

**REPORT  
OF THE DIRECTOR OF THE ENERGY COMMUNITY SECRETARIAT  
TO THE MINISTERIAL COUNCIL OF THE ENERGY COMMUNITY  
ON THE EXECUTION OF THE BUDGET 2013  
PURSUANT TO  
ARTICLE 75 OF THE TREATY  
ESTABLISHING THE ENERGY COMMUNITY**

## LIST OF CONTENTS

1. INTRODUCTION.....	3
2. ESTABLISHING THE INITIAL BUDGET 2013 AND BUDGETARY PROCEDURE .....	5
3. BUDGET TRANSFERS 2013 .....	6
4. BUDGET APPROPRIATIONS 2013 - ' <i>PRO MEMORIA</i> ' ADJUSTMENTS .....	7
5. BUDGET 2013 - IMPLEMENTATION OVERVIEW .....	8
6. CARRY OVER FROM 2013 INTO 2014 (LEGAL COMMITMENTS).....	10
7. REVENUE 2013.....	11
8. UNUSED BUDGET APPROPRIATIONS 2013 AND REPAYMENT PROCEDURE .....	11
9. INSTITUTIONAL BUDGET 2013: YEAR-END UTILIZATION.....	13
10. AUDIT 2013 .....	14
11. CONCLUSION AND OUTLOOK.....	16
12. DIRECTOR'S DECLARATION OF ASSURANCE .....	16
ATTACHMENTS.....	17
Attachment 1: List of Rules and Procedures of Relevance for the implementation of the Energy Community Budget, status as of March 2014 .....	17
Attachment 2: Budget Repayments 2007-2013 in comparison.....	18

## 1. Introduction

In the year 2013 the Secretariat of the Energy Community continued its vigorous efforts towards implementation of the budget in accordance with the principle of the sound financial management.

The budget's main contribution came from the European Union, represented by the Commission, and amounted to EUR 3.159.716 (94,54 % of the overall budget). This budget was sufficient to perform the activities specified in the Energy Community ("EnC"; "the Community") Work Program.

The main areas of activities of the Secretariat in the process of budget implementation are to:

- secure the resources for Energy Community policies, on the basis of an effective financial planning;
- manage the budgetary framework;
- implement the budget in compliance with the applicable regulatory framework;
- draw up the annual accounts of the Energy Community;
- report on the budget implementation on monthly and quarterly basis towards the Budget Committee and annually to the Ministerial Council;
- progress towards the granting of a Discharge Decision by the Ministerial Council and coordinate the discharge procedure;

In the context of its/these activities, the Secretariat's main achievements in the area of budget implementation in 2013 were as follows:

- The Secretariat continued the effective management of the available financial resources for the implementation of the activities under the Energy Community Treaty and the established Work Program 2013;
- It contributed to the preparation of the Commission's budget proposal for the budgetary period 2014-2015;
- It reported on regular basis on the budget execution of the ongoing year; the produced reports were issued on monthly, quarterly and annual basis;
- It managed VAT refunds and other (minor) recovery amounts;
- It organized the Budget Committee meetings and contributed to its preparation on substance (three meetings in 2013);
- At the beginning of 2014, the annual accounts of the Energy Community ('financial statements') for 2013 were drawn up, audited and reported to the Budget Committee; the overall results of the audited year-end accounts resulted in an *unqualified auditors opinion*;
- In the context of the finalized audit, best efforts to follow-up of auditors recommendations were made;
- It carried out inventory of Energy Community assets within the applicable rules and framework;
- In the context of the financial management of funds, the Secretariat managed several procurement procedures in line with the applicable Procurement Law of the domicile country, both in the area of energy policy and general administration of services;
- The work on improvement of the relevant financial and legal framework within the area of management and administration continued, with the objective of responding to the requirements of the Staff Regulations of the Energy Community on one side and to the operational requirements of the Secretariat on the other side.

## Legal basis

Article 75 of the Treaty establishing the Energy Community ("the Treaty") stipulates that the Director of the Secretariat shall report on annual basis to the Ministerial Council on the execution of the budget.

Article 38 of the *Procedures for the Establishment and Implementation of Budget, Auditing and Inspection* ("*Budgetary Procedures*") stipulates further that an annual activity report of the Director shall be accompanied by the report on financial and management information during the year.

The purpose of this report is to present a synthesis of the budgetary and financial management, as required by the above mentioned legal framework, of appropriations for the period ending 31 December 2013.

The analysis follows the International Public Sector Accounting Standard (IPSAS) 24 "*Presentation of Budget information in Financial Statements*" issued by the International Public Sector Accounting Standards Board (IPSASB) in December 2006. In accordance with the rule, the comparison of the budget and actual implementation shall be presented, for each heading (budget line) separately, on the basis of both the original and the final budget amounts. Changes approved by the Director and/or Budget Committee to revise the original budget and the actual implemented amounts shall be also explained.

