

**REPORT  
ON THE EXECUTION OF THE  
ENERGY COMMUNITY BUDGET 2009  
PURSUANT TO ARTICLE 75  
OF THE  
TREATY  
ESTABLISHING THE ENERGY COMMUNITY**

**Prepared by the  
Energy Community Secretariat**

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## 1. INTRODUCTION

The purpose of this report is to present a synthesis of the budgetary and financial management of appropriations for the period ending 31 December 2009. This report is being issued in accordance with the relevant requirements of applicable rules for the budget execution.

### 1.1. Legal basis

This Report is issued on the basis of the Article 75 of the Treaty establishing the Energy Community which stipulates that *"the Director of the Secretariat shall implement the budget in accordance with the Procedural Act adopted pursuant to Article 74, and shall report annually to the Ministerial Council on the execution of the budget"*. Further, Article 83 of the *Procedures for the Establishment and Implementation of Budget, Auditing and Inspection* (hereinafter "Budgetary Procedures") states that *"On the basis of [...] report<sup>1</sup>, the Ministerial Council shall discharge the Director from his management and administrative responsibility in respect of the budget before 31 December N+1"*. The audit report as referred to Article 80 of the *Budgetary Procedure* shall be submitted not later than eight months after the end of the financial year to which it relates<sup>2</sup>.

Article 15(2) of the *Budgetary Procedures* refers to the scope this annual report to the Ministerial Council and requires explicit inclusion of *"information on proposed and received donations and their usage"*<sup>3</sup>.

### 1.2. General on the financial and budgetary management within 2009

2009 represents the second regular year of financial operations of the Energy Community and the final year of the budgetary period 2008-2009. In this financial year, the practice related to the international character of operations of the Energy Community has been further developed. The Budget Committee of the Energy Community has been notified at all stages about the relevant decision made and informed on regularly basis through monthly and quarterly reports on the budget execution. Entire financial framework of the Energy Community Secretariat related to the implementation of the budget, its intentions to further improve those on the ground of the available practice and related recommendations of the external audit company was presented to the Budget Committee on regular basis<sup>4</sup>.

The overall budget responsibility of the Director as referred to on the one side in the Article 75 of the Treaty and on the other side in the Article 31 of the *Budgetary Procedures* - in accordance with which the Director performs the duties of an authorising officer – is reflected accordingly throughout the entire financial framework of the Energy Community Secretariat established based on provisions of the Article 37 of the same *Budgetary Procedures*. This legal framework includes rules adopted by the Ministerial Council, guidance of the Budget Committee and rules, adopted by the Director of the Energy Community Secretariat (see a non-exhaustive list in **Attachment 1**<sup>5</sup>). Summary of all principles regarding the financial management with the Energy Community Secretariat is provided in the key document, i.e. *Internal Financial Management Rules of the Energy Community Secretariat*.

In accordance with Article 22(2) of the *Budgetary Procedures*, the process is supervised and advised by the Budget Committee.

<sup>1</sup> In accordance with the Art 82 of the *Procedures for the Establishment and Implementation of Budget, Auditing and Inspection* (Ref.: 2006/03/MC-EnC) of 17 November 2006: Report of the external auditors and the auditors' statement of assurance

<sup>2</sup> Article 81 of the *Procedures for the Establishment and Implementation of Budget, Auditing and Inspection*, Procedural Act No. 2006/02, Ministerial Council, Skopje, 17 November 2007

<sup>3</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>4</sup> Last information was provided at the 7<sup>th</sup> Budget Committee meeting on the 16<sup>th</sup> of March 2010

<sup>5</sup> All of these are available upon request

## 2. BUDGET 2009 IN SUMMARY

### 2.1. Budget structure and achievements 2009

Budget 2009 of the Energy Community is part of the biannual budget 2008-2009 approved by the Ministerial Council on the proposal of the European Commission at its meeting on 18 December 2007.

This budget was established in correspondence with the strategic planning of activities within the overall objectives of the Treaty establishing the Energy Community for the same period. Those activities are laid down in the corresponding EnC Work Program 2008-2009, which was approved at the same occasion as the budget, i.e. at the Ministerial Council meeting of 18 December 2007.

As far as the establishment and structure of the EnC 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 part of the budget.

#### Key conclusion for 2009

A key conclusion drawn on the ground of the actual results of the budget implementation is that the envisaged funds for 2009 were sufficient to cover the activities as specified in the EnC Work Programme derived from the obligations under the EnC Treaty. The major results along the performance of those tasks, however, are subject to a separate report as referred to in Article 52 of the Treaty. At this stage it is noted that substantial part of the budget is utilized in relation to the implementation of the Energy Community Treaty and of the corresponding Work Programme 2009, including *inter alia*:

- Functioning of the Energy Community institutions
- Event Management (overall number of events organized by the Secretariat in 2009 was above 80; see **attachment 2**);
- Studies, Research and Consultancy work on issues, directly linked to achieving concrete results within the area of work of the Energy Community as well as in the sphere of regional market development (see **attachment 3**);
- Support to the Contracting Parties and Observers regarding the proper implementation of the *acquis* under the Treaty as well as relevant monitoring, performed via relevant missions (see **attachment 4**).

### 2.2. Major operational results in 2009, concerning budget implementation

Main achievements reached in 2009 in the area of budget implementation and related areas of work are as follows:

- **Audit of the EnC Financial Statements** for the period ending 31 December 2008 was finalized in February 2009 and presented to the Budget Committee at its meeting in March 2009. "*Ernst & Young*" acted as designated external audit company with the approved mandate to audit the relevant annual accounts of the Energy Community. Based on the **audit opinion** of 19 February 2008 by

"Ernst & Young"<sup>6</sup>, the Ministerial Council adopted on 26 June 2009 its decision<sup>7</sup> on the **discharge to the Director of the Secretariat** from his management and administrative responsibility for the financial year 2008.

