

**REPORT
OF THE DIRECTOR OF THE ENERGY COMMUNITY SECRETARIAT
TO THE MINISTERIAL COUNCIL OF THE ENERGY COMMUNITY
ON THE EXECUTION OF THE BUDGET**

**PURSUANT TO
ARTICLE 75 OF THE TREATY
ESTABLISHING THE ENERGY COMMUNITY**

FINANCIAL YEAR 2015

LIST OF CONTENTS

1. INTRODUCTION	3
2. ESTABLISHING THE INITIAL BUDGET 2015 AND BUDGETARY PROCEDURE	5
3. BUDGET TRANSFERS 2015.....	7
4. BUDGET APPROPRIATIONS 2015 - ' <i>PRO MEMORIA</i> ' ADJUSTMENTS	8
5. BUDGET 2015 - IMPLEMENTATION OVERVIEW	8
6. CARRY OVER FROM 2015 INTO 2016 (LEGAL COMMITMENTS)	11
7. REVENUE 2015	12
8. RECOVERY PROCEDURE OF NON-USED BUDGET APPROPRIATIONS 2015....	12
9. INSTITUTIONAL BUDGET 2015: YEAR-END UTILIZATION	13
10. AUDIT 2015	15
ATTACHMENTS	17
Attachment 1: List of Rules and Procedures of Relevance for the implementation of the Energy Community Budget, status as of June 2015.....	17
Attachment 2: Budget Repayments 2007-2015 in comparison.....	18

1. Introduction

In the year 2015 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 3,339,786 (94.94 % 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 2015 were as follows:

- The Secretariat continued the effective management of the available financial resources (including donations received) for the implementation of the activities under the Energy Community Treaty and the established Work Program 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 2015);
- At the beginning of 2016, the annual accounts of the Energy Community ('financial statements') for 2015 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 financial 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 annually 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 the annual activity report of the Director.

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 2015.

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 2015 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*¹, 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 2015, explaining how the appropriations for 2015 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 2015;
- An information on received donations in 2015 and their usage²;
- An assessment of the evolutions of the outstanding commitments at the end of the financial year and
- A summary of information on the revenue of 2015.

The implementation data is based on the final and audited actual results for the financial year 2015³.

Amounts are presented in *EURO*, after rounding.

¹ 15(2) of the amended *Procedures for the Establishment and Implementation of Budget, Auditing and Inspection* (Ref.:2014/01/MC-EnC) of 23 September 2014

² Pursuant to Art 15(2) of the *Procedures for the Establishment and Implementation of Budget, Auditing and Inspection*;

³ See *Auditor's Report on the Financial Statements as of 31 December 2015* dated 14 April 2016

2. Establishing the initial budget 2015 and budgetary procedure

Budget 2015 of the Energy Community is part of the biennium budget for 2014-2015 approved by the Ministerial Council on the proposal of the European Commission⁴ at its meeting on 24 October 2013 decided by signed Procedural Act PA/2013/03/MC-EnC.

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 2015 set at EUR 3,517,786 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 2015 and arrived at a level of EUR 3,692,072.

The revenue of the year 2015 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 2014-2015 with an indication of the percentage of subtotals in the overall budget is presented below:

⁴ 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]

(in EUR)

REVENUE

1. Contributions from Parties

2. Finance Revenue

3. Other Revenue

4. Donations from Republic of Austria (rent)

EXPENDITURE

1. HUMAN RESOURCES

2. TRAVEL EXPENSES

Daily Substance Allowances (DSA)

Travel expenses (flights and incidentals)

Subtotal Travel Expenses

3. OFFICE

Rent

Office Equipment and communications (IT)

Consumables

Other services (telephone, fax, communications)

Subtotal Office

4. OTHER COSTS AND SERVICES

Advertising, communications, representation

Studies, research, consulting

Costs of outsourced services (IT, payroll)

Costs of audit, legal and financial advice

Financial services (bank)

Costs of events

Refunding

Training (internal and external)