## Content of the 2013 report

The report presents, as in the past, in details the expenditure and revenue side of the budget of the Energy Community. It also provides *information on (...) received donations and their usage*<sup>1</sup>, as expressed in Article 15 of the *Procedures for the Establishment and Implementation of Budget, Auditing and Inspection*.

The report analyses the year at budgetary level including:

- A summary of the budgetary procedure 2013, explaining how the appropriations for 2013 arrived;
- A description of the main adjustments to this budget during the financial year and reasons for these adjustments, leading to final appropriations of the year;
- An overview of the implementation of expenditure in 2013;
- An assessment of the evolutions of the outstanding commitments at the end of the financial year and
- A summary of information on the revenue 2013.

The implementation data is based on the final and audited actual results for the financial year 2013<sup>2</sup>.

Amounts are presented in *EURO*, after rounding.

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<sup>1</sup> Extract from Art 15(2) of the *Procedures for the Establishment and Implementation of Budget, Auditing and Inspection* (Ref.:2006/03/MC-EnC) of 17 November 2006

<sup>2</sup> See Auditor's Report on the Financial Statements as of 31 December 2013 dated 18 February 2014

## 2. Establishing the initial budget 2013 and budgetary procedure

Budget 2013 of the Energy Community is part of the biennium budget for 2012-2013 approved by the Ministerial Council on the proposal of the European Commission<sup>3</sup> at its meeting on 6 October 2011.

The budget of the year was established in correspondence with the strategic planning of activities within the overall objectives of the Treaty establishing the Energy Community ("EnC") for the same period. Those activities are laid down in the corresponding EnC Work Program that was part of the budget proposal as required under Article 25 of the *Budgetary Procedures*.

As far as the structure of the budget is concerned, Title V of the *Budgetary Procedures* defines the principle relevant for it. Following the initially established structure, the distribution of the budget funds is allocated to four major categories of expenditures of the Energy Community, the so called "*budget lines*", subdivided into the subordinated lines, called "*budget positions*". Operational expenditures necessary for the functioning of its institutions are laid down in different parts of the budget.

The initial budget for 2013 set at EUR 3.342.200 has been adjusted '*pro memoria*' through other sources of revenue (see also item 4 of this report) in the course of the finalization of the accounts for 2013 and arrived at a level of EUR 3.516.261.

The revenue of the year 2013 came mainly from the Parties' contributions in accordance with the table of contribution (Annex IV of the Treaty). Further sources of revenue are referred at a later stage of this report. Overview of the approved budgets 2012-2013 with an indication of the percentage of subtotals in the overall budget is presented below:

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<sup>3</sup> Article 88 of the Treaty establishing the Energy Community [see: [http://www.energy-community.org/portal/page/portal/ENC\\_HOME/ENERGY\\_COMMUNITY/Legal/About\\_the\\_Treaty](http://www.energy-community.org/portal/page/portal/ENC_HOME/ENERGY_COMMUNITY/Legal/About_the_Treaty)]

(in EUR)	%age presentation of Subtotals			
	INITIAL BUDGET 2012	INITIAL BUDGET 2013	% BUDGET 2012	% BUDGET 2013
<b>1. HUMAN RESSOURCES</b>	n=22	n=23		
<b>Subtotal Human Ressources</b>	<b>1,650,000</b>	<b>1,750,000</b>	<b>51.08%</b>	<b>52.36%</b>
<b>2. TRAVEL EXPENSES</b>				
<b>Subtotal Travel Expenses</b>	<b>240,000</b>	<b>244,800</b>	<b>7.43%</b>	<b>7.32%</b>
<b>3. OFFICE</b>				
<b>Subtotal Office</b>	<b>218,000</b>	<b>222,360</b>	<b>6.75%</b>	<b>6.65%</b>
<b>4. OTHER COSTS AND SERVICES</b>				
Advertising, communications, representation	30,000	30,600	0.93%	0.92%
Studies, research, consulting	420,000	409,000	13.00%	12.24%
Costs of outsourced services (IT, payroll)	110,000	112,200	3.41%	3.36%
Costs of audit, legal and financial advice	40,000	40,800	1.24%	1.22%
Financial services (bank)	12,000	12,240	0.37%	0.37%
Costs of events	210,000	214,200	6.50%	6.41%
Refunding	260,000	265,200	8.05%	7.93%
Training (internal and external)	40,000	40,800	1.24%	1.22%
<b>Subtotal Other costs and services</b>	<b>1,122,000</b>	<b>1,125,040</b>	<b>34.74%</b>	<b>33.66%</b>
<b>Total</b>	<b>3,230,000</b>	<b>3,342,200</b>	<b>100.00%</b>	<b>100.00%</b>

Table 1: Energy Community Budget 2012-2013: Overview (Source: ECS intern; n=number of staff employed)

### 3. Budget Transfers 2013

In 2013, 4 transfers were approved by the Authorizing Officer (Director) on the basis of Article 18(1) of the *Energy Community Procedures for the Establishment and Implementation of the Budget, Auditing and Inspection*<sup>4</sup>.