- Within the financial year 2009, the Budget Committee continued to advise the Director in the matters of the financial management of the operations of the Energy Community.
- **The Budget Committee** had three meetings in 2009, preparation of which was assisted by the Secretariat. Summary of the outcome as reflected accordingly in the minutes of those meetings have been reported on a regularly basis to the Permanent High Level Group. The following **topics** were on the **agenda of its meetings in the year 2009**: presentation of the annual accounts and statements for the financial year 2008, discussion on the annual budget report issued under Article 75 of the Treaty for the same year 2008, budget 2010 – 2011 and its procedural aspects, principles of transfer of appropriations as laid down in the Budgetary Procedures, procedure of the reimbursements of costs to the participants at the Energy Community meetings.  
In the year 2009, the Budget Committee took several **decisions** (*non-exhaustive list*) in the context of budget implementation:
  - o Decision on no advance payments in the context of reimbursement<sup>8</sup>;
  - o Decision on the transfer of appropriations within the overall budget 2009<sup>9</sup>;
  - o Decision on the approach and principles for refunding of not used appropriations from the EnC budget;<sup>10</sup>
- As far as **budget execution reporting** is concerned, the Director reported on monthly and quarterly basis to the Budget Committee through submission of the relevant reports.
- The work of improvement of the relevant ruling 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.

<sup>6</sup> See Auditor's Report on the Financial Statements as of December 31, 2008

<sup>7</sup> See D/2009/01/MC-EnC of 26.6.2009 on the discharge of the Director of the ECS for the year 2008 under <http://www.energy-community.org/pls/portal/docs/350201.PDF>

<sup>8</sup> Minutes of the Meetings of 5<sup>th</sup> BC dated 26.6.2009

<sup>9</sup> Decision of BC of 28 Sep 2009 (Ref.: 2009/01/BC-EnC) on the Transfer of Appropriations, Minutes of the Meetings of 6<sup>th</sup> BC dated 28.9.2009

<sup>10</sup> See Minutes of the Meetings of 6<sup>th</sup> BC dated 28.9.2009

### 3. BUDGET 2009: OVERVIEW

#### 3.1. Budgetary procedure 2008-2009

Budget 2009 was approved by the Ministerial Council at its 3<sup>rd</sup> meeting on 18 December 2007 as part of the biannual budget proposal made by the European Commission<sup>11</sup>. The budget 2009 was set at EUR 2,996,942, 18% higher than for 2008. The overview of the approved budget 2008-2009 is presented below.

(in EUR)	%age presentation of Subtotals			
	BUDGET 1-12/2008	BUDGET 1-12/2009	% BUDGET 2008	% BUDGET 2009
<b>1. HUMAN RESSOURCES</b>			<i>n=16</i>	<i>n=18</i>
<b>Subtotal Human Ressources</b>	<b>1,053,474</b>	<b>1,197,072</b>	<b>41.34%</b>	<b>39.94%</b>
<b>2. TRAVEL EXPENSES</b>				
<b>Subtotal Travel Expenses</b>	<b>175,320</b>	<b>232,992</b>	<b>6.88%</b>	<b>7.77%</b>
<b>3. OFFICE</b>				
<b>Subtotal Office</b>	<b>251,000</b>	<b>212,103</b>	<b>9.85%</b>	<b>7.08%</b>
<b>4. OTHER COSTS AND SERVICES</b>				
Advertising and communications (incl. representation)	30,000	60,000	2.81%	4.43%
Studies, research and consulting	290,000	450,000	27.14%	33.22%
Costs of outsourced services (IT, payroll etc.)	48,000	84,000	4.49%	6.20%
Costs of audit, legal and financial advice	31,500	30,000	2.95%	2.21%
Financial services (bank, funds management)	6,000	12,000	0.56%	0.89%
Conference costs	270,000	260,000	25.27%	19.19%
Refunding	322,000	308,775	30.13%	22.79%
Training and seminars (internal and external)	71,126	150,000	6.66%	11.07%
<b>Subtotal Other costs and services of Total</b>	<b>1,068,626</b>	<b>1,354,775</b>	<b>41.93%</b>	<b>45.21%</b>
<b>Total</b>	<b>2,548,420</b>	<b>2,996,942</b>		

Table 1: Energy Community Budget 2008-2009: Overview (Source: ECS intern)

#### 3.2. Amending the budget 2009 (transfers of appropriations)

Article 18 of the *Budgetary Procedures* defines the technical amendment of the budget through the instrument of the transfers of appropriations. Guidance on the implementation of the provisions of Article 18 was provided by the Budget Committee at its meeting of 17 March 2009<sup>12</sup>.

In 2009, 4 transfers were submitted to decision making authorities, on the one side to the Director and on the other side to the Budget Committee. The global transfer totaled EUR 38,000 and covered the changes made within/between the relevant budget lines. Most ECS transfers of appropriations

<sup>11</sup> In accordance with Article 88 of the Treaty establishing the Energy Community

<sup>12</sup> See item 26 of the Minutes of the 4<sup>th</sup> Meeting of the Budget Committee dated 17 March 2009;

concerned reinforcement of budget line 3 *Office* and its subordinated *budget positions*.

The proposed transfers for **reinforcement** were for:

- Budget line 3 *Office*: for office rent and office equipment EUR 35,000
- Budget line 2 *Travel Expenses*: for Daily Substance Allowance EUR 3,000

The proposed transfers of **available appropriations** were from:

- Budget Line 2 *Travel Expenses*: from budget position *Travel Expenses (tickets, accommodation, other)* EUR 3,000
- Budget line 3 *Office*: from budget positions *Consumables* and *Other Services* EUR 15,000
- Budget line 3 *Office* from budget position *Other Services* to budget position *Consumables* EUR 6 200
- Budget line 4 *Other Costs, Services*: from budget position *Advertising & Communications* EUR 20,000

The Budget Committee was notified about all decisions on the transfers in accordance with of Article 18(2) of the *Budgetary Procedures*.

Details of those are presented in the table below.

