to future periods are deferred accordingly.

Revenues from sales of publications are recognised upon shipment and revenues from sales of access to OECD statistics and electronic data are recognised upon delivery of access to the data.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Other revenues, including costs reimbursed by third parties, are recognised when they are acquired, either contractually, or in the absence of a contract, upon receipt.

Leasing

The Organisation does not have any finance leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Note 4: Accounting judgements and estimates

In the application of the Organisation's accounting policies, which are described in Note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

Estimates include, but are not limited to: fair value of land and buildings, defined benefit pension and other post-employment benefits obligations, amounts for litigations, valuation of publications sales returns, financial risk on inventories and accounts receivables, accrued charges, contingent assets and liabilities, and degree of impairment of fixed assets.

Note 5: Cash and cash equivalents

	31 December 2009 €'000	31 December 2008 €'000
Cash on hand	5	5
Deposits with banks unrestricted - euros	147,495	102,838
Deposits with banks unrestricted - other currencies	3,280	3,458
Total unrestricted cash	**150,780**	**106,301**
Deposits with banks restricted	21,717	54,529
Deposits with banks and cash equivalents - PBRF	13,159	26,843
Total restricted cash	**34,876**	**81,372**
Total cash and cash equivalents	**185,656**	**187,673**

Cash deposits are generally held in instant access interest-bearing bank accounts, a money market fund and short-term time deposits. Interest-bearing bank accounts yielded interest at an average rate of 0.9% (2008: 3.5%). The significant decrease in interest rates results from action taken by the European Central Bank to reduce short-term lending rates in response to the worldwide financial crisis.

Certain cash deposits are restricted for specific uses:

- Funds received from sale of the offices at Chardon Lagache;

- In January 2008 the Organisation transferred its medical plan investment of 10.5 M€ from a deposit with its insurance company to short term bank deposits and it is now included in "Deposits with banks restricted". It is restricted to cover the cost of the claims administration and the risk of variation in costs associated with the health insurance contract for the Organisation's staff and retirees. The balance of this deposit at 31 December 2009 was 9.7 M€;

- The PBRF assets, including cash deposits, are restricted to the payment of pension benefits and Fund administration expenses as defined by the Fund Statutes. The cash deposits, which are held in interest-bearing bank accounts, term deposits or certificates of deposit, are lower than at the previous year end due mainly to the decision to commence investing in long term funds in accordance with the new investment strategy.

The balance of funds received from member countries to finance the Site Project are now included in unrestricted deposits as the Project is nearing completion and the members' agreement on segregated interest on the Site Project treasury balances terminated at the end of 2008. Site Project treasury was included in restricted deposits at 31 December 2008 (32.5 M€) and interest earned on the funds up to 31 December 2008 was returned to members in 2009.

The Organisation has no confirmed credit lines but does maintain limited and informal overdraft arrangements with its relationship banks. These arrangements may be withdrawn by the banks at any time. No borrowing was done on overdraft facilities in 2009 or in 2008.

Note 6: Inventories

	31 December 2009 €'000	31 December 2008 €'000
Finished publications	2,029	2,747
Supplies	-	218
Diplomatic reserve	33	19
Gross inventories	**2,062**	**2,984**
Provision for depreciation of inventories	(1,530)	(2,258)
Net inventories	**532**	**726**

Finished publications include publications held for sale and publications issued free of charge.

During 2009 it was decided to fully outsource the printing of OECD publications. The supplies of printing equipment maintenance parts, printing inks and paper were disposed of as part of the sale of printing machines. There were no supplies remaining at 31 December 2009.

The provision for depreciation of inventories represents the write down of inventories of finished publications to net realisable value.

Note 7: Accounts receivable and prepayments

	31 December 2009 €'000	31 December 2008 €'000
Current - accounts receivable and prepayments		
Assessed contributions - member countries	23,467	32,795
Assessed contributions - non-member countries participating in Part II programmes	514	550
Provision for uncollected assessed contributions - non-member countries participating in Part II programmes	(116)	(122)
Voluntary contributions	51,217	43,149
Provision for uncollected voluntary contributions	(29)	(73)
Prepayments and other receivables	20,335	23,028
Provision for uncollected other receivables	(469)	(469)
Publications	579	218
Provision for uncollected publications	(102)	(100)
Total current - accounts receivable and prepayments	**95,396**	**98,976**
Non-current accounts receivable		
Voluntary contributions	12,248	19,961
Total accounts receivable and prepayments	**107,644**	**118,937**

Assessed and voluntary contributions receivable represent uncollected revenues committed to the Organisation by member countries, non-member economies and donors for completion of the Programme of Work.

The decrease in member countries assessed contributions is due to more timely payments in 2009 compared to 2008.

The increase in voluntary contributions receivable at 31 December 2009 compared to 31 December 2008 is due mainly to the increase in voluntary contributions offered to the organisation in the period to 31 December 2009. These amounted to 109.4 M€ in 2009 compared to 104.5 M€ for the same period in 2008.

Prepayments and other receivables are mainly in respect of advance payments made to suppliers, principally related to the Site Project, 0.5 M€ (2008: 5.5 M€), reimbursable taxes 15.3 M€ (2008: 8.3 M€), and receivables from member countries for various services rendered, including office rental and staff costs.

Non-current voluntary contributions are due more than 12 months after the period end date in accordance with the terms of the offers. The decrease in non-current receivables is mainly due to the payment schedule of multi-year voluntary contributions for the Programme of Work in the 2009-2010 biennium.

Note 8: Staff loan program

	31 December 2009 €'000	31 December 2008 €'000
Current	3,155	2,703
Non-current	4,127	3,940
Total staff loan program	**7,282**	**6,643**

The Organisation operates a staff loan program through which staff can obtain loans subject to defined limits. Loans to staff are financed by a short-term bank borrowing of 6.8 M€ (2008: 6.3 M€). The interest rate charged to staff loans is adjusted semi-annually, on the basis of the rate charged by the bank, plus a margin for loan administration cost. Collections are assured through payroll withholding and staff separation payments.

Staff loans were previously reported in financial assets but are now reported separately and the outstanding loans at 31 December are classified as either current assets, i.e. repayments due within one year, or as non-current assets for amounts due in more than one year.

The balance at 31 December 2008 has been restated accordingly.

Note 9: Financial assets – non-current

	Notes	31 December 2009 €'000	31 December 2008 €'000
Deposits on office leases	a	1,624	1,640
Staff Provident Fund	b & d	32,822	38,245
Pension Budget and Reserve Fund	c & d	241,133	165,958
Total financial assets - non-current		**275,579**	**205,843**

a) Deposits on office leases are guarantee deposits made by the Organisation as collateral related to the fulfilment of the Organisation's obligations under operating lease agreements.

b) The Staff Provident Fund is a defined contribution retirement savings plan. In accordance with the Fund's rules, it constitutes a segregated entity managed by the Secretary-General on behalf of affiliated employees and retirees. The Fund collects contributions from the affiliated employees of 7% and from the Organisation of 14% of salaries, manages its assets and pays participants account withdrawals. The assets and liabilities of the Fund are reported globally in the Statement of Financial Position. Revenues and charges are not reported in the Statement of Financial Performance since they accrue to the participants. The Fund was closed to new entrants in 1974 when participants were given the choice of remaining in the Fund or transferring their pension rights into the Organisation's newly created defined benefit pension plan. In 2006 the administration of the fund was transferred to the JPAS.

In October 2008 Council approved that participants of the Staff Provident Fund that met certain criteria could transfer to the Organisation the balance of the amounts credited to their Staff Provident Fund account in order to acquire pension rights in the Organisation's New Pension Scheme (NPS) on an actuarial basis. At 31 December 2009 23 participants had transferred their rights amounting to 11.5 M€. The option to join the NPS, which is irrevocable, and the corresponding transfer, was open for six months from the date of notification sent to participants during the 4th Quarter 2008, closed in April 2009.