Director decided on transfers of budget appropriations in the overall amount of EUR 94.000 within and between the budget lines of the overall budget appropriations of EUR 3.342.200, that were made via the end of year transfer<sup>5</sup>. The overall impact of the approved transfers on the initial budget was nil.

<sup>4</sup> See MC-2006\_PA\_2006-03-MC-EnC\_Procedures for the Establishment and Implementation of Budget, Auditing and Inspection\_signed\_17-11-2006 (<http://www.energy-community.org/pls/portal/docs/296180.PDF>)

<sup>5</sup> The year-end transfer is intended to ensure that, insofar possible, the outstanding requests for additional payments can be made, by making full use of any available appropriations, right-up to mid-December.

Transfers affect the total appropriations by increasing them with amounts released from the other budget lines/positions. Transfers between the budget lines modify the total appropriations of those lines.

The impact of all transfers is summarized in a table format (*Table 2; see also Table 3, column (3)*) below:

Budget Line / Position	Initial budget	Transfers within the budget line		Transfers between operational budget lines		Impact of transfers (on Initial Budget)
		TO	FROM	TO	FROM	
	(1)	(2)	(3)	(4)	(5)	(6)=(1)+(2)+(3)+(4)+(5)
PI 111 Human Resources	1,750,000.00					1,750,000.00
<b>TRAVEL</b>						
PI 210 Travel	244,800.00					244,800.00
PI 220						
<b>OFFICE</b>						
PI 310 Office rent	18,360.00					18,360.00
PI 320 Office equipment	51,000.00	20,000.00		20,000.00		91,000.00
PI 330 Consumables	91,800.00					91,800.00
PI 340 Other Services	61,200.00		20,000.00			41,200.00
<b>OTHER COSTS, SERVICES</b>						
PI 410 Advertising, communication and representation	30,600.00	14,000.00				44,600.00
PI 420 Studies, research and consulting	409,000.00					409,000.00
PI 430 Costs of outsourced services (IT, payroll, etc.)	112,200.00		15,000.00			97,200.00
PI 440 Costs of Audit, Legal and Financial Advice	40,800.00	20,000.00				60,800.00
PI 450 Financial services	12,240.00					12,240.00
PI 460 Conference costs	214,200.00		39,000.00			175,200.00
PI 470 Refunding	265,200.00	20,000.00				285,200.00
PI 480 Training	40,800.00				20,000.00	20,800.00
<b>TOTAL</b>	<b>3,342,200.00</b>	<b>74,000.00</b>	<b>- 74,000.00</b>	<b>20,000.00</b>	<b>- 20,000.00</b>	<b>3,342,200.00</b>

Table 2: Energy Community Budget 2013 – Overview Transfers of Appropriations 2013

#### 4. Budget Appropriations 2013 - 'pro memoria' adjustments

Following the decision of the Ministerial Council of 6 October 2011<sup>6</sup> based on Commission decision (C(2011)6207 final) of 5 September 2011, initial budget appropriations of 2013 (EUR 3.342.200) were adjusted 'pro memoria' with other sources of revenue. Details of those are shown in column 2 of table 3 of this report (see below). The adjustments concerning the increase of expenditure for (1) the rent of the premises of the Secretariat and (2) consumables were decided upon by the Director in the course of closing the accounts for 2013<sup>7</sup>.

According to the principle of equilibrium of the Energy Community budget, the amounts of budget revenue and expenditures must be in balance.

The revenue and expenditure estimates in the initial budget are subject to modifications during the budgetary year.

For the year 2013, altogether two budget modifications were adopted ('pro memoria'). Their impact on the revenue side of the 2013 budget is indicated in the table below:

<sup>6</sup> Ref.: MC-2011/PA/2011-01-MC-EnC

<sup>7</sup> 2014/D-01/ECS/A1-2013: PA of the Secretariat on the implementation of the MC Decision of 6 October 2011 (PA/2011/01/MC-EnC) regarding adjustment of 2013 Energy Community Budget

Budget	Date of adoption	Main subject	Total revenue 2013
Budget 2013	27-Feb-14	Incorporation into budget 2013 of the amount of EUR 159.952,92 into the budget position <i>PI 310 Office Rent</i> , in accordance with the rental agreement between the Energy Community and property owner regarding donations to the total rental expenditure	159,953
		Incorporation into budget 2013 of the amount of EUR 14.108,12 into the budget position <i>PI330 Consumables</i> relating to the other sources of revenues gained in 2013	14,108
<b>TOTAL</b>			<b>174,061</b>

## 5. Budget 2013 - Implementation Overview

This section gives an overview in % of the implementation to the budget during the financial year 2013 and provides brief comments on the utilization of 2013 budget appropriations in comparison to the actual amounts.