Subtotal Other costs and services

TOTAL

	BUDGET 1-12/2014	BUDGET 1-12/2015	BUDGET 2015 in %
REVENUE			
1. Contributions from Parties	3,448,810	3,517,786	
2. Finance Revenue	p.m.	p.m.	
3. Other Revenue	p.m.	p.m.	
4. Donations from Republic of Austria (rent)	p.m.	p.m.	
EXPENDITURE			
1. HUMAN RESOURCES	1,864,010	1,901,290	54.05%
2. TRAVEL EXPENSES			
Daily Substance Allowances (DSA)	110,000	112,200	3.19%
Travel expenses (flights and incidentals)	130,000	132,600	3.77%
Subtotal Travel Expenses	240,000	244,800	6.96%
3. OFFICE			
Rent	15,000	15,300	0.43%
Office Equipment and communications (IT)	64,000	65,280	1.86%
Consumables	91,000	92,820	2.64%
Other services (telephone, fax, communications)	50,000	51,000	1.45%
Subtotal Office	220,000	224,400	6.38%
4. OTHER COSTS AND SERVICES			
Advertising, communications, representation	30,200	30,804	0.88%
Studies, research, consulting	450,000	459,000	13.05%
Costs of outsourced services (IT, payroll)	90,000	91,800	2.61%
Costs of audit, legal and financial advice	35,000	35,700	1.01%
Financial services (bank)	14,600	14,892	0.42%
Costs of events	183,000	186,660	5.31%
Refunding	280,000	285,600	8.12%
Training (internal and external)	42,000	42,840	1.22%
Subtotal Other costs and services	1,124,800	1,147,296	32.61%
TOTAL	3,448,810	3,517,786	100.00%

Table 1: Energy Community Budget 2014-2015: Overview [source: ECS intern]

3. Budget Transfers 2015

In 2015, several 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*⁵.

Director decided on transfers of budget appropriations in the overall amount of EUR 140,300 within and between the budget lines of the overall ordinary budget appropriations of EUR 3,517,786. The overall impact of the approved transfers on the initial budget was nil.

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*) below:

Budget Line / Position	Initial budget	Transfers between operational budget lines		Impact of transfers (on Initial Budget)
		TO	FROM	
1. HUMAN RESOURCES				
Subtotal Human Resources	1,901,290.00			1,901,290.00
2. TRAVEL EXPENSES				
Daily Subsistence Allowance (DSA)	112,200.00		-16,000.00	96,200.00
Travel Expenses (flights and incidentals)	132,600.00	36,000.00		168,600.00
Subtotal Travel Expenses	244,800.00	36,000.00	-16,000.00	264,800.00
3. OFFICE EXPENSES				
Office rent	15,300.00			15,300.00
Office equipment	65,280.00		-900.00	64,380.00
Consumables	92,820.00		-6,700.00	86,120.00
Other Services	51,000.00		-2,400.00	48,600.00
Subtotal Office Expenses	224,400.00	0.00	-10,000.00	214,400.00
4. OTHER COSTS AND SERVICES				
Advertising, communication and representation	30,804.00	20,000.00		50,804.00
Studies, research and consulting	459,000.00	28,300.00		487,300.00
Costs of outsourced services (IT, payroll, etc.)	91,800.00	12,500.00		104,300.00
Costs of Audit, Legal and Financial Advice	35,700.00	43,500.00		79,200.00
Financial services	14,892.00		-2,500.00	12,392.00
Conference costs	186,660.00		-59,000.00	127,660.00
Refunding	285,600.00		-40,300.00	245,300.00
Training	42,840.00		-12,500.00	30,340.00
Subtotal Other Costs and Services	1,147,296.00	104,300.00	-114,300.00	1,137,296.00
Subtotal Operating Expenses	1,616,496.00	140,300.00	-140,300.00	1,616,496.00

Table 2: Energy Community Budget 2015 – Overview Transfers of Appropriations 2015

⁵ See MC-2014_PA_2014-01-MC-EnC_Procedures for the Establishment and Implementation of Budget, Auditing and Inspection_ ([https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/3570154/EnC_Budgetary_Procedures_update_2014_final_22-05-2014_\(new_template\).pdf0](https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/3570154/EnC_Budgetary_Procedures_update_2014_final_22-05-2014_(new_template).pdf0))

4. Budget Appropriations 2015 - ‘pro memoria’ adjustments

Following the decision of the Ministerial Council of 6 October 2011⁶ based on Commission decision (C(2011)6207 final) of 5 September 2011, initial budget appropriations of 2015 (EUR 3,517,786) 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 2015.