The Staff Provident Fund participants at 31 December include 17 serving staff (2008: 30) and 234 retired staff (2008: 253).

An investment in a fund was suspended from trading during 2007. A partial distribution equivalent to approximately 50% of the investment was made in 2007. The investment was liquidated in 2008 and the proceeds have been reinvested in a newly created long-term fund, that includes the underlying investments in the prior fund, and which will be held to maturity, with a probable maturity date of 2013, during which period the investment cannot be sold. The investment was valued at the period end at cost of 214 K€. The Staff Provident Fund has brought a legal action against the fund manager to reclaim the loss on the investment and damages. The Tribunal hearing should be held during 2010. The amount that will be finally realised from this investment is uncertain.

Changes in the Staff Provident Fund investments during the period were as follows:

	31 December 2008 €'000	Additions €'000	Disposals / adjustments €'000	31 December 2009 €'000
Gross investment				
Capitalisation contract	34,301	1,390	(3,156)	32,535
Oddo Cash Arbitrages				
Liquidité Longue Fund	214	-	-	214
Cash in portfolio	222	-	(153)	69
Total gross investment	**34,737**	**1,390**	**(3,309)**	**32,818**
Other Assets	3,508	-	(3,504)	4
Total Staff Provident Fund	**38,245**	**1,390**	**(6,813)**	**32,822**

c) In 2000, the Organisation created the Pension Budget and Reserve Fund to "smooth out member countries' contributions over time, provide financial stability to the Organisation's programme of work, introduce investment income as a complement to staff and member country contributions, and, with regard to future service, meet the concerns which have arisen about the distribution of the financial burden of pensions related to past service." In 2005 Council carried out a thorough review of the Fund and agreed to continue a long-term financing structure in order to progressively increase the percentage of pension liabilities which are funded.

Changes in the Pension Budget and Reserve Fund investments during the period were as follows:

	31 December 2008 €'000	Additions €'000	Disposals / adjustments €'000	Unrealised losses at reporting date €'000	31 December 2009 €'000
Gross investment					
Bond funds	78,706	57,791	(78,707)	-	57,790
Equity funds	107,522	69,544	(21,325)	-	155,741
Real Estate funds	-	14,046	-	-	14,046
Investment in Staff Provident Fund	-	5,779			5,779
Total gross investment	**186,228**	**147,160**	**(100,032)**	**-**	**233,356**
Adjustment to fair value					
Bond funds	7,892	-	-	(6,834)	1,058
Equity funds	(28,162)	-	-	34,969	6,807
Real Estate funds	-	-	-	(88)	(88)
Investment in Staff Provident Fund	-	-	-	-	-
Total adjustment to fair value	**(20,270)**	-	**-**	**28,047**	**7,777**
Net value	**165,958**	**147,160**	**(100,032)**	**28,047**	**241,133**

The Pension Budget and Reserve Fund is restricted to pay the pension benefits of staff and is managed according to its statutes. The investment objectives for the Fund recognise the long-term nature and the type of liabilities under the Pension Plan. The Fund invests approximately 60% of its long-term assets in equity funds with the remaining balance in fixed income, real estate and diversified funds. This long-term strategic position is designed to maximise total return subject to controls over credit and liquidity risk and reduce volatility. At 31 December 2009, the Fund was invested at 24.4% in bond funds, 60.6% in equity funds, 1.9% in real estate funds and 13.1% in cash deposits. Due to the equity component of the portfolio the investments follow, nevertheless, short term fluctuations in financial markets. The performance for the 12 months ended 31 December 2009 has been a positive return of 15.2%. Unrealised gains and losses on investments are recognised in the Statement of Financial Performance. The revenue and expenses of the Fund are presented in Note 22: Segment information – Statement of Financial Performance.

d) The Staff Provident Fund and the Pension Budget and Reserve Fund are exposed to the financial risks of changes in foreign currency exchange rates, in interest rates and in market price related to investments. Securities held by the two funds are denominated mainly in euros to minimise foreign currency exchange risk. To cover the specific short-term liability for current year pension benefit payments, a portion of the Funds' assets are held in bank deposits.

Note 10: Furniture, fixtures and equipment

Changes in furniture, fixtures and equipment for the period were as follows:

	31 December 2008 €'000	Acquisitions / Depreciation €'000	Disposals €'000	Transfer €'000	31 December 2009 €'000
Cost of furniture, fixtures and equipment					
Leasehold premises - fixtures and fittings	15,711	2,588	(15,711)	-	2,588
Other furniture, fixtures and equipment	35,998	4,677	(1,014)	405	40,066
Fixed assets in progress	205	367	-	(405)	167
Total cost of furniture, fixtures and equipment	**51,914**	**7,632**	**(16,725)**	**-**	**42,821**
Depreciation					
Leasehold premises - fixtures and fittings	(14,909)	(1,065)	15,711	-	(263)
Other furniture, fixtures and equipment	(22,682)	(4,497)	912	-	(26,267)
Total depreciation	**(37,591)**	**(5,562)**	**16,623**	**-**	**(26,530)**
Net furniture, fixtures and equipment					
Leasehold premises - fixtures and fittings	802	1,523	-	-	2,325
Other furniture, fixtures and equipment	13,316	180	(102)	405	13,799
Fixed assets in progress	205	367	-	(405)	167
Total net furniture, fixtures and equipment	**14,323**	**2,070**	**(102)**	**-**	**16,291**

The acquisitions in leasehold premises - fixtures and fittings are related to the fitting out of new offices that have been leased during 2009. The investment in leasehold premises - fixtures and fittings for La Défense (Tour Europe), related to the relocation of personnel due to the Site Project, was fully depreciated and is included in disposals, as the lease was terminated and the offices vacated in 2009.

During the 4th Quarter 2008 the renovation work to the Marshall Building was accepted from the contractor and the redeployment of staff, mainly from Tour Europe, was completed during the 1st Quarter 2009. The acquisitions of other furniture, fixtures and equipment are mainly related to office equipment for the Marshall Building and the new leased premises.

Note 11: Land and buildings

The Organisation's land and buildings are comprised principally of its headquarters at La Muette, Paris.

	31 December 2008 €'000	Acquisitions / Depreciation €'000	Disposals €'000	Transfer €'000	Revaluation €'000	31 December 2009 €'000
At cost/revaluation						
Land	80,560	-	-	-	-	80,560
Buildings	343,432	478	-	285	-	344,195
Buildings in progress	67	3,074	-	(285)	-	2,856
Total land and buildings	**424,059**	**3,552**	**-**	**-**	**-**	**427,611**
Depreciation						
Buildings	(3,078)	(10,900)	-	-	-	(13,978)
Total depreciation	**(3,078)**	**(10,900)**	**-**	**-**	**-**	**(13,978)**
Net land and buildings						
Land	80,560	-	-	-	-	80,560
Buildings	340,354	(10,422)	-	285	-	330,217
Buildings in progress	67	3,074	-	(285)	-	2,856
Total net land and buildings	**420,981**	**(7,348)**	**-**	**-**	**-**	**413,633**

In January 2000 Council decided to renovate the La Muette headquarters buildings: the current Site Project. This includes:

- Renovation and upgrading of the Chateau to modern norms;
- Asbestos removal and renovation of the New Building and Pascal wing (now renamed Marshall Building), without modification of the structure;
- Construction of a new Conference Centre.

The Site Project is financed by contributions from member countries.