As required by IPSAS 24, the execution of 2013 budget is presented as comparison of the budget and actual implementation, for each heading (budget line) separately, on the basis of both the original and the final budget (budget after 'pro memoria' adjustments) amounts. For example, the impact of amending budget in budget position PI330 "Consumables" is such, that implementation rate would be 101% (see column 10 of the *Table 3* below) of the initial budget (88% of the final budget).

This presentation is made both at the level of the budget line as well as of each budget positions within budget lines.

(in EUR)	Original Budget 2013	Changes due to other Sources of Revenue	Budget Transfers 2013	Final Budget 2013	Actual amounts 2013 on a comparable basis	Legal Commitments 2013	Actual amounts 2013 on a comparable basis incl. Legal Commitments	Actuals vs. Final Budget 2013 [in %]	Unused Appropriations	Actuals vs. Original Budget 2013 [in %]
	(1)	(2)	(3)	(4)=(1)+(2)+(3)	(5)	(6)	(7)=(5)+(6)	(8)=(7)/(4)	(9)=(4)-(7)	(10)=(7)/(1)
<b>1. HUMAN RESOURCES</b>										
<b>Subtotal Human Resources</b>	1,750,000			1,750,000	1,685,953		1,685,953	96%	64,047	96%
<b>2. TRAVEL EXPENSES</b>										
PI 210 Daily Subsistence Allowance (DSA)	102,000			102,000	72,027		72,027	71%	29,974	71%
PI 220 Travel Expenses (flights and incidentals)	142,800			142,800	118,369		118,369	83%	24,431	83%
<b>Subtotal Travel Expenses</b>	244,800			244,800	190,395		190,395	78%	54,405	78%
<b>3. OFFICE EXPENSES</b>										
PI 310 Office rent	18,360	159,953		178,313	177,438		177,438	100%	875	96%
PI 320 Office equipment	51,000		40,000	91,000	80,142		80,142	88%	10,858	157%
PI 330 Consumables	91,800	14,108		105,908	92,678		92,678	88%	13,230	101%
PI 340 Other Services	61,200		-20,000	41,200	31,371		31,371	76%	9,829	51%
<b>Subtotal Office Expenses</b>	222,360	174,061	20,000	416,421	381,630		381,630	92%	34,791	172%
<b>4. OTHER COSTS AND SERVICES</b>										
PI 410 Advertising, communication and representation	30,600		14,000	44,600	43,781		43,781	98%	819	143%
PI 420 Studies, research and consulting	409,000			409,000	33,151	359,718	392,869	96%	16,131	96%
PI 430 Costs of outsourced services (IT, payroll, etc.)	112,200		-15,000	97,200	96,798		96,798	100%	402	86%
PI 440 Costs of Audit, Legal and Financial Advice	40,800		20,000	60,800	51,312		51,312	84%	9,488	126%
PI 450 Financial services	12,240			12,240	11,103		11,103	91%	1,137	91%
PI 460 Conference costs	214,200		-39,000	175,200	100,291		100,291	57%	74,909	47%
PI 470 Refunding	285,200		20,000	305,200	256,683		256,683	84%	48,517	87%
PI 480 Training	40,800		-20,000	20,800	13,674		13,674	66%	7,127	34%
<b>Subtotal Other Costs and Services</b>	1,125,040		-20,000	1,105,040	606,793	359,718	966,511	87%	138,529	86%
<b>Subtotal Operating Expenses</b>	1,592,200	174,061	0	1,766,261	1,178,819	359,718	1,538,537	87%	227,724	97%
<b>TOTAL EXPENSES</b>	3,342,200	174,061	0	3,516,261	2,864,771	359,718	3,224,489	92%	291,772	95%

Table 3: Budget Report 2012 (see also Auditor's Report 2013, <http://www.energy-community.org/pls/portal/docs/2958024.PDF>)

Utilization of budget appropriations in 2013 is presented in comparison with the previous periods of budget implementation (see *chart* below).



