

REPORT OF THE BUDGET COMMITTEE TO THE MINISTERIAL COUNCIL ON THE ENERGY COMMUNITY'S AUDIT 2016

I. BACKGROUND

This report is a reporting obligation of the Budget Committee - setup under Article 22(1) of the Energy Community *Procedures for the Establishment and Implementation of Budget, Auditing and Inspection*¹ (thereinafter: "*Budgetary Procedures*")- defined in Article 81(5) of those *Procedures* in its amended version of 23 September 2014.

The Energy Community's annual accounts 2016 were audited by KPMG, company assigned the contract in 2016 to perform the duties of the external audit company for the year ending 31 December 2016.

The audit started with a pre-audit phase in November 2016 and continued in March 2017. The one week lasting procedure of auditing was performed in accordance with the defined specifications – approved by the Budget Committee members in advance - that included review of accounting records and procedures in terms of accuracy and completeness of the records (Art 81 of the Budgetary Procedures).

Members of the Budget Committee were informed about the Audit process and audit results at its meeting on 27 June 2017 by the representatives of the audit company.

II. SCOPE OF THE AUDIT

The scope of work of auditors included the following:

- the verification of the compliance of transactions carried out by the Energy Community Secretariat with regard to Austrian law and with the Budgetary Procedures of the Energy Community,
- verification of bank accounts and cash reconciliations,
- overall validity of the financial statements,
- asset management and inventory procedures.

Reconciliations of revenues, reconciliations of unused budget appropriations and a revision of internal management rules of the Energy Community and its operational implementation constituted some other integral parts of the scope of 2016 audit. In addition to auditing of the accounts, the auditors have evaluated the efficiency of the financial procedures, the accounting

¹ As established by the Ministerial Council of the Energy Community with Procedural Act 2006/03 of 17 November 2006 and amended on 23 September 2014 with Procedural Act 2014/01

system (records and procedures for the purpose of verifying the completeness and accuracy of the records), the internal financial controls and, in general, the financial consequences of administrative practices.

III. KEY FINDINGS

The key finding of the Auditor was as follows:

“In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of 31 December 2016, and its financial performance for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS)”.

IV. ASSESSMENT OF FINANCIAL MANAGEMENT OF THE ENERGY COMMUNITY FUNDS

Throughout 2016, the Budget Committee did not note any disagreements with the Director in the process of the financial management of the Energy Community budget and application of the Budgetary Procedures.

Therefore and according to Article 83 of the Budgetary Procedures, the Budget Committee recommends to the Ministerial Council discharge of the Director of the Secretariat from his management and administrative responsibility for the financial year 2016.

Budget Committee shall continue to closely work with the Energy Community Secretariat and the Director as to perform effectively its supervisory and advisory functions in the process of financial management of the operations of the Energy Community.