During the construction and renovation period a number of staff were temporarily relocated to rented premises, the majority of them to Tour Europe in La Défense. Notice was served on the lease of Tour Europe, which was terminated in the 2nd Quarter 2009, and the redeployment of staff back to the Marshall Building and other office accommodation was completed during the 1st Quarter 2009. The offices at Tour Europe have been vacated and there are no further commitments regarding this lease.

The total cost of the Site Project is reported in Note 26B, Capital commitments. Construction/renovation costs are accumulated under "Buildings in progress" until the construction/renovation is completed and duly accepted by the Organisation at which time the costs are transferred to "Buildings".

All major construction and renovation work has been completed on time and within budget for the Site Project. The Chateau was operational again in the 1st Quarter 2006, the construction of the Conference Centre, including staff restaurant facilities, was completed during the 4th Quarter 2007 and the renovation of the Marshall Building was completed during the 4th Quarter 2008. Landscaping the gardens at the Chateau and final fitting out of the offices will be completed in 2010.

Due to the difficulty to establish a market value for the specialised Conference Centre, including staff restaurant facilities, the fair value was estimated by management using the depreciated replacement cost of the asset. In this context the depreciated cost as at 31 December 2009 of 51.5 M€ (2008: 52.4M€) is considered by management as representative of its replacement value.

As indicated in Note 3: Significant Accounting Policies, buildings costs are allocated into a number of components and are depreciated over their useful lives on a straight line basis.

Revaluation

As the property market in Paris has been relatively stable during 2009, land and buildings that are carried at fair value have been revalued on the basis of their fair market value at 31 December 2008, in accordance with the valuation made by France Domaine Paris.

The cumulative effect of revaluations has been recognised as follows:

	Revaluation variances	
	Recognised in the Statement of Financial Performance €'000	Recognised in the Statement of Financial Position €'000
Balance 31 December 2007		
Revaluation increase on land	-	4,249
Revaluation increase on buildings	-	150,160
2008		
Revaluation increase on land	-	2,300
Revaluation increase on buildings	-	12,719
Net accumulated revaluation variances at 31 December 2009	**-**	**169,428**

A revaluation increase is normally recognised in reserves in the Statement of Financial Position. However, to the extent that it reverses a revaluation decrease previously recognised as an expense, a revaluation increase is recognised as income in the Statement of Financial Performance.

Note 12: Intangible assets

Intangible assets consist of purchased software.

	31 December 2008 €'000	Acquisitions / Depreciation €'000	Disposals €'000	31 December 2009 €'000
Cost	6,670	878	(2,673)	4,875
Depreciation	(5,329)	(886)	2,673	(3,542)
Total net intangible assets	**1,341**	**(8)**	**-**	**1,333**

Disposals are mainly in respect of software that has been replaced by either newer versions of the software or alternative software better suited to the Organisation's operations.

Note 13: Borrowings

	31 December 2009 €'000	31 December 2008 €'000
Relating to staff loan programme (see Note 8)	**6,800**	**6,290**

Note 14: Payables

	31 December 2009 €'000	31 December 2008 €'000
Suppliers and accrued charges	33,173	47,269
Payables to staff and welfare institutions	27,130	28,774
Advances on assessed and voluntary contributions	19,124	15,209
Other payables	15,048	20,421
Total payables	**94,475**	**111,673**

Suppliers and accrued charges include invoices received from suppliers not yet settled and obligations to suppliers for services performed not yet invoiced. Accrued charges amount to 18.1 M€ at 31 December 2009 (2008: 13.0 M€). A total amount of 3.0 M€ (2008: 14.3 M€) has been retained from various contractors as guarantees against the Site Project work.

Payables to staff primarily represent accrued vacation and other compensated absences and other payments due to staff. Payables to welfare institutions are current contributions, the most significant of which is in respect of the health insurance contract.

Other payables consist of budget surpluses and interest, amounting to 3.6 M€ (2008: 2.7 M€), and advance payments for special projects and from accession countries. The budget surpluses are credited to an account attributable to each member country after they are approved by Council and are then available for any use that the individual member country may decide. All surpluses through the end of 2008 have been approved by Council.

Note 15: Provisions for liabilities and charges

	31 December 2009 €'000	31 December 2008 €'000
Total provisions for liabilities and charges	**111**	**10,353**

Provisions for liabilities and charges represent the evaluation at the closing date of payments to be made in respect of various litigations to which the Organisation is party and the cost of publication sale returns from distributors. The provision at 31 December 2008 included early cancellation indemnities of lease contracts, in respect of offices and parking facilities, that were settled during the 2nd Quarter 2009. In 2009 additional provisions were made for 111 K€, amounts used during the period were 10 168 K€ and unused amounts reversed during the period were 185 K€.

Note 16: Employee benefits

Employee benefits represent the estimated actuarial liability of defined benefit programmes for pensions, post-employment health coverage and long service benefits.

The Organisation operates defined employee benefit plans that include a pension plan coordinated with five other international organisations, a revised pension plan for employees hired after 1 January 2002, post-employment health coverage and a long service benefit plan applying to a closed group of employees.

The long service benefit plan was closed to new entrants in 1993 and at 31 December 2009 had 563 eligible employees (2008: 614).

Staff Provident Fund represents the offsetting liability of the Fund's assets described in Note 9.

The Organisation offers to eligible former officials the same health coverage that is provided to the active staff through three different contribution schemes.

	31 December 2009 €'000	31 December 2008 €'000
Employee benefits current	**74,517**	**68,951**
Employee benefits non-current	1,435,944	1,335,254
Staff Provident Fund	32,822	38,245
Total employee benefits non-current	**1,468,766**	**1,373,499**
Total employee benefits	**1,543,283**	**1,442,450**
Defined contribution programme		
Staff Provident Fund	**32,822**	**38,245**
Defined benefit programmes		
Defined benefit programmes - current	74,517	68,951
Defined benefit programmes - non-current	1,435,944	1,335,254
Total defined benefits programmes	**1,510,461**	**1,404,205**

In 2008 the Organisation reviewed its main financial actuarial assumptions: discount rates, future salary and benefit levels and future medical costs. All demographic assumptions are reviewed at least every five years and the last review was in 2008.

The Organisation performs an actuarial valuation of the various defined benefit schemes in force at the reporting date to measure its employment benefits obligation.

The following tables set out the changes in the accumulated benefits obligation and the amounts recognised in the Statements of Financial Position and the evolution of actuarial gains and losses:

	31 December 2009			31 December 2008		
	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000
The amounts recognised in the balance sheet are as follows :						
Employee future benefits obligation	(1,595,259)	(289,770)	**(1,885,029)**	(1,602,748)	(290,077)	**(1,892,825)**
Unrecognised actuarial losses	344,189	30,379	**374,568**	437,149	51,471	**488,620**
Liability recognised in Statement of Financial Position	(1,251,070)	(259,391)	**(1,510,461)**	(1,165,599)	(238,606)	**(1,404,205)**

The actuarial valuation of the defined benefits obligation is determined by discounting the probable future payments required to settle the obligation resulting from employee service rendered in the current and prior periods. The discount rate used is based on market yields, at the reporting date, on euro denominated French government bonds that have terms to maturity approximating the terms of the related benefit liabilities.