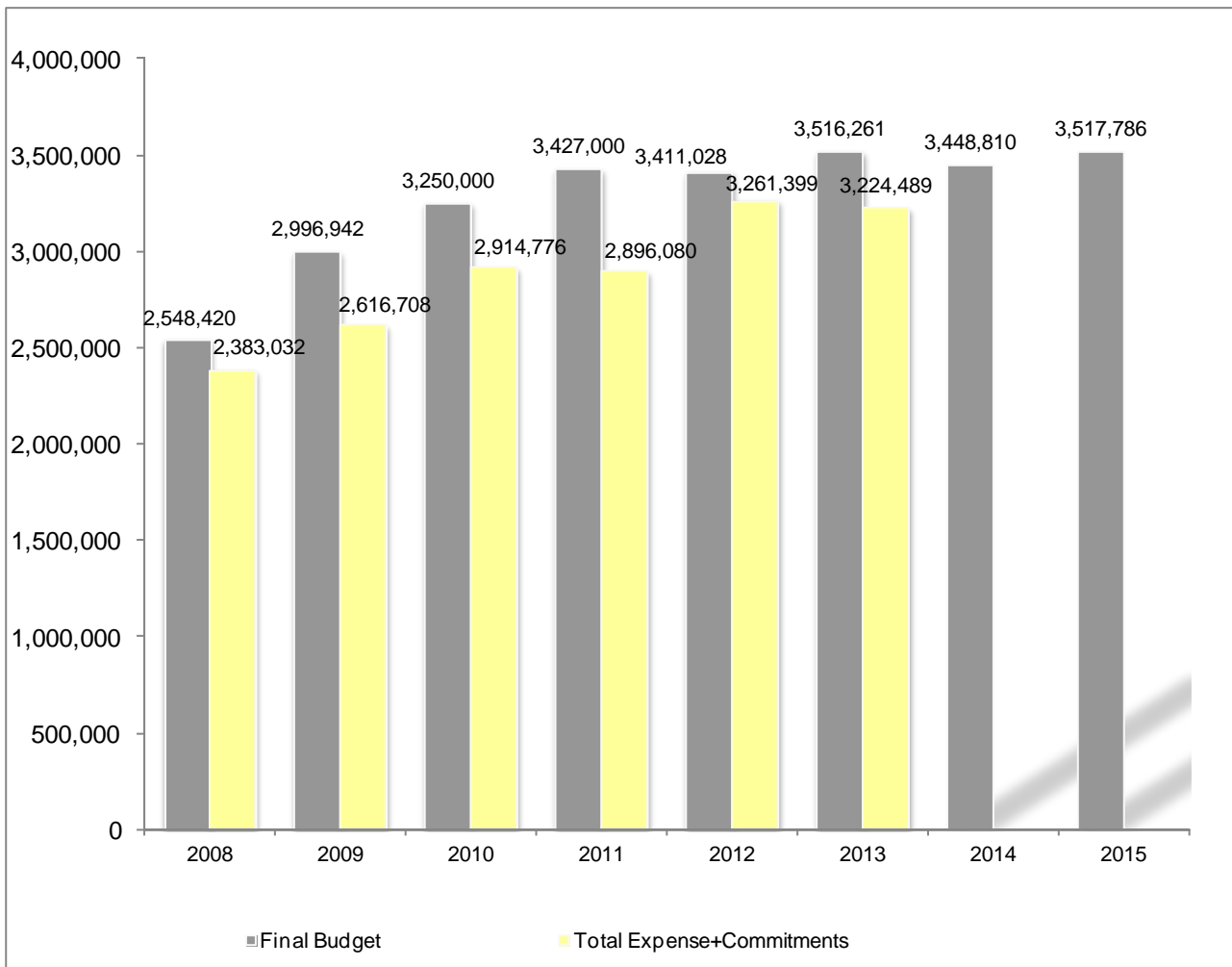


Chart: Energy Community Budget 2013 in comparison [source: ECS intern]

### Narration note on the expenses 2013

The implementation of the budget line *1 Human Resources* amounted to EUR 1.685.953, i.e. to 96% of the budget appropriations.

The budget for *Travel Expenses* amounted to EUR 244.800 and was utilized in 78% (i.e. EUR 190.395). Included therein actual expenditure for position *Daily Subsistence Allowance* amounted to EUR 72.027 and EUR 118.369 for *Travel Expenses* (tickets, accommodation and others). These expenditures are related to the authorized travels on behalf of the Energy Community by its staff (visits to the Contracting Parties, implementation missions, technical assistance, participation at various conferences etc).

The budget for *Office* expenditures amounted to EUR 416.421, and was utilized in the amount of EUR 381.630, i.e. 92%. Within this budget line the expenditure for *Office Rent* amounted to EUR

177.438<sup>8</sup>, for the *Office, Equipment and communications* (IT) amounted to EUR 80.142, for the budget position *Consumables* amounted to EUR 92.678 and for the budget position *Other Services* (telephone, fax, communications) to EUR 31.371.

The implementation of *Other Costs, Services* (budget line 4) amounted to EUR 966,511, i.e. to 87% of the budget appropriations. Expenditure for the respective budget positions included therein was utilized at the levels as shown in the table 3.

The most not used funds were derived from the following positions: 1) Conference Costs (EUR 74.909 remained unspent), 2) Human Resources budget (under-spending EUR 64.047), 3) Refunding (under-spending EUR 28.517).