	<i>Transfer / Description / Date</i>	<i>Ref.</i>	<i>Budget Line</i>	<i>Initial Budget in EUR</i>	<i>Final Budget in EUR</i>	<i>Transfer amount in EUR</i>	<i>Reason</i>
1	T1-2009 Decision of the Director on the transfer of appropriations within Budget 2009 of the Energy Community 3.3.2009	2009/D-01/ECS/T1-2009	3. Office	212,103.00	232,103.00	15,000.00	Adjustment within budget line 3. to assure sufficient funds for ongoing (increase in comparison with 2008) rent related obligations
2	T2-2009 Budget Committee Decision on the transfer of appropriations within Budget of the Energy Community 2009 28.9.2009	2009/01/BC-EnC	3. Office	212,103.00	232,103.00	20,000.00	Adjustment between two budget lines (4. and 3.) required to assure sufficient funds of <i>Office Equipment</i>
3	T3-2009 Decision of the Director on the transfer of appropriations within Budget 2009 of the Energy Community 30.11.2009	2009/D-02/ECS/T3-2009	3. Office	212,103.00	232,103.00	6,200.00	Adjustment within budget line 3. required to assure sufficient funds for expenditures related to the <i>Consumables</i>
4	T4-2009 Decision of the Director on the transfer of appropriations within Budget 2009 of the Energy Community 31.01.2010	2009/D-03/ECS/T4-2009	2. Travel Expenses	232,992.00	232,992.00	3,000.00	Adjustment within budget line 2. required to assure the sufficient funds for DSA related expenses

Table 2: *Energy Community Budget – Transfers of appropriations, overview (Source: ECS intern)*

### 3.3. Budget Execution Report as of 31 December 2009

This Section gives a brief overview in % of the implementation to the budget during the financial year 2009 (see *table 3*) and briefly comments on the utilization of the 2009 budget appropriations in comparison to the actual amounts. The execution of the 2009 budget, with the difference between actual execution<sup>13</sup> and the adjusted budget are presented in the table 3 below. This presentation is made both at the level of the budget line as well as of each budget positions within budget lines.

	Budget 2009			Actual Amounts on Comparable Basis [In EUR]	Adjusted Budget vs. Actual Amounts [In EUR]	Adjusted Budget vs. Actual Amounts [In %]	Commitments 2009 [In EUR]	Actual Amounts on Comparable Basis incl. Commitments 2009 [In EUR]	Actual Amounts on Comparable Basis incl. Commitments 2009 [In %]
	Initial Budget	Budget Transfers	Adjusted Budget						
	1	2	3= 1+2	4	5= 3-4	6	7	8= 4+7	
<b>1. HUMAN RESOURCES</b>									
Salaries	1,194,420		1,194,420	1,146,586	47,834	96%		1,146,586	96%
Others (accident insurance)	2,652		2,652	2,579	73	97%		2,579	97%
<b>Subtotal Human Resources</b>	<b>1,197,072</b>		<b>1,197,072</b>	<b>1,149,165</b>	<b>47,907</b>	<b>96%</b>	<b>0</b>	<b>1,149,165</b>	<b>96%</b>
<b>2. TRAVEL EXPENSES</b>									
Daily Subsistence Allowance	64,800	3,000	67,800	67,396	404	99%		67,396	99%
Travel Expenses (tickets, accommodation, other travel expense)	168,192	-3,000	165,192	138,503	26,689	84%		138,503	84%
<b>Subtotal Travel Expenses</b>	<b>232,992</b>	<b>0</b>	<b>232,992</b>	<b>205,899</b>	<b>27,093</b>	<b>88%</b>	<b>0</b>	<b>205,899</b>	<b>88%</b>
<b>3. OFFICE</b>									
Office rent		15,000	15,000	12,360	2,640	82%		12,360	82%
Office, equipment and communications (IT)	48,000	20,000	68,000	56,493	11,507	83%	6,465	62,958	93%
Consumables	92,103	-8,800	83,303	83,092	211	100%		83,092	100%
Other Services (Telephone, Fax, Communications)	72,000	-6,200	65,800	60,497	5,303	92%		60,497	92%
<b>Subtotal Office</b>	<b>212,103</b>	<b>20,000</b>	<b>232,103</b>	<b>212,442</b>	<b>19,661</b>	<b>92%</b>	<b>6,465</b>	<b>218,907</b>	<b>94%</b>
<b>4. OTHER COSTS, SERVICES</b>									
Advertising & Communication (incl. Representation)	60,000	-20,000	40,000	15,647	24,353	39%	1,155	16,802	42%
Studies, research and consulting	450,000		450,000	2,702	447,298	1%	445,390	448,092	100%
Costs of outsourced services (IT etc.) and IT consulting	84,000		84,000	75,162	8,838	89%		75,162	89%
Costs of Audit, Legal and Financial Advice	30,000		30,000	23,825	6,175	79%		23,825	79%
Financial Services (bank)	12,000		12,000	9,466	2,534	79%		9,466	79%
Conference Costs	260,000		260,000	183,212	76,788	70%		183,212	70%
Refunding	308,775		308,775	206,470	102,305	67%		206,470	67%
Training and seminar costs	150,000		150,000	78,742	71,258	52%	966	79,708	53%
<b>Subtotal Other costs, services</b>	<b>1,354,775</b>	<b>-20,000</b>	<b>1,334,775</b>	<b>595,226</b>	<b>739,549</b>	<b>45%</b>	<b>447,511</b>	<b>1,042,737</b>	<b>78%</b>
<b>Subtotal Other Operating Expenses</b>	<b>1,799,870</b>	<b>-20,000</b>	<b>1,799,870</b>	<b>1,013,567</b>	<b>786,303</b>	<b>56%</b>	<b>453,976</b>	<b>1,467,543</b>	<b>82%</b>
<b>TOTAL EXPENSES</b>	<b>2,996,942</b>	<b>0</b>	<b>2,996,942</b>	<b>2,162,732</b>	<b>834,210</b>	<b>72%</b>	<b>453,976</b>	<b>2,616,708</b>	<b>87%</b>

Table 3: Budget Utilization Report 2009 – Overview (see also EnC Audit Report 2009)