	31 December 2009			31 December 2008		
	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000
The movements of actuarial (gains) and losses are:						
Unrecognised actuarial losses at beginning of the year	437,149	51,471	**488,620**	294,704	27,695	**322,399**
Actuarial (gains) /losses for the year	(65,273)	(18,846)	**(84,119)**	158,029	24,071	**182,100**
Losses recognised in the year	(27,687)	(2,246)	**(29,933)**	(15,584)	(295)	**(15,879)**
Unrecognised actuarial losses at end of December	344,189	30,379	**374,568**	437,149	51,471	**488,620**
Limit of the corridor and recognised actuarial (gains) / losses are:						
Unrecognised actuarial losses at beginning of the year	437,149	51,471	**488,620**	294,704	27,695	**322,399**
Limit of the corridor, 10% of the defined benefits obligation at the beginning of the year	(160,275)	(29,008)	**(189,283)**	(138,862)	(24,750)	**(163,612)**
Actuarial losses to be amortised over the expected average remaining working lives of the employees participating in the plan	276,874	22,463	**299,337**	155,842	2,945	**158,787**
Expected average remaining working lives of the employees participating in the plan	10	10		10	10	
Actuarial losses recognised the year	27,687	2,246	**29,933**	15,584	295	**15,879**

Actuarial gains or losses arise when the actuarial assessment differs from the long term expectation on the obligations: they result from experience adjustment (difference between the previous actuarial assumptions and what has actually occurred) and the effects of change in actuarial assumptions.

The increase in the discount rate from 31 December 2008 to 31 December 2009 for pension benefits, from 3.90% to 4.27%, and post-employment health coverage, from 3.90% to 4.36%, is the main reason for actuarial gains of approximately 65 M€ and 19 M€ respectively in 2009.

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are recognised in the Statement of Financial Performance to the extent that they exceed 10% of the greater of the fair value of the plan assets or the present value of the gross defined benefit obligations in the scheme at the beginning of the period. Actuarial gains and losses exceeding 10% are amortised over the expected average remaining working lives of the employees participating in the scheme, 10 years in 2009 (2008: 10 years).

The amounts recognised in the Statements of Financial Performance are as follows:

	31 December 2009			31 December 2008		
	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000
Member country PBRF contributions	47,880	-	47,880	47,052	-	47,052
Employer contributions	25,670	-	25,670	24,852	-	24,852
Other contributions (tax reimbursements)	4,651	-	4,651	4,535	-	4,535
Pension and other contributions for the year	**78,201**	**-**	**78,201**	**76,440**	**-**	**76,440**
Current service cost	65,090	11,527	76,617	55,920	11,097	67,017
Interest cost	60,556	11,232	71,788	63,786	11,297	75,083
Actuarial losses recognised in the year	27,687	2,246	29,933	15,584	295	15,879
Employee contributions from salary	(14,458)	-	(14,458)	(13,913)	-	(13,913)
Employees contributions including transfers from the Staff Provident Fund	(11,261)	-	(11,261)	(2,563)	-	(2,563)
Other expenses (tax reimbursements, post employment health costs)	4,651	236	4,887	4,535	271	4,806
Pensions and other expenses for the year	**132,265**	**25,241**	**157,506**	**123,349**	**22,960**	**146,309**

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during the period in the present value of the defined benefit obligation which arises because the benefits are one period closer to settlement.

Other contributions include contributions of tax reimbursements.

The increase in employee contributions, including transfers from the Staff Provident Fund, is significantly higher in 2009 due mainly to the transfer of participants from the Staff Provident Fund to the New Pension Scheme as indicated in Note 9.

Contributions from participants to buy pension rights for past service, including transfers from the Staff Provident Fund, which were previously reported as revenue, have been reclassified as a deduction of pension expense and included in employee contributions including transfers from the Staff Provident Fund. The prior period has been restated accordingly for an amount of 2 563 K€.

Changes in the present value of the employee future benefits obligation are as follows:

	31 December 2009			31 December 2008		
	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000
Opening employee future benefits obligation	(1,602,748)	(290,077)	**(1,892,825)**	(1,388,617)	(247,499)	**(1,636,116)**
Expense for the period:						
Current service cost	(65,090)	(11,527)	**(76,617)**	(55,920)	(11,097)	**(67,017)**
Interest cost	(60,556)	(11,232)	**(71,788)**	(63,786)	(11,297)	**(75,083)**
Benefits paid	67,862	4,220	**72,082**	63,604	3,887	**67,491**
Net actuarial gains / (losses) for the period	65,273	18,846	**84,119**	(158,029)	(24,071)	**(182,100)**
Employee future benefits obligation at end of December	**(1,595,259)**	**(289,770)**	**(1,885,029)**	**(1,602,748)**	**(290,077)**	**(1,892,825)**

Principal actuarial assumptions at 31 December (expressed as weighted averages) were:

	2009		2008	
	Pension benefits	Post-employment health coverage	Pension benefits	Post-employment health coverage
Discount rate	4.27%	4.36%	3.90%	3.90%
Future salary increase	2.15%		2.10%	
Future Pension Scheme increase	2.15%		2.20%	
Future New Pension Scheme increase	1.80%		1.75%	
Future health cost increase		3.80%		3.75%

Assumed healthcare cost trends have a significant effect on the amounts recognised in the Statement of Financial Performance. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	One percentage point increase €'000	One percentage point decrease €'000
Effect on the aggregate of the service cost and interest cost	7,388	(5,312)
Effect on defined benefit obligation	71,745	(55,154)

The five-year history of experience adjustments is as follows:

	31 December 2009 €'000	31 December 2008 €'000	31 December 2007 €'000	31 December 2006 €'000	31 December 2005 €'000
Present value of defined benefit obligations	1,595,259	1,602,748	1,388,617	1,430,655	1,494,810
Net value of assets in PBRF fund	251,240	186,175	213,795	180,242	134,767
Experience adjustments on scheme liabilities					
Percentage of scheme liabilities %	2.4	(4.4)	(2.9)	0.1	1.0

The Organisation expects to contribute approximately 75 M€ to its pension plans in 2010.

Note 17: Deferred revenue

	Current		Non-current	
	31 December 2009 €'000	31 December 2008 €'000	31 December 2009 €'000	31 December 2008 €'000
Site Project	11,928	4,509	110,366	113,791
Voluntary contributions	58,565	61,416	83,772	62,386
Publications	5,959	5,167	166	220
Other operations, Part I, Part II and Annex budgets	16,550	21,461	-	100
Total deferred revenue	**93,002**	**92,553**	**194,304**	**176,497**

Deferred revenue corresponds to revenue recorded but for which the corresponding charges will be incurred after the reporting date. Non-current deferred revenue is in respect of activities more than 12 months after the reporting date.

In future periods the movement in deferred revenue for the Site Project will mainly reflect the period depreciation charge for the buildings that were constructed/renovated and financed as part of the Site Project.

Note 18: Member countries' contributed interest and reserves

	31 December 2008 €'000	IPSAS adjustments carried forward €'000	Previous year results added to reserves €'000	Budgetary surpluses to be allocated €'000	Transfers / revaluations and current year deficiit €'000	Net reserves and budget surpluses added to future budgets €'000	Budget surpluses to be returned to member countries and other donors €'000	31 December 2009 €'000
Pension benefits	(1,093,914)	-	(71,685)	-	-	-	-	(1,165,599)
Post employment health coverage	(219,804)	-	(18,802)	-	-	-	-	(238,606)
Land and buildings	313,636	-	-	-	-	-	-	313,636
Accumulated surplus / (deficit)	(19,478)	55	(189)	5,185	-	(3,842)	(1,155)	(19,424)
Total member countries' contributed interest	**(1,019,560)**	**55**	**(90,676)**	**5,185**	**-**	**(3,842)**	**(1,155)**	**(1,109,993)**
Pension Budget and Reserve Fund reserve	**213,795**	**-**	**(27,619)**	**-**	**-**		**-**	**186,176**
Chardon Lagache reserve	11,264	-	550		-	-	-	11,814
Medical Plan reserve	10,008	-	(30)		-	-	-	9,978
Other reserves	13,055	-	624	-	(679)	-	(5,395)	7,605
Total reserves	**34,327**	**-**	**1,144**	**-**	**(679)**	**-**	**(5,395)**	**29,397**
Allocation of the net deficit for the prior period	**(111,911)**	**(55)**	**117,151**	**(5,185)**	**-**	**-**	**-**	**-**
Net deficit for the current period	**-**	**-**	**-**	**-**	**(29,605)**	**-**	**-**	**(29,605)**
Total member countries' contributed interest and reserves	**(883,349)**	**-**	**-**	**-**	**(30,284)**	**(3,842)**	**(6,550)**	**(924,025)**

Member countries' contributed interest represents: the liability related to the pension benefit obligation and post-employment health coverage, detailed in Note 16; and the counterpart of land and buildings owned by the Organisation.