## 6. Carry over from 2013 into 2014 (legal commitments)

In 2013, budget appropriations for legal commitments concluded by 31 December 2013 were carried into 2014 amounting to total amount of EUR 359.718. Details of implementation of those are presented a summary table below:

*status: 24.3.2014*

Budget Line	Budget Line Description	Appropriations 2013 carried over to 2014	Payments till 31/12/2013	Open for payments in 2014
		1	2	3=1-2
PI 111	<b>Human Ressources</b>	-	-	-
PI 210, PI 220	<b>Travel Expenses</b>	-	-	-
	<b>Office</b>	-	-	-
PI 310	Rent	-	-	-
PI 320	Office equipment	-	-	-
PI 330	Consumables	-	-	-
PI 340	Other Services	-	-	-
	<b>Other Costs, Services</b>	<b>359,718</b>	<b>39,912</b>	<b>319,806</b>
PI 410	Advertising & Communication	-	-	-
PI 420	Studies, Research, Consulting	359,718	39,912	319,806
PI 430	Costs of Outsourced Services	-	-	-
PI 440	Costs of Audit, Financial Advice	-	-	-
PI 450	Financial Services	-	-	-
PI 460	Conference Costs	-	-	-
PI 470	Refunding	-	-	-
PI480	Training and seminar costs	-	-	-
PI490	Secondment and Traineeship	-	-	-
	<b>TOTAL</b>	<b>359,718</b>	<b>39,912</b>	<b>319,806</b>

Table 4: Budget appropriations 2013 carried over into 2014: Overview [source: ECS]

<sup>8</sup> These actual expenses are composed of expenses covered by the Republic of Austria (on monthly basis) and of portion of rent related expenses, paid directly by the Energy Community. In total an amount of EUR 159.952,92 was covered by Austria in 2013 (see also Audit Report 2013, Statement of Financial Position for the period ending 31 December 2013).

## 7. Revenue 2013

This section of the report refers to the requirement of Article 15(2) of the *Budgetary Procedures* and provides information on the revenue as presented also in the *Statement of Financial Performance for the period 1 January – 31 December 2013* (see in the *Report on the Audit of the Financial Statements for the year ended 31 December 2013*).

In 2013, the Energy Community received its funds from the following sources:

- Parties Contributions	EUR 3.342.200
- Donations of the Republic of Austria	EUR 159.953
- Finance revenue	EUR 3.852
- Other revenue	EUR 10.256

**Budget Appropriations 2013** in the amount of EUR 3.342.200 result from the financial responsibility of the Parties to the Treaty under Article 2 of the *Budgetary Procedures*. Further to those, in 2013 **Republic of Austria** contributed to the office rent expenses in the amount of EUR 159,953<sup>9</sup>. This contribution is derived from the lease agreement between the Energy Community and property owner regarding Secretariat's premises.

**Other revenue** in the amount of EUR 10.256 comes from refunding of travel expenses to the Energy Community experts by various organizations/institutions.

Finally, in 2013, the funds paid to the Energy Community borne an interest of EUR 3.852 (**finance revenue**).

## 8. Unused budget appropriations 2013 and repayment procedure

In general, unused budget appropriations' mean budget contributions which have not been committed at the balance sheet date, i.e. no contracts entered into in the current year or in prior years.

Unused budget appropriations are shown as a liability in the Statement of Financial Position at the balance sheet date.

In general, the amount shall equal to the amount calculated as a difference between actual and budget and presented in the budget report under IPSAS 24. Since, however, Energy Community uses different principles for accounting (accrual) and budget accounts (cash basis of budgeting), there is a slight difference in the presented amounts of the unused budget appropriations in the Financial Statements and in the Budget Report. The reconciliation of the amounts is shown in the table below:

<sup>9</sup> See also EnC Auditors' Report 2013 and Statement of Financial Performance for the period 1 Jan – 31 Dec 2013.

RECONCILIATION OF AMOUNTS OF UNUSED APPROPRIATIONS 2013 (in EUR)		REMARKS
<b>Unused appropriations according to Budget Report under IPSAS 24 for the year ending 31 Dec 2013</b>	<b>291,771.85</b>	1) see Budget Report under IPSAS 24 as per <i>Report on the Audit of the Financial Statements of the Energy Community for the year ending 31 December 2013</i> 2) see table 3 Of this report
- increase in accruals for annual leave and others between 2012 and 2013	16,482.79	see Note 2.2.7 of the Report on the Audit of the Financial Statements of the Energy Community for the year ending 31 December 2013
<b>= unused appropriations according to Statement of Financial Performance for the year ending 31 December 2013</b>	<b>275,289.06</b>	Accounting difference of 0.02 cent
- accruals for annual of the prior year 2012 as per Statement of Financial Position as of 31 December 2013	- 29,376.25	see Note 2.2.7 of the Report on the Audit of the Financial Statements of the Energy Community for the year ending 31 December 2013
<b>= unused budget appropriations as per Statement of Financial Position as of 31 December 2013</b>	<b>245,912.81</b>	1) see Note 2.2.9. of the Report on the Audit of the Financial Statements of the Energy Community for the year ending 31 December 2013; 2) accounting difference of 0.04 cent (see Balance Sheet as of 31/12/2013)

### Repayment amount 2013

As a general rule, the repayment amount is based on the Statement of Financial Position and - following the applicable MC decision of 6 October 2011 - is to include all types of revenue (i.e. interest and other income; see table 5 below)<sup>10</sup>.