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 2015, two budget modifications were adopted (‘pro memoria’). Their impact on the revenue side of the 2015 budget is indicated in the table below:

Main subject	Total revenue 2015
Incorporation into budget position PI 310 Office Rent, in accordance with the rental agreement between the Energy Community and property owner regarding donations to the total rent expenditure	169,482
Incorporation into budget position PI 330 Consumables relating to the other sources of revenue	4,803
TOTAL	174,286

5. Budget 2015 - Implementation Overview

This section gives an overview in % of the implementation to the budget during the financial year 2015 and provides brief comments on the utilization of 2015 budget appropriations in comparison to the actual amounts.

As required by IPSAS 24, the execution of 2015 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.

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

In this year, budget is presented in two categories: (1) ordinary budget and (2) extraordinary budget as it serves the transparent presentation of sources of revenues.

⁶ Ref.: MC-2011/PA/2011-01-MC-EnC

(in EUR)	Original Budget 2015	Changes due to other Sources of Revenue	Budget Transfers 2015	Final Budget 2015	Actual amounts 2015 on a comparable basis	Legal Commitments 2015	Actual amounts 2015 on a comparable basis incl. Legal Commitments	Actual amounts on a comparable basis incl. Legal Commitments [in %]	Unused Appropriation
ORDINARY BUDGET									
1. HUMAN RESOURCES									
Subtotal Human Resources	1,901,290.00			1,901,290.00	1,891,819.58		1,891,819.58	99.50%	9,470.42
2. TRAVEL EXPENSES									
Daily Subsistence Allowance (DSA)	112,200.00		-16,000.00	96,200.00	95,801.10		95,801.10	99.59%	398.90
Travel Expenses (flights and incidentals)	132,600.00		36,000.00	168,600.00	167,179.44		167,179.44	99.16%	1,420.56
Subtotal Travel Expenses	244,800.00	0.00	20,000.00	264,800.00	262,980.54	0.00	262,980.54	99.31%	1,819.46
3. OFFICE EXPENSES									
Office rent	15,300.00	169,482.30		184,782.30	184,071.74		184,071.74	99.62%	710.56
Office equipment	65,280.00		-900.00	64,380.00	64,301.12		64,301.12	99.88%	78.88
Consumables	92,820.00	4,803.22	-6,700.00	90,923.22	85,832.83		85,832.83	94.40%	5,090.39
Other Services	51,000.00		-2,400.00	48,600.00	48,588.25		48,588.25	99.98%	11.75
Subtotal Office Expenses	224,400.00	174,285.52	-10,000.00	388,685.52	382,793.94	0.00	382,793.94	98.48%	5,891.58
4. OTHER COSTS AND SERVICES									
Advertising, communication and representation	30,804.00		20,000.00	50,804.00	50,687.38		50,687.38	99.77%	116.62
Studies, research and consulting	459,000.00		28,300.00	487,300.00	45,976.86	441,300.00	487,276.86	100.00%	23.14
Costs of outsourced services (IT, payroll, etc.)	91,800.00		12,500.00	104,300.00	104,232.35		104,232.35	99.94%	67.65
Costs of Audit, Legal and Financial Advice	35,700.00		43,500.00	79,200.00	79,100.05		79,100.05	99.87%	99.95
Financial services	14,892.00		-2,500.00	12,392.00	11,391.14		11,391.14	91.92%	1,000.86
Conference costs	186,660.00		-59,000.00	127,660.00	125,291.10		125,291.10	98.14%	2,368.90
Refunding	285,600.00		-40,300.00	245,300.00	244,851.78		244,851.78	99.82%	448.22
Training	42,840.00		-12,500.00	30,340.00	29,923.65		29,923.65	98.63%	416.35
Subtotal Other Costs and Services	1,147,296.00	0.00	-10,000.00	1,137,296.00	691,454.31	441,300.00	1,132,754.31	99.60%	4,541.69
Subtotal Operating Expenses	1,616,496.00	174,285.52	0.00	1,790,781.52	1,337,228.79	441,300.00	1,778,528.79	99.32%	12,252.73
TOTAL EXPENSES - ORDINARY BUDGET	3,517,786.00	174,285.52	0.00	3,692,071.52	3,229,048.37	441,300.00	3,670,348.37	99.41%	21,723.15
EXTRAORDINARY BUDGET									
Donation Poland		15,000.00		15,000.00	15,000.00		15,000.00	100.00%	0.00
Donation UK		210,000.00		210,000.00	111,354.02	98,645.98	210,000.00	100.00%	0.00
TOTAL EXPENSES - EXTRAORDINARY BUDGET	0.00	225,000.00	0.00	225,000.00	126,354.02	98,645.98	225,000.00	100.00%	0.00
ORDINARY & EXTRAORDINARY BUDGET	3,517,786.00	399,285.52	0.00	3,917,071.52	3,355,402.39	539,945.98	3,895,348.37	99.45%	21,723.15