<sup>13</sup> The actual figures include legal commitments of the year 2009



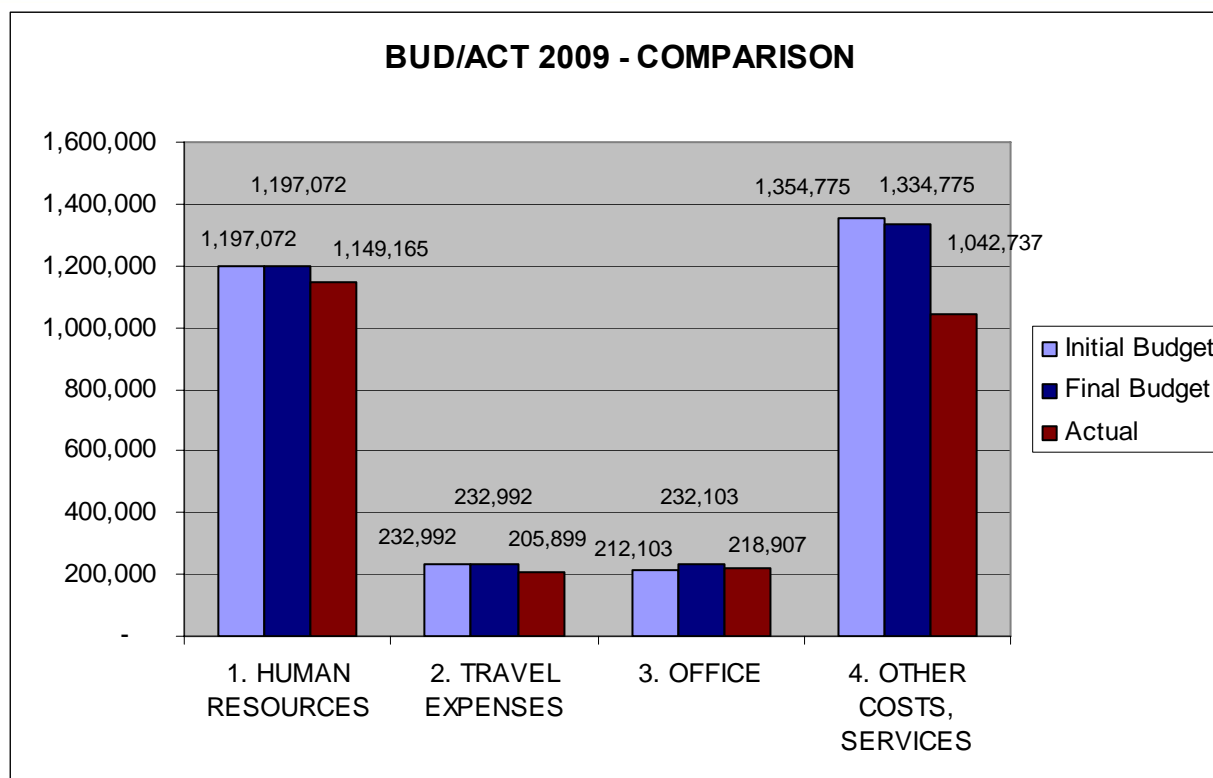


Chart 1: Energy Community Budget 2009: Utilization [in EUR; source: ECS intern]

The implementation of the budget line 1 *Human Resources* amounted to EUR 1,149,165, i.e. to approximately 96% of the initial budget appropriations.

The initial budget for the budget line 2 *Travel Expenses* amounted to EUR 232,992 while actual utilization amounted to EUR 205,899, i.e. an implementation rate of 88% of the initial budget, of which the expenditure for budget position *Daily Subsistence Allowance* amounted to EUR 67,936 and for budget position *Travel Expenses* (tickets, accommodation and others) amounted to EUR 138,503.

The initial budget for the budget line 3 *Office* amounted to EUR 212,103, which after the transfer of appropriations was increased to EUR 232,103 (see table 2) while the actual utilization amounted to EUR 218,907, i.e. to approximately 94% of the adjusted budget appropriations. Within this budget line the expenditure for the budget position *Office Rent* amounted to EUR 12,360, for the budget position *Office, Equipment and communications (IT)* amounted to EUR 62,958, for the budget position *Consumables* amounted to EUR 83,092 and for the budget position *Other Services* (telephone, fax, communications) to EUR 60,497.

The implementation of the initial budget for budget line 4 *Other Costs, Services* amounted to EUR 1,042,737, i.e. to approximately 78% of the adjusted budget appropriations, of which the expenditure for the respective budget positions included therein were utilized at the levels as shown in the table 3. Within this budget line, all budget positions – with the exception of the budget position *Studies, Research and Consulting* where the utilization was at a level of 100% - were under-implemented. The general under-implementation, though, was primarily attributable to the following budget position: 1) *Advertising and Communication* (the budget's implementation resulted in an under-spending of EUR 23,198 (i.e. 58% of adjusted budget remained under-spent)), 2) *Training and Seminar costs* (under-spending of EUR 70,292, equaling to 53% of the adjusted budget), 3) *Refunding* (under-spending of EUR 102,305, i.e. approximate 67% of the adjusted budget).

### 3.4. Carry over from 2008

In 2008 legal commitments amounting to EUR 338,171 (details see *Table 4*) were considered in the year-end accounts of the Energy Community, utilization of which continued in 2009. Of the commitments carried forward from 2008, EUR 4,386 was not implemented. For the reasons and an overview, please see the *Table 4* below.

<b>Budget Line/ Budget Position</b>	<b>Description</b>	<b>Commitments 2008 (in EUR)</b>	<b>Note</b>	<b>Implemented in 2009 (in EUR)</b>
<b>3 Office/ PI320 Office Equipment</b>	Various items related to the furniture of the new office of ECS	42,168	All commitments from 2008 were implemented in 2009	42,168
<b>4 Other Costs, Services/ PI420 Studies, Research, Consulting</b>	Overall sum of commitments related to the studies 2008	263,146	Slight under-spending, i.e. of EUR 3,468, results from not finalization of one of the studies committed	259,578
<b>4 Other Costs, Services/ PI430 Outsourced Services</b>	Various IT related services carried out by third parties in the course of ECS office establishment	20,000	Minor under-spending results in less expenditure occurred in 2009 then estimated in 2009	19,628
<b>4 Other Costs, Services/ PI420 Training</b>	Traning costs for regulators at FSR	12,857	Accrued part expenses for the year	12,857
<b>TOTAL</b>		<b>338,171</b>		<b>334,331</b>

*Table 4: Legal Commitments 2008 – utilization*

### 3.5. Carry over into 2010

In 2009, legal commitments amounting to EUR 453,976 (details see *Table 5*) were considered in the year-end accounts of the Energy Community, utilization of which will continue in 2010. For an overview, please see the *Table 5* below.