In 2013 some 8% of the initial budget 2013 (EUR 3.342.200) remained unspent. For comparison reasons non-spending (=repayments) in the previous years is presented as follows: in 2007: EUR 118.549; in 2008: EUR 195.136; 2009: EUR 384.074; 2010: EUR 335.224; 2011: EUR 530.920; 2012: EUR 149.628 (see also *attachment 2*).

Based on the above, repayments amounts 2013 calculated in accordance with %-ages of Annex IV of the Treaty are as follows:

<sup>10</sup> See Minutes of the meeting of the Budget Committee of 10 April 2013, item 5

Parties	Contribution in EUR	Contribution in %	Unused Appropriations Repayments in EUR	Other Sources of Revenue	Total repayment amount
			(1)	(2)	(3) = (1) + (2)
European Union	3,159,715.88	94.54%	232,486.01	13,337.82	245,823.83
Republic of Albania	3,007.98	0.09%	221.32	12.70	234.02
Bosnia and Herzegovina	6,684.40	0.20%	491.83	28.22	520.04
Republic of Croatia	13,368.80	0.40%	983.65	56.43	1,040.08
former Yugoslav Republic of Macedonia	3,342.20	0.10%	245.91	14.11	260.02
Moldova	3,342.20	0.10%	245.91	14.11	260.02
Montenegro	1,336.88	0.04%	98.37	5.64	104.01
Republic of Serbia	18,047.88	0.54%	1,327.93	76.18	1,404.11
Ukraine	131,014.24	3.92%	9,639.78	553.04	10,192.82
United Nations Interim Administration	2,339.54	0.07%	172.14	9.88	182.01
<b>TOTAL</b>	<b>3,342,200.00</b>	<b>100.00%</b>	<b>245,912.85</b>	<b>14,108.12</b>	<b>260,020.97</b>

Table 5: Not used budget appropriations 2013 – table of repayments

## 9. Institutional budget 2013: year-end utilization

In this section of the Report, the utilization of the established budget of the institutions is reported. The Institutions of the Energy Community are: Ministerial Council (MC), Permanent High Level Group (PHLG), Regulatory Board (ECRB), Fora (Electricity, Gas, Social Issues, Oil) and the Secretariat.<sup>11</sup>

The structure of this report follows the established structure of the approved budget 2012-2013 (see PA MC-2011/PA/2011-02-MC-EnC On the adoption of the Energy Community Budget 2012-2013, page 12) which envisages also presentation of expenses for additional cost centers in the same way as it is envisaged for Institutions.

The initial budget 2013 established for the functioning of its institutions at the level of EUR 470.000 has been sufficient and in it basis amended to the level of EUR 460.400. Further, intra-institutional adjustments (i.e. transfers of funds between the institutions) had to take place during the year to allocate higher than initially planned expenditures of several institutions. So, for example the initial budget of some of fora had to be increased (Athens/Gas) during the year and of the task forces decreased.

From the budget implementation perspective, the Institutional Budget Report provides an overview of the thematic allocation of costs attributable to Institutions and other cost centers.

The Institutional Budget is a part of the main budget and comprises the costs recorded under two budget positions – PI460 “Conference costs” and PI470 “Refunding”. In the Institutional Budget format – the conference costs and refunding are being grouped and presented as amounts by Institutions and other cost centers.

All together, the final budget of the Institutions of EUR 460.400 has been used at the level of 78%.

Details of the utilization through comparison of the final budget and actual results are presented in details in the table below.

<sup>11</sup> Secretariat' s budget, as one of the Institution under Article 67 of the Energy Community Treaty, is defined as a difference of total budget and the budgets of the other institutions (see also footnote 2) of table 6 of this report);

(in EUR)	Initial Budget 2013	Final Budget 2013	Actual 2013	Utilisation in %	Available in EUR
Ministerial Council	15,300	10,800	9,311	86%	1,489
Permanent High Level Group	51,000	71,000	50,618	71%	20,382
Energy Community Regulatory Board	153,000	114,600	80,102	70%	34,498
Electricity Forum	15,300	25,000	24,019	96%	981
Gas Forum	15,300	21,000	20,384	97%	616
Social Forum	15,300	15,300	9,172	60%	6,128
Oil Forum	15,300	12,700	11,417	90%	1,283
Budget Committee	10,200	10,200	7,115	70%	3,085
Security of Supply Group	10,200	12,300	8,790	71%	3,510
Energy Efficiency Task Force 1)	30,600	20,600	17,059	83%	3,541
Renewables Task Force	30,600	20,600	11,805	57%	8,795
Environmental Task Force	30,600	20,600	8,737	42%	11,863
Investment Conference	15,300	15,300	11,782	77%	3,518
Workshops organised by the Secretariat 2)	71,400	90,400	86,663	96%	3,737
<b>TOTAL</b>	<b>479,400</b>	<b>460,400</b>	<b>356,974</b>	<b>78%</b>	<b>103,426</b>

1) current description (since 03/2013):

Energy Efficiency Coordination Group

2) in addition to this institutional budget, Secretariat has the budget required for its operations (office infrastructure) and employment of personnel.