Table 3: Budget Report 2015⁷ (see also Auditor's Report 2015)

Utilization of budget appropriations in 2015 is presented in comparison with the previous periods of budget implementation (see *chart* below).

⁷ In June 2015, Secretariat noted a technical mistake in the Audit Report 2014 that was caused by mistake in a formula; as consulted with the auditors, due to minor impact and not essential amount of 0.90 cent, there is no need to revise the Audit Report.

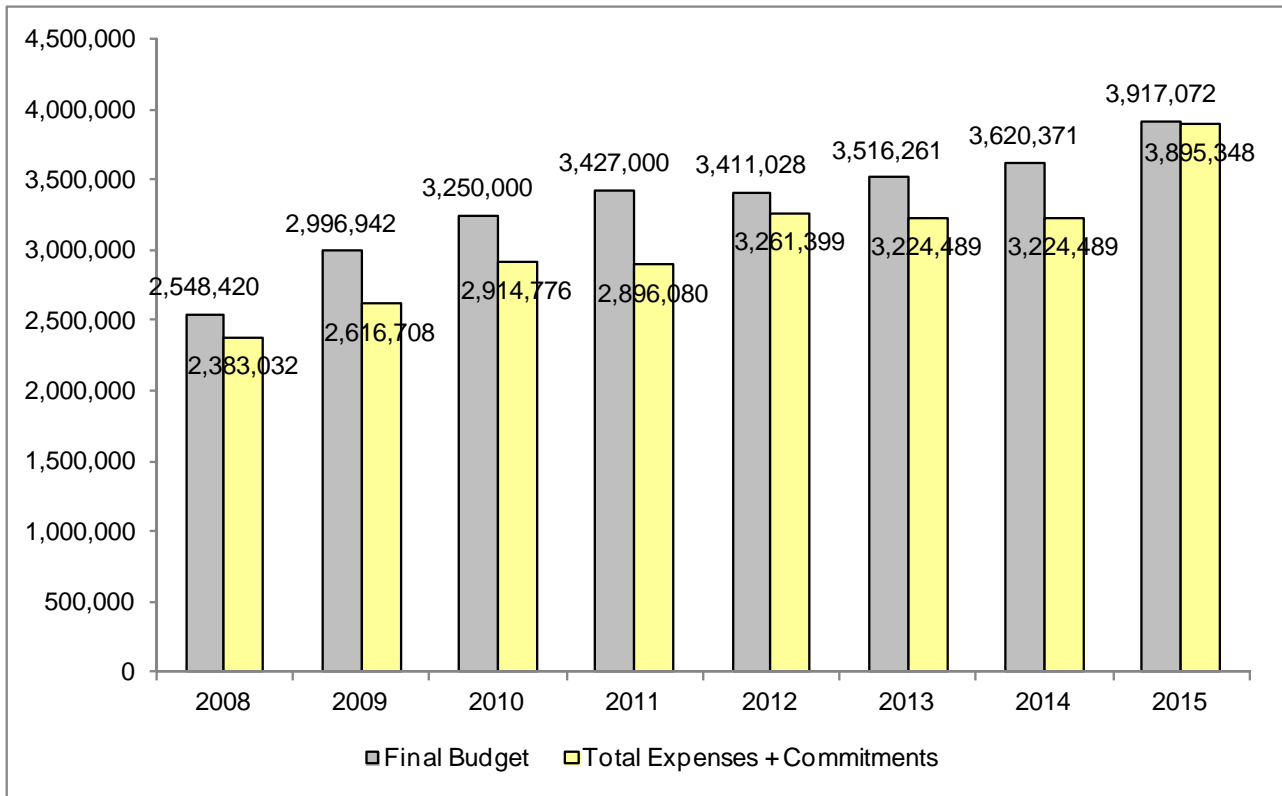


Chart: Energy Community Budget 2015 in comparison [source: ECS intern]

Narration note on the expenses 2015

Ordinary Budget

The implementation of the budget line *1 Human Resources* amounted to EUR 1,891,820, i.e. to 99.50% of the budget appropriations.

The budget for *Travel Expenses* amounted to EUR 262,981 and was utilized in 99.31%. Included therein actual expenditure for position *Daily Subsistence Allowance* amounted to EUR 95,801 and EUR 167,179 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 of EUR 388,686 was utilized in 98.48%, in the amount of EUR 382,794. Within this budget line the expenditure for *Office Rent* amounted to EUR 184,072⁸, for the *Office, Equipment and communications* (IT) amounted to EUR 64,301, for the budget position *Consumables* amounted to EUR 85,833 and for the budget position *Other Services* (telephone, fax, communications) to EUR 48,588.

⁸ 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 169,482 was covered by Austria in 2015 (see also Audit Report 2015, Statement of Financial Position for the period ending 31 December 2015).

The implementation of *Other Costs, Services* (budget line 4) amounted to EUR 1,132,754 resulting in 99.60% usage of the budget appropriations. Expenditure for the respective budget positions included in budget line 4 was utilized at the levels as presented in table 3 above.

All in all, ordinary budget of the year 2015 was spent at high level of 99.41%, where the difference of EUR 21,723 remained unspent (for details see item 8).