<b>Budget Line/ Budget Position</b>	<b>Description</b>	<b>Commitments 2009 (in EUR)</b>	<b>Reason</b>
<b>3 Office/ PI320 Office Equipment</b>	Various items related to the furniture of the new office of ECS	6,465	Office equipment for new staff members
<b>4 Other Costs, Services/ PI410 Advertising &amp; Communication</b>	Legal commitment in relation with the new edition of the EnC Legal Framework book	1,155	Need for update and consideration of newly adopted Directives
<b>4 Other Costs, Services/ PI420 Studies, Research, Consulting</b>	Overall sum of commitments related to the studies under the Energy Community budget	445,390	Duration of the contracts for the deliveries of studies exceeded in majority of case the financial year 2009
<b>4 Other Costs, Services/ PI480 Training</b>	Commitment of training fee in the area of office protection	996	For organizational the staff training has to take place early 2010
<b>TOTAL</b>		<b>453,976</b>	

*Table 5: Legal Commitments 2009 (Overview)*

### 4. Revenue 2009

This section of the report refers to the reporting requirement stated in Article 15(2) of the *Budgetary Procedures* and provides information on the revenue side as reflected in the *Statement of Financial Performance for the period 1 January – 31 December 2009* (thereinafter: the *Statement*) presented in the *Auditor's Report on the Financial Statements as of December 31, 2009*.

In 2009 Energy Community received its funds from the following sources:

- Parties Contributions to the budget EUR 2,996,942
- Donations of the Republic of Austria EUR 146,400
- Finance revenue EUR 10,570

- Other revenue	EUR	388
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As far as **Parties Contributions** to the Budget 2009 in the amount of EUR 2,996,942 are concerned, this position in the Statement results from the financial responsibility of the Parties to the Treaty (see Article 2 of the *Budgetary Procedures*), amount of which for the year 2009 is stipulated in the approved budget of the EnC (see also *item 3* above).

**Donations of the Republic of Austria 2009** of EUR 146,400<sup>14</sup> follow an agreement between the Energy Community and the Republic of Austria regarding the expenditure refunding for the rent of the seat of the Secretariat. This commitment was made by the **Republic of Austria** hosting the Secretariat of the Energy Community in 2005 upon the establishment of the Secretariat. The amount of EUR 146,400 reflects the pure expenditures related to the office rent, without relevant operational costs and portion of a rent corresponding to equipment expenditure, which are presented also in the Budget Report 2009 (see *Table 3: Budget Line 3 Office: Office Rent and Consumables*). Those expenditures amounted to EUR 12.360 in 2009.

The other revenue positions refer to other income received by the EnC in 2009 through the house bank of the EnC (interest income) and through repayment procedure of minor expenses to the EnC by a Third Party (ticket cost refund).

## 5. Recovery procedure of non-used appropriations, years 2007-2009

In August 2009, the European Union represented by the Commission, requested the Energy Community to refund non-spent appropriations remaining from the budgets 2007 and 2008. Following this request, the principles and procedure concerning the recovery of non-used appropriations within the budget utilization were discussed and agreed upon at the 6<sup>th</sup> meeting of the Budget Committee on 28 September 2009<sup>15</sup>.

The recovery of funds for the years 2007-2008 was finalized in the 2<sup>nd</sup> half of 2009.

The basis for the calculation of the recovery amounts is given in the annual **budget reports** - and **not audited financial statements**<sup>16</sup>. In all cases, the recovery amount can be also derived from the financial statement through reconciliation calculation<sup>17</sup>.

Based on model applied, recovery amounts for the financial years 2007-2008 were defined and the credits distributed to the Parties in accordance with the Annex IV of the Treaty (table of contributions). The repayment of non used appropriation for 2007 amounted to some 9.5% of the annual budget, and in 2009 to 7.7%. For the details please see *Table 6* below.

<sup>14</sup> See also EnC Auditors' Report 2009 and Statement of Financial Performance for the period 1 Jan – 31 Dec 2009 [position 1.b)]

<sup>15</sup> Annex 6 of the Budget Committee meeting materials of 28 September 2009 may be presented upon request

<sup>16</sup> Standard model is applied

<sup>17</sup> Details of reconciliation between FinStmnts and Budget Reports can be presented upon request.

(in EUR)		Contributions paid		TOTAL PAID 2007-2008	RECOVERY 2007	RECOVERY 2008	Σ 2007 + 2008
		2007	2008				
<b>EU</b>	98.10%	1,220,462.00	2,500,000.00	3,720,462.00	116,296.14	191,428.59	307,724.73
<b>Albania</b>	0.10%	1,244.00	2,548.00	3,792.00	118.55	195.14	313.68
<b>B&amp;H</b>	0.30%	3,732.00	7,645.00	11,377.00	355.65	585.41	941.05
<b>Croatia</b>	0.50%	6,221.00	12,742.00	18,963.00	592.74	975.68	1,568.42
<b>FYROM</b>	0.10%	1,244.00	2,548.00	3,792.00	118.55	195.14	313.68
<b>Montenegro</b>	0.10%	1,244.00	2,548.00	3,792.00	118.55	195.14	313.68
<b>Serbia</b>	0.70%	8,709.00	17,839.00	26,548.00	829.84	1,365.95	2,195.79
<b>UNMIK</b>	0.10%	1,244.00	2,548.00	3,792.00	118.55	195.14	313.68
	<b>100.00%</b>	<b>1,244,100.00</b>	<b>2,548,418.00</b>	<b>3,792,518.00</b>	<b>118,548.56</b>	<b>195,136.18</b>	<b>313,684.74</b>

Table 6: Recovery of non-used appropriations within the utilization of the Energy Community budget 2007-2008

The same procedure shall be applied for calculation of the refund amounts in relation with the budget utilization 2009. Finalization of the repayment procedure for the financial year 2009 shall be concluded within the 2<sup>nd</sup> half of 2010; the indicated amount of repayment equals 12.9% of the annual budget of 2009 (see Table 7 below).