The balance shown at 31 December 2009 for pension benefits, post-employment health coverage and the Pension Budget and Reserve Fund reserve are the value at the prior year end as the movements for the current year are included in the net deficit for the current period.

The accumulated surplus / (deficit) results from IPSAS accounting differences carried forward.

The Chardon Lagache and Medical Plan reserves correspond to funds to be used for purposes specified by Council or by the Secretary-General.

Other reserves represent net surpluses retained for future use. The reserve for the Site Project interest income was closed during the period and the funds returned to member countries.

Note 19: Operating revenues

	12 months ended 31 December 2009 €'000	12 months ended 31 December 2008 €'000
Assessed contributions	263,781	276,894
Voluntary contributions	90,091	79,274
Pension contributions	78,201	76,440
Sales of publications	16,306	15,071
Other	17,776	13,518
Total operating revenues	**466,155**	**461,197**

Main variances between 2009 and 2008 are as follows:

- Assessed contributions for Part I, Part II and Annex budgets changed in line with the Annual Budget. The main reason for the decrease is the reduction in contributions for the Site Project which is nearing completion;

- Voluntary contributions recognised during the period were higher due to increased contributions from donors financing additions to the Programme of Work;

- Pension contributions include amounts paid by member countries to the PBRF fund, employer contributions and other contributions of tax reimbursements. Contributions from participants to buy pension rights for past service, including transfers from the Staff Provident Fund, which were previously reported as revenue, have been reclassified as a deduction of pension expense. The prior period has been restated accordingly for an amount of 2 563 K€;

- Sales of publications increased in 2009 partly due to an increase in the number of subscribers for SourceOECD and OECD iLibrary, which now account for approximately 75% of publication revenues.

- Other revenues include costs reimbursed by third parties, recovery of salaries of seconded staff, revenue from non-member economies, including the accession countries, and receipts from conferences. The increase is due mainly to the accession countries contributions for pre-accession costs.

Note 20: Operating expenses

	12 months ended 31 December 2009 €'000	12 months ended 31 December 2008 €'000
Personnel costs:		
Salaries and benefits	234,295	225,913
Temporary staff salaries and benefits	12,184	10,070
Other personnel costs (incl. training)	1,402	928
Total personnel costs	**247,881**	**236,911**
Total pension and post-employment benefits costs (See Note 16)	**157,506**	**146,309**
Consulting costs:		
Fees to individual consultants	11,668	11,029
Fees to companies	15,794	16,958
Total consulting costs	**27,462**	**27,987**
Travel costs:		
Travel costs missions - personnel	13,818	14,226
Travel costs - external invitees	8,221	8,541
Total travel costs	**22,039**	**22,767**
Operating costs:		
External services	12,351	12,369
Building rentals	19,357	25,550
Maintenance and repairs	6,397	7,953
Utilities	1,330	1,172
Consumable and supplies	4,507	4,208
Printing and reproduction	718	1,174
Conference, interpretation and translations	5,576	5,385
Communication	3,039	2,930
Marketing	2,445	2,711
External publications	1,760	1,571
Depreciation	17,348	14,525
Inventory variation	922	(308)
Total operating costs	**75,750**	**79,240**
Other costs:		
Non refundable taxes and insurance	1,049	1,290
Other administration expenses and operating gains and losses	121	254
Provisions for liabilities and charges, risk on uncollected receivables and publications inventories	(885)	10,010
Total other costs	**285**	**11,554**
Total operating expenses	**530,923**	**524,768**

Main variances between 2009 and 2008 are as follows:

- The increase of 4.6% in personnel costs is primarily due to additions to the voluntary contributions financing the Programme of Work;

- The increase in pension and post-employment benefits costs is due mainly to the increased accumulation of rights by a higher number of employees, partly offset by 3.3 M€ decrease in interest costs and 9.9 M€ transferred from the Staff Provident Fund participants who elected to join the OECD New Pension Scheme as detailed in Note 9. Contributions from participants to buy pension rights for past service, including transfers from the Staff Provident Fund, which were previously reported as revenue, have been reclassified as a deduction of pension expense. The prior period has been restated accordingly for an amount of 2 563 K€;

- Building rentals are lower than in 2008 due to the cancellation of the lease for Tour Europe during the 2nd Quarter 2009. Additional office space has been acquired in 2009 and lease charges for these premises commence during 2009 and 2010;

- The increase in depreciation costs in 2009 is due mainly to the completion of the Site Project buildings put in service and being depreciated;

- The inventory variation is due to a reduction in printed publications and the disposal of printing supplies, as the printing of publications that had been carried out internally, is being outsourced in 2010.

- Other costs include a provision in 2008 for indemnities for the early cancellation of lease contracts in respect of offices and parking facilities that were settled during the 2nd Quarter 2009. This one-off cost in 2008, and a reduction in the provisions for depreciation of inventories and risk on uncollected receivables in 2009, is the main reason for lower "Other costs" in 2009 compared to 2008.

Note 21: Financial revenue and expenses

	12 months ended 31 December 2009 €'000	12 months ended 31 December 2008 €'000
Interest income on restricted funds	1,355	3,564
Interest income on general treasury funds	1,063	3,229
Pension Budget and Reserve Fund investment gain / (loss)	32,134	(53,298)
Net foreign currency conversion gain / (loss)	1,024	(1,268)
Total financial revenue	**35,576**	**(47,773)**
Interest expense	175	337
Bank charges	238	230
Total financial expenses	**413**	**567**
Financial revenue, net	**35,163**	**(48,340)**

Total interest income decreased by 4 375 K€ for the period ending 31 December 2009 compared to the period ending 31 December 2008 due mainly to lower interest rates as a result of action taken by the European Central Bank to reduce short-term lending rates in response to the worldwide financial crisis.

Interest income earned by the Pension Budget and Reserve Fund was 695 K€ for the period ending 31 December 2009 compared to 484 K€ for the period ending 31 December 2008 due mainly to an increase of short-term deposits destined for investing in long term funds.

Interest income on general treasury funds is earned mostly from voluntary contributions received in advance of the related expenditure, and the interest earned in 2009 is lower than interest earned in 2008 due mainly to lower interest rates.

The investment income on the long-term investments of the Pension Budget and Reserve Fund for the period to 31 December 2009 is mainly related to the equity investments which have increased in value in line with the recovery in equity markets. In the year ending 31 December 2009 the PBRF long term investments had a positive return of 15.8% (2008: negative return 24.8%).

Net foreign currency gains for the year ending 31 December 2009 of 1 136 K€ (2008: loss 1 268 K€) are mainly due to the difference in the valuation of voluntary contributions accounts receivable at 31 December 2009 compared to the amount of the receivable recorded on acceptance.

Interest expense is for the borrowing used to fund the staff loan programme and is lower than the prior year mainly due to lower interest rates.

Note 22: Segment information - Statement of Financial Performance

Segment information is based on the principal activities and sources of financing of the Organisation. These service segments conform to the Programme of Work of the Organisation for the years 2009 and 2010. Part I is for programmes financed by members and Part II is for special programmes financed by some or all members and non-members. Annex budgets include the Site Project. Non-budgetary operations include the staff loan programme, exchange variances and other sundry operations.