Extraordinary budget

Extraordinary budget of EUR 225,000 was spent in 100% (provisions for spending going beyond the financial year 2015 were considered under legal commitments).

6. Carry over from 2015 into 2016 (legal commitments)

In 2015, budget appropriations for legal commitments concluded by 31 December 2015 were carried into 2016 amounting to total amount of EUR 441,300. Those were made various commitments made under studies, research and consulting. In 2015, some 47 % of the overall committed budget of EUR 441,300 was paid.

Details are presented in a table below:

status: 31 March 2016

Budget Line	Budget Line Description	Appropriations 2015 carried over to 2016	Payments till 31/03/2016	Open for payments in 2016
		1	2	3=1-2
PI 111	Human Ressources	-	-	-
PI 210, PI 220	Travel Expenses	-	-	-
	Office	-	-	-
PI 310	Rent	-	-	-
PI 320	Office equipment	-	-	-
PI 330	Consumables	-	-	-
PI 340	Other Services	-	-	-
	Other Costs, Services	441,300	233,117	208,183
PI 410	Advertising & Communication	-	-	-
PI 420	Studies, Research, Consulting	441,300	233,117	208,183
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	-	-	-
	TOTAL	441,300	233,117	208,183

Table 4: Budget appropriations 2015 carried over into 2016: Overview [source: ECS intern]

7. Revenue 2015

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 2015* (see in the *Report on the Audit of the Financial Statements for the year ended 31 December 2015*).

In 2015, the Energy Community received its funds from the following sources:

- Parties Contributions	EUR 3,517,786
- Other Donations	EUR 394,482
- Finance revenue	EUR 1,454
- Other revenue	EUR 3,349

Budget Appropriations 2015 in the amount of EUR 3,517,786 result from the financial responsibility of the Parties to the Treaty under Article 2 of the *Budgetary Procedures*.

In addition to the above contributions of the Parties, being the main source of revenue, the Energy Community may receive also donations, subject to approval by the Budget Committee.