(in EUR)		CONTRIBUTIONS PAID BUDGET 2009	RECOVERY 2009
<b>EU</b>	98.10%	2,940,000.00	376,776.88
<b>Albania</b>	0.10%	2,996.94	384.07
<b>B&amp;H</b>	0.30%	8,990.83	1,152.22
<b>Croatia</b>	0.50%	14,984.71	1,920.39
<b>FYROM</b>	0.10%	2,996.94	384.07
<b>Montenegro</b>	0.10%	2,996.94	384.07
<b>Serbia</b>	0.70%	20,978.59	2,688.52
<b>UNMIK</b>	0.10%	2,996.94	384.07
	<b>100.00%</b>	<b>2,996,942.00</b>	<b>384,074.29</b>

Table 7: Recovery amounts, non-used appropriations from the budget 2009

## 6. Audit 2009

In February 2010 the designated external audit company finalized the audit of the financial statements of the Energy Community for the period ending 31 December 2009. 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. Further, the follow-up audit of outstanding recommendations at 31 December 2008 indicated that 100% of all recommendations issued were implemented by the end of 2009.

The key statements of the external auditors as presented in the *Management Letter* addressed to the Director (attached) are the following<sup>18</sup>:

- "...the internal control system of ECS seems to be adequate as to the size and nature of the entity";
- "There seems to be adequate internal management rules and procedures to ensure effectiveness of internal controls";
- "During our audit nothing has come to our attention which may cause material doubt about the fair presentation of financial statements or adequate use of financial means";
- "The rules and regulations set by the Ministerial Council and by the Director principally have been observed".

The audit of the financial statements as of 31 December 2009 delivered 4 recommendations presented in the above mentioned *Management Letter*, which are the following<sup>19</sup>:

### 1. Use of notes checklists

In view of the growing number of disclosure requirements (refer also to 4. New IPSAS Standards) we recommend to use a standard checklist to ensure the completeness of disclosures. An official notes checklist can be down-loaded from the following website:

[http://www.nao.org.uk/guidance\\_and\\_good\\_practice/financial\\_audit\\_guidance/disclosure\\_guides/ipsas\\_clients.aspx](http://www.nao.org.uk/guidance_and_good_practice/financial_audit_guidance/disclosure_guides/ipsas_clients.aspx)

### 2. Accounting Guidelines

We recommend to prepare accounting guidelines on issues which are not explicitly regulated by the IPSAS Standards (such as carry-over, unused commitments and unused appropriations etc.) and to include them in the Internal Management rules. These guidelines should be approved by the Budget Committee to ensure common understanding and guarantee consistent and proper application of accounting policies.

### 3. Documentation of risks and controls

In view of actual developments regarding internal control and risk management standards we recommend to complete documentation of the main transactions of the Energy Community Secretariat and to define risks inherent in these transactions as well as controls implemented by management to ensure the accurate use of funds and reliable presentation of accounts. The aim of this documentation should be to provide reasonable assurance regarding the achievement of the following objectives:

- a) effectiveness and efficiency of operations

<sup>18</sup> The information is directly quoted out of the *Auditor's Management Letter addressed to the Director* (attached)

<sup>19</sup> Ibid.

- b) reliability of financial reporting and
- c) compliance with laws and regulations.

The documentation of transactions and internal controls is an important source of information for all supervising bodies of the EC as to whether the internal control and risk management system of ECS is adequate to ensure accurate use of funds and reliable financial reporting as well as for new employees to get an understanding of transactions and policies of the ECS within adequate time.

#### 4. New IPSAS Standards

In 2009 the International Public Sector Accounting Standards Board (IPSASB) has published the following new Standards:

- IPSAS 25 – Employee Benefits (effective after: 01.04.2011)
- IPSAS 26 – Impairment of Cash-generating assets (effective after: 01.04.2009)
- IPSAS 28/29/30 – Financial Instruments: Presentation, Recognition and Management, Disclosures (effective after: 01.01.2013)
- IPSAS 31 – Intangible Assets (effective after: 01.04.2011)

Early adoption of these standards is encouraged. Further, there are exposure drafts on the accounting of entity combinations and service concession arrangements. In view of the dynamic developments of IPSAS standards we encourage early consideration of the effects of these new standards on your accounts and prepare early implementation of the new guidelines.

The planned and undertaken steps under each of the recommendations are the following:

##### 1. In relation to the use of note checklist

The Accounting Officer has reviewed the recommended check list and will use the same during preparation of the 2010 financial statements

##### 2. In relation to the Accounting guidelines

The Secretariat shall develop draft guidelines as recommended by the auditors, which shall be presented to the Budget Committee for consideration.

##### 3. In relation to the Documentation of risks and controls

The Director shall provide an assessment of the Secretariat's administrative procedures, guidelines and workflows in order to identify possible adjustments and areas of improvement.

##### 4. In relation to the New IPSAS standards

The Accounting Officer has studied the new IPSAS standards as per Auditor's recommendation and prepared a report on their applicability to the Energy Community financial reporting.

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 2009.

## **7. Conclusion**

Year 2009 is considered as last year within the first regular budgetary period 2008-2009 of the Energy Community. In both years, the operations followed the successful establishment of the Energy Community as an international organization mid 2007. 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 2007-2008 have been successfully implemented, in terms of organization of compliance the work towards improving the effective controls in practice shall continue.

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



## 6. ATTACHMENTS

### **Attachment 1: List of Rules and Procedures of Relevance for the implementation of the Energy Community Budget, status as of 15 March 2010**