Owing to the nature of the activities of the Organisation, its assets and liabilities are jointly used by the segments, and are not separately disclosed.

The following table combines budgetary and IPSAS reporting. IPSAS adjustments are accounting entries required to conform to IPSAS and are not part of the Organisation's budgetary reporting. These adjustments principally concern accrual accounting relating to expenses and revenues, pension benefits and other personnel costs, fixed assets and related depreciation. When possible, accrual adjustments are allocated to revenues and expenses by segment. IPSAS accrual adjustments that are not allocated to a specific segment are reported in the "IPSAS" column. Internal operations reflect the estimated cost of services exchanged between segments.

Statement of Financial Performance by Segment

	Part I (1)		Part II (2)		Annex budgets (3)		Voluntary contributions (4)	
	2009	2008	2009	2008	2009	2008	2009	2008
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Assessed contributions	166,905	154,864	78,206	73,843	18,670	48,187	-	-
Voluntary contributions	-	-	-	31	-	-	90,091	79,243
Pension contributions	-	-	-	-	4,651	4,535	-	-
Sales of publications	-	-	5,854	5,297	10,434	9,774	18	-
Other	1,924	1,257	3,792	495	8,717	8,411	1,995	2,087
Total operating revenues	**168,829**	**156,121**	**87,852**	**79,667**	**42,472**	**70,907**	**92,104**	**81,330**
Personnel	136,413	139,726	47,141	41,581	17,277	16,535	49,859	39,998
Pension & post-empl. benefits	3,900	3,259	-	38	4,651	4,535	-	-
Consulting	5,695	4,497	7,800	9,745	726	974	13,268	12,729
Travel	3,982	4,347	3,529	3,896	763	992	13,765	13,525
Operating	36,310	27,096	12,439	10,770	19,452	36,484	5,721	5,148
Other	631	333	139	127	(583)	10,969	(7)	157
Total operating expenses	**186,931**	**179,258**	**71,048**	**66,157**	**42,286**	**70,489**	**82,606**	**71,557**
Surplus/ (deficit) from operating activities	**(18,102)**	**(23,137)**	**16,804**	**13,510**	**186**	**418**	**9,498**	**9,773**
Other financial revenue and expenses, net	860	3,071	-	-	(50)	(53)	(2)	(9)
PBRF investment income	-	-	-	-	-	-	-	-
Total financial revenue and expense, net	**860**	**3,071**	**-**	**-**	**(50)**	**(53)**	**(2)**	**(9)**
Surplus / (deficit) from ordinary activities	**(17,242)**	**(20,066)**	**16,804**	**13,510**	**136**	**365**	**9,496**	**9,764**
Internal operations	20,607	19,989	(11,214)	(9,493)	(164)	(619)	(9,496)	(9,764)
Net surplus / (deficit) for the period	**3,365**	**(77)**	**5,590**	**4,016**	**(28)**	**(254)**	**-**	**-**

	Non-budgetary operations (5)		Pension Budget and Reserve Fund (6)		IPSAS (7)		**TOTAL (1 to 7)**	
	2009	2008	2009	2008	2009	2008	2009	2008
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Assessed contributions	-	-	-	-	-	-	263,781	276,894
Voluntary contributions	-	-	-	-	-	-	90,091	79,274
Pension contributions	-	-	73,550	71,905	-	-	78,201	76,440
Sales of publications	-	-	-	-	-	-	16,306	15,071
Other	1,348	1,268	-	-	-	-	17,776	13,518
Total operating revenues	**1,348**	**1,268**	**73,550**	**71,905**	**-**	**-**	**466,155**	**461,197**
Personnel	(1,126)	615	-	-	(1,683)	(1,544)	247,881	236,911
Pension & post-empl. benefits	-	-	41,016	46,445	107,939	92,032	157,506	146,309
Consulting	42	107	-	-	(69)	(65)	27,462	27,987
Travel	-	7	-	-	-	-	22,039	22,767
Operating	1,180	1,233	-	-	648	(1,491)	75,750	79,240
Other	2	(32)	-	-	103	-	285	11,554
Total operating expenses	**98**	**1,930**	**41,016**	**46,445**	**106,938**	**88,932**	**530,923**	**524,768**
Surplus/ (deficit) from operating activities	**1,250**	**(663)**	**32,534**	**25,460**	**(106,938)**	**(88,932)**	**(64,768)**	**(63,571)**
Other financial revenue and expenses, net	1,524	1,465	697	484	-	-	3,029	4,958
PBRF investment income	-	-	32,134	(53,298)	-	-	32,134	(53,298)
Total financial revenue and expense, net	**1,524**	**1,465**	**32,831**	**(52,814)**	**-**	**-**	**35,163**	**(48,340)**
Surplus / (deficit) from ordinary activities	**2,774**	**803**	**65,365**	**(27,354)**	**(106,938)**	**(88,932)**	**(29,605)**	**(111,911)**
Internal operations	567	152	(300)	(265)	-	-	-	-
Net surplus / (deficit) for the period	**3,341**	**955**	**65,065**	**(27,619)**	**(106,938)**	**(88,932)**	**(29,605)**	**(111,911)**

Note 23: Statement of Budget and Actual amounts

The Organisation has moved in recent years to implement a results-based planning, budgeting and management framework, identifying the policy impacts member governments are seeking; deploying resources to achieve these outcomes through the work programme; and evaluating performance after the fact.

The focus on results aims to sharpen accountability at all levels in the Organisation, to reassure member countries that the resources they entrust to the Organisation are managed efficiently and used for the purposes for which they were intended; and to ensure both that the Organisation's outputs respond to the most important policy concerns of governments, and that the results produced are those that are expected on policy making in capitals.

The Organisation's Programme of Work and Budget (PWB) forms part of an integrated, continuous management cycle linking planning, prioritisation, budgeting, reporting and evaluation.

Since 2002, the Organisation has had in place a Strategic Management Framework based on six Strategic Objectives that reflect the OECD Convention. They are:

1. Promote Sustainable Economic Growth, Financial Stability and Structural Adjustment

2. Provide Employment Opportunities for All, Improve Human Capital and Social Cohesion and Promote a Sustainable Environment

3. Contribute to Shaping Globalisation for the Benefit of All through the Expansion of Trade and Investment

4. Enhance Public and Private Sector Governance

5. Contribute to the Development of Non-Member Economies

6. Provide Effective and Efficient Corporate Management

These Strategic Objectives cascade down to Output Groups and, at a lower level, to Output Areas. The Strategic Management Framework provides the basis for Council decisions on resource allocations and for Committee planning, budgeting and reporting.

The following schedule shows the amount of the original budget of income and expenditure for 2009 that was approved by Council in 2008, and the final budget, which includes commitments carried forward from 2008, appropriations carried forward for certain Part II programmes and in accordance with the Financial Regulations, new, revised and supplementary budgets approved in 2009. This budget does not include financing for the Site Project nor voluntary contributions.

	Budget Amount			
	Original Budget	Final Budget	Actual	Difference: Final Budget and Actual
	€'000	€'000	€'000	€'000
Income				
Part I	165,645	183,922	183,884	(38)
Part II	69,670	93,040	93,731	691
Annex budgets	67,892	69,044	68,563	(481)
Pre-accession	15,015	15,015	15,015	-
Enhanced engagement	814	814	814	-
Total income	**319,036**	**361,835**	**362,007**	**172**
Expenditure				
Part I	165,645	183,922	176,743	7,179
Part II	69,670	93,040	87,815	5,225
Annex budgets	67,892	69,044	68,563	481
Pre-accession	15,015	15,015	13,400	1,615
Enhanced engagement	814	814	689	125
Total expenditure	**319,036**	**361,835**	**347,210**	**14,625**
Net result				
Part I	-	-	7,141	7,141
Part II	-	-	5,916	5,916
Annex budgets	-	-	-	-
Pre-accession	-	-	1,615	1,615
Enhanced engagement	-	-	125	125
Total net result	**-**	**-**	**14,797**	**14,797**

Part I income is lower than budget due mainly to lower interest income as a result of lower interest rates, partly offset by an increase in fees from non-member economies accepted as observers to various subsidiary bodies of the Organisation.