In the financial year 2015 the donations from the Federal Ministry of Science, Research and Economy of Austria amounted to EUR 169,482.30 (in 2014: EUR 165,682.32) and served the predefined (since 2007) purpose of contributions to the office rent of the Secretariat in Vienna. Further, in 2015 donations from the Governments of Poland (EUR 15,000, 2014: EUR 0) and UK (EUR 210,000, 2014: EUR 0) were received for (predefined) activities related to the development of the secondary legislation in Ukraine (both gas and electricity). Acceptance of the donations from the governments of Poland and UK followed approval procedure laid down in the Budgetary Procedures of the Budget Committee⁹.

Other revenue in the amount of EUR 3,349 comes from refunding of travel expenses to the Energy Community experts by various organizations/institutions.

Finally, in 2015, the funds paid to the Energy Community borne an interest of EUR 1,454 (**finance revenue**). Both, other and finance revenue are subject to repayment together with not used budget appropriations (see chapter below). Donations received have been spent in 100% on the defined purposes with no obligation to repayment.

8. Recovery procedure of non-used budget appropriations 2015

In 2015 almost entire (final) budget 2015 (EUR 3,692,072) was spent. 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, 2013: EUR 260,021, 2014: EUR 58,648, 2015: EUR 36,508 (see also *attachment 2*).

Based on the decision of the Ministerial Council of 6 October 2011 starting 2012 the repayment amount to the Parties shall consider, in addition to the position of not used budget appropriations shown in the statement of financial position¹⁰, all other sources of revenue (incl. interest gained)¹¹.

⁹ Pursuant to Article 15 of the Energy Community *Budgetary Procedures*

¹⁰ Minutes of the Budget Committee meeting of April 11 2013 (item 5a)

Consequently the calculated repayment amounts to the Parties resulting from the implementation of 2015 budget are as follows:

Parties	Contribution in EUR	Contribution in %	Unused Appropriations 2015	Unused Legal Commitments 2014	Correction Other Revenue 2014	Total repayment amount
			(1)	(2)	(3)	(4) = (1) + (2) + (3)
European Union	3,339,786.03	94.94%	20,623.96	19,618.40	- 5,581.38	34,660.98
Republic of Albania	3,166.01	0.09%	19.55	18.60	- 5.29	32.86
Bosnia and Herzegovina	7,035.57	0.20%	43.45	41.33	- 11.76	73.02
former Yugoslav Republic of Macedonia	3,517.79	0.10%	21.72	20.66	- 5.88	36.50
Moldova	3,517.79	0.10%	21.72	20.66	- 5.88	36.50
Montenegro	1,407.11	0.04%	8.69	8.27	- 2.35	14.61
Republic of Serbia	18,996.04	0.54%	117.31	111.59	- 31.75	197.15
Ukraine	137,897.21	3.92%	851.55	810.03	- 230.45	1,431.13
Kosovo*	2,462.45	0.07%	15.20	14.46	- 4.12	25.54
TOTAL	3,517,786.00	100.00%	21,723.15	20,664.00	- 5,878.86	36,508.29

Table 5: Not used budget appropriations 2015 – table of repayments (see Audit Report 2015)

Total repayment amount in 2016 equals EUR 36,508.29 and is composed of the following:

- (1) not used budget appropriations 2015: EUR 21,723.15 (see (1), table above),
- (2) not used legal commitments of 2014: EUR 20,664.00 (see (2), table above),
- (3) corrections of payment made in 2014: EUR 5,878.86 (see (3), table above).

9. Institutional budget 2015: year-end utilization

In this section of the Report, the utilization of the established budget of the functioning of the institutions is reported. The established structure of the approved budget 2014-2015 is followed.

The initial budget 2015 established at the level of EUR 472,260 has been sufficient and amended in the course of utilization to the level of EUR 372,960.

Details of the actual utilization are presented below, as follows:

¹¹ Minutes of the Budget Committee meeting of March 22 2012 (item 2)

*This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.

(in EUR)	Actual 2015
Ministerial Council (incl. Budget Committee, Env TF, Energy Efficiency CG, SoS)	56,311.18
Permanent High Level Group	23,912.06
Energy Community Regulatory Board (incl. WGs)	70,832.50
Secretariat (incl. competition network, investment, WS and Statistics)	161,333.82
Electricity Forum	18,852.68
Gas Forum	25,438.78
Social Forum	0.00
Oil Forum	13,461.86
TOTAL	370,142.88

Table 6: Institutional Budget Utilization Report for 2015

10. Audit 2015

In April 2016 the designated external audit company¹² finalized the audit of the financial statements of the Energy Community for the year ended 31 December 2015. 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 statement of the auditors for the relevant period ending 31 December 2015 is the following:

"Our audit did not give rise to any objections. 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)*."¹³

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 2015.