1. Procedural Act No.2006/03 of 17.11.2006 on Adoption of Energy Community Procedures for Establishment and Implementation of Budget, Auditing and Inspection; [http://www.energy-community.org/portal/page/portal/ENC\\_HOME/ENERGY\\_COMMUNITY/Legal/Acts](http://www.energy-community.org/portal/page/portal/ENC_HOME/ENERGY_COMMUNITY/Legal/Acts)
2. Staff Regulations of the Energy Community; MC Decision of amendment of the Staff Regulations of 18.12.2009; [http://www.energy-community.org/portal/page/portal/ENC\\_HOME/SECRETARIAT/Job](http://www.energy-community.org/portal/page/portal/ENC_HOME/SECRETARIAT/Job); [http://www.energy-community.org/portal/page/portal/ENC\\_HOME/INST\\_AND\\_MEETINGS/Ministerial\\_Council/2009/18\\_DEC](http://www.energy-community.org/portal/page/portal/ENC_HOME/INST_AND_MEETINGS/Ministerial_Council/2009/18_DEC);
3. Rules for Reimbursement within the Energy Community of 15.02.2010; [http://www.energy-community.org/portal/page/portal/ENC\\_HOME/SECRETARIAT/Practical/Reimbursement](http://www.energy-community.org/portal/page/portal/ENC_HOME/SECRETARIAT/Practical/Reimbursement)
4. Procedural Act 2008/01/ECS of 16.01.2008 on the Adoption of the Accounting Rules and Methods of the Energy Community; [http://www.energy-community.org/portal/page/portal/ENC\\_HOME/ENERGY\\_COMMUNITY/Legal/Acts](http://www.energy-community.org/portal/page/portal/ENC_HOME/ENERGY_COMMUNITY/Legal/Acts)
5. Procedural Act 2009/01/ECS of 28.02.2009 on Rules regarding Secondees, Interns and Locally Recruited Persons; [http://www.energy-community.org/portal/page/portal/ENC\\_HOME/SECRETARIAT/Job/Secondees](http://www.energy-community.org/portal/page/portal/ENC_HOME/SECRETARIAT/Job/Secondees)
6. Procedural Act 2008/03/ECS of 23.06.2008 on the adoption of the Financial Management Rules of the Energy Community;
7. Procedural Act 2008/02/ECS of 21.07.2008 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;
8. Procedural Act 2008/06/ECS of 10.09.2008 on Transfer of Appropriations within the Budget of the Energy Community;
9. Procedural Act 2008/07/ECS of 08.12.2008 on Energy Community Property Inventories;
10. Internal Note of the Director of the Energy Community Secretariat of 24.02.2010 (Ref.: *Note\_sne\_03\_Bookings\_24-02-2010*) concerning accounting aspects and relevant bookings;
11. Procedural Act 2010/02/ECS-EnC of 09.03.2010 on the adoption of Internal Management Rules of the Energy Community Secretariat on Personnel Administration.

## **Attachment 2: Energy Community Events 2009 – Annual Overview**<sup>20</sup>

### **Meetings of Energy Community Institutions and Bodies**

1. 6<sup>th</sup> Ministerial Council (Sarajevo, Bosnia and Herzegovina) – 26 Jun
2. 7<sup>th</sup> Ministerial Council (Zagreb, Croatia) – 18 Dec
  
3. 12<sup>th</sup> Permanent High Level Group (Vienna, Austria) – 17 Mar
4. 13<sup>th</sup> Permanent High Level Group (Sarajevo, Bosnia and Herzegovina) – 25 Jun
5. 14<sup>th</sup> Permanent High Level Group (New Belgrade, Serbia) – 24 Sep
6. 15<sup>th</sup> Permanent High Level Group (Zagreb, Croatia) – 17 Dec
  
7. 14<sup>th</sup> Athens Forum Electricity (Greece) – 13 May
8. 4<sup>th</sup> Gas Forum (Ljubljana, Slovenia) – 10-11 Sep
9. 1<sup>st</sup> Oil Forum (New Belgrade, Serbia) – 24-25 Sep
10. 2<sup>nd</sup> Social Forum (Zagreb, Croatia) – 13-14 Oct
11. 15<sup>th</sup> Athens Forum Electricity (Athens, Greece) – 25-26 Nov
  
12. 5<sup>th</sup> Energy Efficiency Task Force (Vienna, Austria) – 05 Feb
13. 6<sup>th</sup> Energy Efficiency Task Force (Vienna, Austria) 05-06 May
14. 7<sup>th</sup> Energy Efficiency Task Force (Vienna, Austria) – 17 Sep
  
15. 1<sup>st</sup> Renewable Energy Task Force (Vienna, Austria) – 08 Oct
  
16. Energy Community Regulatory Board (Athens, Greece) – 25 Feb
17. Energy Community Regulatory Board (Athens, Greece) – 12 May
18. Energy Community Regulatory Board (Athens, Greece) – 09 Jul
19. Energy Community Regulatory Board (Athens, Greece) – 25 Nov
  
20. ECRB Electricity Working Group (Budva, Montenegro) – 19 Jan
21. ECRB Electricity Working Group (Athens, Greece) – 22 Apr
22. ECRB Electricity Working Group (Athens, Greece) – 08 Jun
23. ECRB Electricity Working Group (Vienna, Austria) – 16 Sep
  
24. ECRB Customer Working Group (Vienna, Austria) – 03 Feb
25. ECRB Customer Working Group (Vienna, Austria) – 17 Jun
26. ECRB Customer Working Group (London, U.K.) – 01 Oct
27. ECRB Customer Working Group (Vienna, Austria) – 02 Dec
  
28. ECRB Gas Working Group (Vienna, Austria) – 16 Mar
29. ECRB Gas Working Group (Vienna, Austria) – 24 Jun
30. ECRB Gas Working Group (Athens, Greece) – 22 Sep
  
31. Implementation Group for Coordinated Auction Office Meeting (Budva, Montenegro) – 20 Jan
32. Implementation Group for Coordinated Auction Office Meeting (Athens, Greece) – 23 Apr
33. Implementation Group for Coordinated Auction Office Meeting (Athens, Greece) – 09 Jun
34. Implementation Group for Coordinated Auction Office Meeting (Budva, Montenegro) – 20 Jan
  
35. Budget Committee (Vienna, Austria) – 17 Mar
36. Budget Committee (Sarajevo, Bosnia and Herzegovina) – 25 Jun

<sup>20</sup> The list contains all institutional meetings as indicated in the Energy Community calendar through its website.;

37. Budget Committee (Vienna, Austria) – 28 Sep

### **Workshops and Conferences organized by or with the participation of the Energy Community**

- 38. Workshop on Generally Applicable Standards (Vienna, Austria) – 19-20 Feb
- 39. Workshop on Regulation 1775 (Vienna, Austria) – 05-06 Mar
- 40. Workshop on Competition (Vienna, Austria) – 18 Mar
- 41. Workshop on the Implementation of the large Combustion Plants Directive (Vienna, Austria) – 24 March
- 42. Investment Conference (Sarajevo, Bosnia and Herzegovina) – 30-31 Mar
- 43. Workshop on Renewables (Vienna, Austria) – 29-30 Apr
- 44. Workshop on National Energy Efficiency Action Planning for Buildings (Vienna, Austria) – 06 May
- 45. Workshop on the SEE CAO Related Studies (Athens, Greece) – 10 Jun
- 46. Workshop on Social Issues (Vienna, Austria) – 16 Jun
- 47. Workshop on Energy Efficiency Planning and Investment Project Design (Vienna, Austria) – 15-16 Sep
- 48. Workshop for non-household customers on electricity market opening (Vienna, Austria) – 16 Sep
- 49. Workshop on Statistics (Vienna, Austria) – 29-30 Oct
- 50. Commissioner Meglena Kuneva's lecture at the Secretariat (Vienna, Austria) – 15 May
- 51. World Forum on Energy Regulation IV (Athens, Greece) – 19-20 Oct

### **Visits and other meetings**

Concrete Information is available upon request.