Part II income is more than budget due mainly to higher sales of publications, particularly by the IEA.

Income in the Annex budgets is lower than budget mainly due to lower distribution and publishing charge-back from Part II programmes and lower income from printing services. There is also a lower amount of tax on pensions that is reimbursed by member countries in respect of income taxes paid by retirees on their pensions received from the Organisation.

Savings on expenditure in Part I and Part II stem mainly from the budgets for personnel costs due to unfilled vacancies during the period. In some cases unfilled vacancies delay the implementation of the program of work and produce additional savings in operating expenditure.

In the pre-accession budgets the pace of implementation has varied. Actual spending reflects the timing of staff recruitment, which in turn is influenced by the schedule of Committee accession reviews of each candidate country. Amounts unspent will be carried forward to 2010 in order to continue and complete studies.

The following schedule shows the original and final expenditure budgets, actual expenditure and the difference between the actual expenditure and the final budget for Part I, by Output Group, and Part II programme.

	Budget Amount			
	Original Budget €'000	Final Budget €'000	Actual €'000	Difference: Final Budget and Actual €'000
Part I : Output Group				
Economic Surveillance	17,425	17,610	16,814	796
Industrial and Sectoral Policies	2,343	2,370	2,234	136
Science and Technology Policies	6,188	6,169	5,417	752
Human and Social Capital	2,716	2,859	2,695	164
Employment Policies and Social Cohesion	5,182	5,151	4,934	217
Environmental Sustainability	6,542	6,508	5,923	585
Health System Performance	2,065	1,990	1,956	34
International Trade	4,675	4,657	4,538	119
Agriculture	6,426	6,705	6,378	327
Taxation	4,559	4,792	4,814	(22)
Business Climate	5,577	5,522	5,384	138
Competition and Market Efficiency	5,508	6,173	6,050	123
Effective and Efficiient Government	4,352	4,124	4,180	(56)
Development	5,495	5,457	5,472	(15)
Global relations	1,579	1,709	1,591	118
Corporate Management	8,012	7,574	7,279	295
Statistics	6,292	6,263	6,112	151
Corporate Services	64,041	69,188	66,619	2,569
Corporate Visibility	7,518	7,594	7,594	-
Other operations	(850)	-	-	-
2008 commitments carried forward	-	11,507	10,759	748
Total Part I	**165,645**	**183,922**	**176,743**	**7,179**
Part II : Programme				
International Energy Agency	25,701	26,367	25,805	562
Development Centre	5,514	6,091	5,862	229
Sahel & West Africa Club	1,448	2,354	2,155	199
OECD Nuclear Energy Agency	-	11,011	10,808	203
Nuclear Energy Agency Data Bank	-	3,462	3,275	187
Centre for Educational Research and Innovation	3,515	3,659	3,508	151
Joint OECD/ITF Trasnsport Research Centre	1,074	1,186	1,183	3
International Transport Forum	4,850	5,230	5,230	-
Special Programme on the Control of Chemicals	1,822	1,912	1,911	1
Steel	678	701	542	159
Biological Resource Management for Sustainable Agricultural	770	946	934	12
Co-operation Action on Local Eco. & Employment	1,289	1,322	1,296	26
International Assesment of Adult Competencies	4,080	4,295	3,993	302
Financial Action Task Force	-	2,940	2,918	22
OECD Global Science Forum	556	556	556	-
Agricultural Codes and Schemes for International Trade	1,029	1,120	1,009	111
Network on Fiscal Relations Across Levels of Government	329	335	335	-
Shipbuilding	365	402	361	41
Inter-Organisations Section	2,355	2,419	2,269	150
Joint Pensions Administrative Section	3,085	3,253	3,054	199
German Linguistic Section	1,626	1,626	1,361	265
Italian Linguistic Section	480	483	279	204
Reimbursable Posts	1,575	1,575	1,376	199
Programme for International Student Assessment	5,375	7,614	5,811	1,803
Programme on Instuiutional Management in Higher Education	874	900	821	79
Centre for Effective Learning Environments	540	541	431	110
Omesys (medical claims administration)	740	740	732	8
Total Part II	**69,670**	**93,040**	**87,815**	**5,225**
Total expenditure Part I & Part II	**235,315**	**276,962**	**264,558**	**12,404**

The budget and the accounting bases differ. The financial statements for the Organisation are prepared on the accrual basis using a classification based on the nature of the expense in the Statement of Financial Performance. The budget is based on a cash/commitment basis by Output Group, Part II programme and Annex budgets. The following note provides reconciliation between the budgetary results and the financial statements.

Note 24: Reconciliation of budgetary results and results after IPSAS adjustments

In order to reconcile the budget outturn results to the results after IPSAS adjustments, differences between budget accounting and accrual accounting need to be taken into account. These differences can be attributable to timing or permanent differences. The most significant of these differences are the following:

a) In budget accounting, revenue is required to cover all committed expenditures. In accrual accounting, revenue and expenses only include amounts accruing to the period. The difference is treated as deferred revenue or expenses in accrual accounting.

b) In budget accounting, capital expenditures (except capital expenditures for the Site Project which has a separate budget) are recorded as current year expenses. In accrual accounting this expense is capitalised and depreciated over the useful lives of the assets. These capital expenditures and associated depreciation are recorded at their net value as assets in the Statement of Financial Position. Depreciation expense is recorded in the Statement of Financial Performance.

c) In budget accounting, post-employment health coverage expenditure for employee benefits is accounted for on a pay as you go basis. For pension benefits, the budget contributions are estimated on an actuarial basis to represent the cost in the long-term of the benefits provided. In addition to the normal budget member countries provide supplemental pension budget contributions to meet unfunded past service costs. In accrual accounting, the expense for both pensions and post-employment health coverage is estimated by an actuary in accordance with a methodology set out in accounting standard IPSAS 25. The pension and post-employment health coverage benefits obligation is reported in the Statement of Financial Position as detailed in Note 16.

d) In budget accounting, publications receipts, including subscriptions, are recorded during the year on a cash basis. In accrual accounting these sales are recorded as revenue when delivered and adjusted by provisions for losses on receivables or returns of goods sold.

The following table shows the budgetary results reconciled with the results after IPSAS adjustments for the period as reported in the financial statements.