¹² In accordance with Article 80 of the *Budgetary Procedures*

¹³ See Auditors' Report 2015

ATTACHMENTS

Attachment 1: List of Rules and Procedures of Relevance for the implementation of the Energy Community Budget, status as of 1 January 2016

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 2007-2015 in comparison

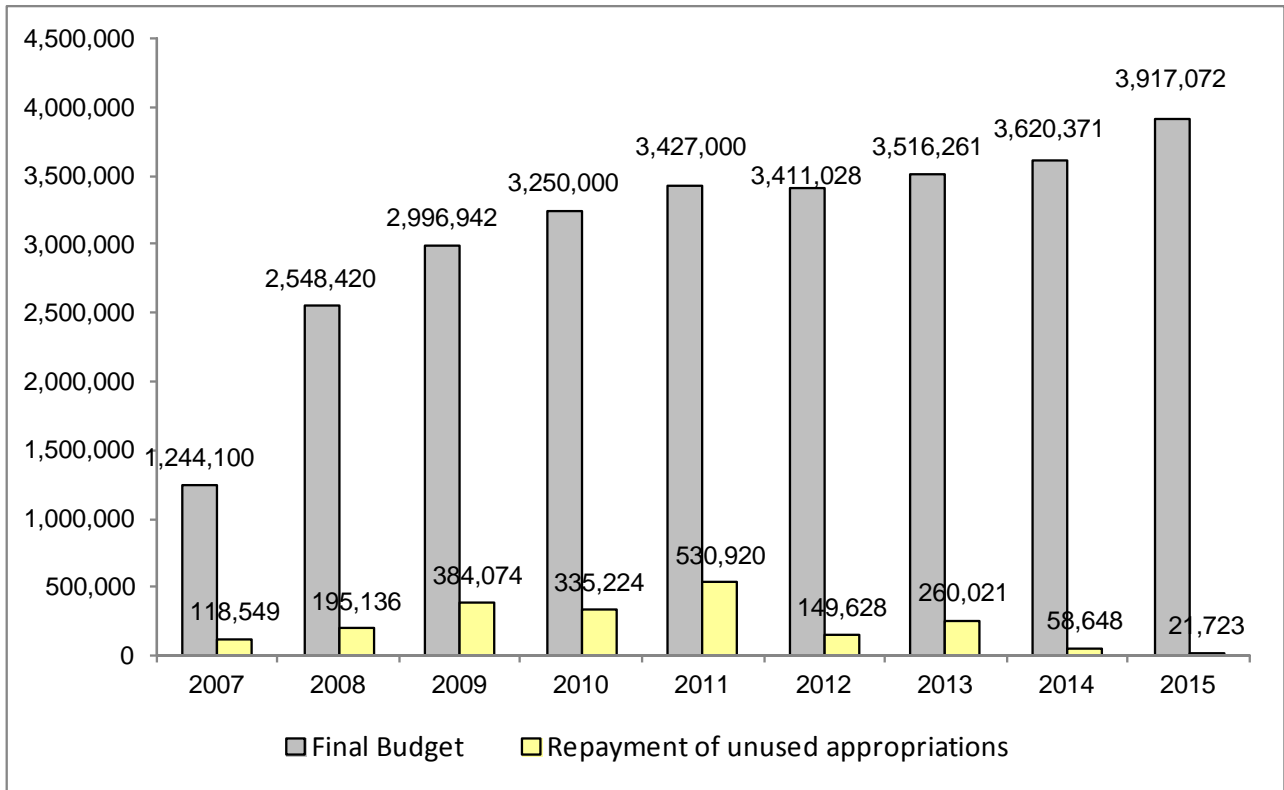


Chart: Energy Community Budget 2015 in comparison to unused budget appropriations [source: ECS intern]