

BUDGET COMMITTEE REPORT ON AUDIT 2018 IN ACCORDANCE WITH ART 81(5) OF THE ENERGY COMMUNITY BUDGETARY PROCEDURES

Background

This report represents a reporting obligation of the Budget Committee under Article 81(5) of the Budgetary *Procedures* (applicable in its amended version of 23 September 2014).

The Energy Community's annual accounts 2018 were audited by PwC, assigned with the contract in 2018 for the biennium 2018-2019. The representatives of the audit company informed members of the Budget Committee about the audit process and results at a meeting on 06 June 2019.

Scope of Audit

The audit started with a pre-audit phase in November 2018 and was finalized in February 2019. The project of auditing was performed in accordance with the defined service specifications – approved by the Budget Committee in advance - that included review of accounting records and procedures in terms of accuracy and completeness of the records (see Art 81 of the Budgetary Procedures).

The scope of work of auditors included, *inter alia*, the following:

- Verification of the compliance of transactions carried out by the Energy Community Secretariat with regard to all applicable rules;
- Verification of bank account and cash reconciliations;
- Revision of internal management rules of the Energy Community and its operational implementation;
- Compliance of applications of the Austrian Procurement Law;
- Assets management and inventory procedures;
- Reconciliation of revenue;
- Reconciliation of unused budget appropriations;
- Analysis of the correctness, relevance and application of the Energy Community Accounting Policy;

In addition to auditing of the accounts, the auditors have evaluated the efficiency of the financial procedures, of the accounting and of internal control systems and, in general, the financial consequences of administrative practices. Upon request from the Budget Committee, this assessment is reported in item 3.3 of the audit report as well as in the PwC presentation.

Key Findings

The key finding of the Auditor was as follows:

“In our opinion, the accompanying financial statements comply with legal requirements and give a true and fair view of the financial position of the Organisation as at 31

December 2018, of the financial performance as at 31 December 2018, and of its cash flow for the fiscal year then ended in accordance with International Public Sector Accounting Standards (IPSAS). The Statement of Comparison of Budget and Actual Amounts for the Year 2018 is prepared, in all material respects, also in accordance with IPSAS”.

Assessment of financial management of the Energy Community

Throughout 2018, 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 2018.

Based on the experience gained in 2018, coordination should be enhanced between the Budget Committee, the EnC Secretariat and the Director so that the Budget Committee performs effectively its supervisory and advisory functions in the process of financial management of the operations of the Energy Community.