

## **REPORT OF THE BUDGET COMMITTEE TO THE MINISTERIAL COUNCIL ON THE ENERGY COMMUNITY'S AUDIT 2015**

### **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*<sup>1</sup> (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 2015 were audited by KPMG, company assigned the contract in 2014 to perform the duties of the external audit company for the year ending 31 December 2015.

The audit started with a pre-audit phase in November 2015 and continued in March 2016. 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, outcome and recommendations of auditors at its meeting on 20 May 2016 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 2015 audit. In addition to auditing of the accounts, the auditors have evaluated the efficiency of the financial procedures, the accounting

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<sup>1</sup> 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 findings of the Auditor can be summarized as follows:

1. The Audit for the financial year ending 31 December 2015 “*did not give rise to any objections*”<sup>2</sup>;
2. “In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS)”.

Auditors noted one single observation and issued recommendation for the future application of IPSAS 4 on the Effects of changes in foreign exchange rates. The issued note referred to concluded Grant Contract in foreign currency [in GBP] and receivables evaluation at the balance sheet date. The recommendation was noted for future observation by the ECS management.

### **IV. ASSESSMENT OF FINANCIAL MANAGEMENT OF THE ENERGY COMMUNITY FUNDS AND NEXT STEPS**

Throughout 2015, the Budget Committee did not note disagreements with the Director in the process of the financial management of the operations of the Energy Community in the context of Article 22(2) 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 2015.

In terms of next steps, Budget Committee will 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.

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<sup>2</sup> see the Auditors' Report 2015, see: [https://www.energy-community.org/portal/page/portal/ENC\\_HOME/DOCS/4128385/318C0784101062BDE053C92FA8C07366.pdf](https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/4128385/318C0784101062BDE053C92FA8C07366.pdf)