	Budgetary results to be allocated (1) €'000	Transfer to reserves and carry forward to 2010 (2) €'000	**Results for the year (3) = (1) + (2)** €'000	IPSAS adjustments (4) €'000	Nature of reconciling adjustments	**Net results for the year (3) + (4)** €'000
Part I	7,141	-	**7,141**	(3,776)	a, d	**3,365**
Part II	5,916	-	**5,916**	(326)	a, d	**5,590**
Annex budgets	-	-	**-**	(28)	a, d	**(28)**
Pre Accession	1,615		**1,615**	(1,615)		**-**
Enhanced Engagement	125		**125**	(125)		**-**
Sub total - Budget operations	**14,797**	**-**	**14,797**	**(5,870)**	**-**	**8,927**
Non-budgetary operations	-	3,341	**3,341**	-		**3,341**
Pension Budget and Reserve Fund	-	65,065	**65,065**	-		**65,065**
Sub total - Other operations	**-**	**68,406**	**68,406**	**-**		**68,406**
Other IPSAS adjustments						
Change in employee defined benefit liabilities	**-**	**-**	**-**	(106,256)	c	**(106,256)**
Adjustments for assets capitalised and depreciated	**-**	**-**	**-**	(682)	b	**(682)**
Sub total - Accounting adjustments	**-**	**-**	**-**	**(106,938)**		**(106,938)**
Net result	**14,797**	**68,406**	**83,203**	**(112,808)**		**(29,605)**

Note 25: Proposed allocation of the results for the period

The results for 2009 will be allocated as follows, subject to approval by Council:

	Net results for the year	Proposed treatment of the results		
		Transfer to accumulated deficit	Transfer to reserves and carry forward to 2010	Budgetary results to be allocated
	€'000	€'000	€'000	€'000
Part I	7,141	-	6,416	725
Part II	5,916	-	-	5,916
Annex budgets	-	-	-	-
Pre Accession	1,615	-	1,615	-
Enhanced Engagement	125	-	125	-
Non-budgetary funds	3,341	-	3,341	-
Pension Budget and Reserve Fund	65,065	-	65,065	-
Sub-total	**83,203**	**-**	**76,562**	**6,641**
IPSAS adjustments				
Included in Part I	(3,776)	(3,776)	-	-
Included in Part II	(326)	(326)	-	-
Included in Annex budgets	(28)	(28)	-	-
Included in Pre Accession	(1,615)	(1,615)		
Included in Enhanced Engagement	(125)	(125)		
Other IPSAS adjustments	(106,938)	(106,938)	-	-
Sub-total IPSAS adjustments	**(112,808)**	**(112,808)**	**-**	**-**
Net result for the period	**(29,605)**	**(112,808)**	**76,562**	**6,641**

Note 26: Contingencies and capital commitments

A. Contingencies

The Organisation is or may be a party to a limited number of legal proceedings or technical disputes. Management believes that the liabilities that might result from these litigations will not be material in relation to the Organisation's operations or financial position.

In 2002, the Organisation signed a lease for office space in La Défense (Tour Europe) covering the period 2002-2011 following a standard 9 year lease term. The original plan and budget of the Site Project provided for the early termination of the lease in 2009. The Organisation has met the projected timing of the project and the termination notice has been served on the lease as of April 2009. The relocation of employees located in Tour Europe commenced during the 4th Quarter 2008 and was completed during the 1st Quarter 2009. The final payment in respect of the Tour Europe lease was made during the 2nd Quarter 2009.

In 2002, the Organisation set up an early retirement scheme for a closed group of employees that had been exposed to an asbestos risk. The scheme allows the employees to request early retirement providing they are over 50 and less than 60 years of age, and meet certain conditions as to job function and medical condition. At 31 December 2009 one employee was receiving early retirement payments under the scheme. In the unlikely event that all the remaining eligible employees benefited fully from the scheme the maximum amount payable would be approximately 3.5 M€ over the period to June 2031.

In December 2005 the Organisation renewed its insurance contract for a period of 5 years, from 1 January 2006 to 31 December 2010, with Médéric Prévoyance (the Insurer), to cover payments of medical expenses, salary for temporary work disability, salary for permanent work disability, lump sum payments for death or permanent disability for any cause and lump sum payments for death related to an accident at work or work related illness.

The contract includes a provision in which the difference between the premiums due to the Insurer and the amounts paid out by it in claims each year is transferred by the Insurer to a provision for equalization account, which is available to manage risk in respect of the events described above, thereby allowing premiums to be lower than would be the case were the provision not to exist. As we are approaching the end of the present contract (i.e. 31 December 2010), it is probable that part at least of any amount remaining in the equalization account would be transferred for a similar purpose to the Insurer in accordance with the new contract. If, on the other hand, the account were to be in deficit and a new Insurer chosen, the current Insurer would bear this deficit.

Management's estimate of the equalization provision available to the Insurer at 31 December 2009 was 16.5 M€. This compares with the latest insurance company final accounts at 31 December 2008 of 14.0 M€.

B. Capital commitments

a) Site Project

The Site Project consists of the renovation of the La Muette site in Paris, where the Organisation is headquartered since its creation. The overall operation, in addition to a large-scale asbestos removal, comprises large redevelopment, demolition and construction works. The Organisation will at the same time reconfigure its conference facilities.

The total Site Project cost is estimated at 298.5 M€ and includes all costs related to the temporary relocation of staff over several years. At 31 December 2009 the budget situation of the Site Project is:

	Authorised budget	Cumulated expenses (actual and contracted) at 31 December 2009			Available budget at 31 December 2009
		Committed or contracted	Spent	Total	
	€ million	€ million	€ million	€ million	€ million
Relocation costs	143.9	-	131.6	131.6	12.3
Construction and renovation costs	148.4	1.6	153.8	155.4	(7.0)
Other costs	6.2	-	6.3	6.3	(0.1)
Total capital commitments	**298.5**	**1.6**	**291.7**	**293.3**	**5.2**

b) Operating lease commitments

Future minimum lease rental payments for the following periods are:

	31 December 2009	31 December 2008
	€' million	€' million
Within one year	13	26
In the second to fifth years inclusive	53	39
After five years	38	13
Total operating lease commitments	**104**	**78**

Operating lease payments represent rental payments for certain properties. The rents payable under these leases are subject to renegotiation at various intervals specified in the lease contracts. In 2008 notice was served on the lease for Tour Europe and the offices were vacated by April 2009.

Three new leases have been entered into in 2009 for rental of office space and parking. These leases are for a period of nine years each and the most recent lease will run until 31 December 2018.

c) Bank guarantee

The Organisation's obligations to lessors of certain office premises are guaranteed by banks for a maximum of 1.9 M€. The guarantees are for obligations under leases for offices and parking for periods up to 31 December 2018.

C. Pensions

The Organisation's defined benefit pension plan was adopted by a Council Resolution of 16 November 1976 (C/M (76)20 Final). This Resolution constitutes a decision binding upon the Organisation and its member countries by virtue of articles 5 a) of the Convention on the Organisation and 18 a) of its Rules of Procedure. The Organisation believes that this creates both a legal obligation upon the Organisation towards pensioners and staff and an offsetting legal obligation for the member countries, with the same full legal force as the treaty from which it derives, to contribute amounts needed to pay the pensions. Article 40 of the defined benefit pension plan confirms that pensions are a charge on the Organisation's budget, and provides a joint guarantee of that liability by each of its member countries. That guarantee is equivalent in amount to the accrued pension obligation at 31 December 2009 of 1 589 M€ (2008: 1 603 M€), as shown in Note 16. The member countries participate in the constitution of a fund (Pension Budget and Reserve Fund) towards this liability. The net value of the assets of the fund at 31 December 2009 was 251.2 M€ (2008: 186.2 M€).

Note 27: Key management personnel

The Organisation is governed by a Council composed of representatives of all the member countries. The Council is presided over by the Secretary-General who directs the Secretariat and implements the Organisation's Programme of Work, assisted by Deputy Secretary-Generals and other senior managers and officers (key management personnel). They are remunerated by the Organisation.

The Organisation is under the direct control of the member countries. It has no ownership interest in associations or joint ventures. The Council members receive no remuneration from the OECD for their roles.

Key management personnel and their aggregate remuneration were as follows:

	31 December 2009		31 December 2008	
	Number of individuals	Aggregate remuneration €'000	Number of individuals	Aggregate remuneration €'000
The Secretary-General, Deputies and other senior managers	7	1,890	7	2,146
Senior officers	29	5,992	28	6,302
Total key management personnel		**7,882**		**8,448**

There was no other remuneration and compensation to key management personnel and their close family members.

Note 28: Related party transactions

There were no material transactions with related parties during the years 2009 and 2008.

There were no loans to key management personnel and their close family members which were not available to other categories of staff.