In 2013, total initial budget referring to the Secretariat amounted to EUR 2,934,200.00

Table 6: Institutional Budget Utilization Report for 2013

## 10. Audit 2013

In March 2014 the designated external audit company<sup>12</sup> finalized the audit of the financial statements of the Energy Community for the year ended 31 December 2013. The audit scope included the review of the annual accounts of the Energy Community as well as of the internal control systems relevant for the implementation of the budget.

The key statements of the auditors for the relevant period ending 31 December 2013 are the following:

- "Financial statements present fairly, in all material respects, the financial position of the entity as of 31 December 2013 and of its financial performance and its cash flows for the financial year from 1 January 2012 to 31 December 2013 in accordance with the International Public Sector Accounting Standards (IPSAS)<sup>13</sup>

<sup>12</sup> In accordance with Article 80 of the *Budgetary Procedures*

<sup>13</sup> See Auditors' Report 2013

- *During audit nothing has been noted by the external audit company, which caused doubt about the fair presentation of financial statements or adequate use of financial means;*
- *The rules and regulations as issued by the competent authorities were observed;*

In 2013, there have been no management recommendations to the Director of the Energy Community Secretariat.

As a final result, statement of assurance has been issued by the audit company, which is the sound basis for the proposal of the decision on the discharge of the Director from his management and administrative responsibility for the financial year 2013.

## **11. Conclusion and outlook**

In 2013, the operations followed the successful establishment of the Energy Community as an international organization. Financial resources provided by the Parties to the Treaty allowed successful implementation of the Work Programs of the Energy Community within this period.

While the internal control structures created within the previous periods have been successfully implemented, in terms of organization of compliance more needs to be done to ensure controls are working effectively in practice. In particular, further efforts are needed to ensure that all staff members are aware of their responsibilities as regards internal control.

The internal control system will continue to be monitored and strengthened where necessary as to keep the effectiveness of utilization of the Energy Community budget and thus to create financial conditions for achieving the Energy Community objectives.

Thus, on the ground of the rule of law and concrete planning, it is expected that the implementation of the Energy Community budget shall be efficient tool to achieve the Energy Community objectives.

## **12. Director's Declaration of Assurance**

I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

This reasonable assurance is based on my own judgement and on the information at my disposal, internal controls, the work of the external audit.

I confirm that I am not aware of anything not reported here which could harm the interests of the Energy Community.

Janez Kopač  
Director



## ATTACHMENTS

### **Attachment 1: List of Rules and Procedures of Relevance for the implementation of the Energy Community Budget, status as of March 2014**

1. Procedural Act No.2006/03 of 17 November 2006 on Adoption of Energy Community Procedures for Establishment and Implementation of Budget, Auditing and Inspection;
2. Staff Regulations of the Energy Community; MC Decision of amendment of the Staff Regulations of 18 December 2009;
3. Procedural Act 2008/01/ECS of 16 January 2008 on the Adoption of the Accounting Rules and Methods of the Energy Community;
4. Procedural Act 2008/02/ECS of 21 July 2008 on the appointment of a Steering Committee of the Energy Community Secretariat for ECRB related studies, research and consultancy services financed from the Energy Community Budget;
5. Procedural Act 2008/06/ECS of 10 September 2008 on Transfer of Appropriations within the Budget of the Energy Community;
6. Procedural Act 2011/01/ECS of 15 February 2011 on the Appointment of a Steering Committee for ECRB;
7. Procedural Act 2011/05/ECS of 21 December 2011 on the implementation of the Ministerial Council decision of 6 October 2011 on the amendment of 2011 budget;
8. Procedural Act 2012/02/ECS of 11 January 2012 on the Adoption of the Financial Management Rules of the Energy Community;
9. Procedural Act 2012/03/ECS-EnC of 28 September 2012 on the Energy Community Accounting Policy;
10. Procedural Act 2014/01/ECS of 23 January 2014 on Energy Community Property Inventories;
11. Procedural Act 2014/02/ECS-EnC of 23 January 2014 on the adoption of Internal Management Rules of the Energy Community Secretariat on Personnel Administration;
12. Procedural Act 2014/03/ECS of 28 February 2014 on the Rules for Secondees, Interns and Locally Recruited Persons;
13. Procedural Act 2014/04/ECS of 1 March 2014 on the Adoption of the Rules for Reimbursement within the Energy Community;

## Attachment 2: Budget Repayments 2007-2013 in comparison

<i>(in EUR) Budget years</i>	2007	2008	2009	2010	2011	2012	2013
Repayment of unused appropriations	118,549	195,136	384,074	335,224	530,920	149,628	260,021
Budget of the year [Final]	1,244,100	2,548,420	2,996,942	3,250,000	3,427,000	3,411,028	3,516,261
Unused appropriations in % of the budget	10%	8%	13%	10%	15%	5%	7%