### **Attachment 3: Energy Community Contracting Parties/Observer Countries Missions 2009 – Overview**

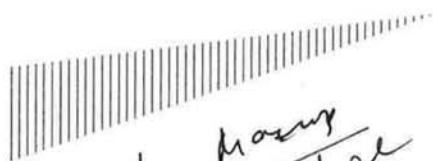
<i>Contracting Party/ Observer</i>	QR1 - 2009		QR2 - 2009		QR3 - 2009		QR4 - 2009	
	Gas	Electricity	Gas	Electricity	Gas	Electricity	Gas	Electricity
Albania			11-12 May	18-20 May			07-09 Oct	19 -20 Nov
Bosnia & Herzegovina	12 Feb			09-10 Jun				
Croatia	19-20 Mar	12 Mar					05-06 Oct	
former Yugoslav Republic of Macedonia	25-27 Feb						01-04 Dec	
Montenegro	10 Mar	9-10 Mar					16-17 Nov	
Serbia	17-Feb	26-27 Mar					02-03 Nov	13-15 Oct
UNMIK			23 Apr	6-May			22-Oct	27-Oct

#### Attachment 4: Studies 2008-2009, Overview

	Description	Responsible	Consultant	Date of Contract	Status	Contract value in EUR (excl. VAT)
1	Study on the <i>Improvement of Interconnection, Interoperability, Transparency and Harmonisation of Operational Rules for Natural Gas Transportation in the Energy Community</i>	ECRB	<b>ENERGY MARKETS PARTNERS LLP</b> 37 BARNARDS HILL, MARLOW BUCKINGHAMSHIRE, SL7 2NX UNITED KINGDOM	14-Aug-2008	finalised	74.200,00
2	A Study on <i>Tariff Methodologies and Impact on Prices and Energy Consumption Patterns in the Energy Community</i>	ECRB	<b>IPA ENERGY + WATER ECONOMICS</b> 41 Manor Place EDINBURGH, EH 7EB SCOTLAND	21-Aug-2008	finalised	73.575,00
3	Prototype for a <i>Service platform for the Regional Balancing Market ("BETSEE") including training, trial run and platform hosting</i>	ECRB	<b>Elektroenergetski Koordinacioni Centar</b> Vojvode Stepe 412 11040 Belgrade	20-Oct-2008	under execution to be finalized by Dec 2010	28.900,00
4	Study for the <i>Final Development and Establishment of a Coordinated Congestion Management in SEE</i>	ECRB	<b>Consetec Consulting fuer Energiewirtschaft und -technik GmbH</b> Gruener Weg 1 D-52070 Aachen <b>AND</b> <b>APCS Power Cleaning and Settlement AG</b> Alserbachstrasse 14-16 A-1090 Wien	28-Nov-2008 16-Oct-2009	finalized, contract amendment signed, 16.10.2009	120.615,00
5	Study on the <i>Identification of Legal Obstacles to the Establishment and Operation of and the Participation in a Coordinated Auction Office in South Eastern Europe</i>	ECRB	<b>Kelemenis &amp; Co</b> 5 Tsakalof Street Athens 106 73	28-Nov-2008	finalised	74.870,00
6	Study on the <i>Implementation of the new EU Renewable Energy Directive in the Energy Community</i>	ECS	<b>IPA ENERGY + WATER ECONOMICS incl. EPU-NTUA</b> 41 Manor Place EDINBURGH, EH 7EB SCOTLAND	24-Apr-2009	under execution, inception report approved, finalization in 2010	199.950,00
7	<i>Study Assistance to Regulators in Introduction and Improving Quality Regulation in the EnC</i>	ECRB	<b>Energy Insitute Hrvoje Pozar EIHA</b> Savska Cesta 163 HR-10000 Zagreb	16-Sep-2009	under execution, finalization in 2010	34.500,00
8	Study on <i>Regulation of Tariffs and Quality of the gas distribution service in the Energy Community</i>	ECRB	<b>KEMA International B.V.</b> Utrechtsweg 310 6812 AR Arnhem	16-Sep-2009	under execution, finalization in 2010	57.972,00
9	Study on the <i>Potential Clime Change combining in power generation in the EnC</i>	ECS	<b>South East Consultants (SEEC)</b> Makenzijeve 53/4 11000 Belgrade Serbia	7-Dec-2009	under execution, finalization by end 2010	49.500,00
10	Study on <i>State Aid and the effectiveness of State Aid Control in the Energy Community</i>	ECS	<b>Hunton &amp; Williams</b> together with <b>Eisenberg &amp; Williams</b>	14-Dec-2009	under execution, finalization by end 2010	100.000,00

#### Attachment 5: Management letter of 19 March 2010

AVD / I / sne / 01 / 23-03-2010



**ERNST & YOUNG**

Energy Community Secretariat  
attn. Mr. Slavcho NEYKOV  
Am Hof 4 Level 5  
101 Wien

Energy Community  
**RECEIVED**  
Date: 23. März 2010

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March 19, 2010

Our ref: ECS/KH  
Contact: Mag. Heidemarie Kretschmer

## Audit of the Financial Statements of Energy Community Secretariat for the period ending 31 December 2009 Management Letter

Dear Mr. Neykov

This Letter is addressed to the Director of the Energy Community Secretariat and includes our observations and findings made during the audit of the Financial Statements of the Energy Community Secretariat within the period 8. - 12. February 2010. We have reviewed the accounts of the Energy Community for the period 1 January to 31 December 2009 as well as the internal control system of the Secretariat, including the Internal Management Rules of the Energy Community as referred to in Article 81 of the "Procedures for the Establishment and Implementation of the Budget, Auditing and Inspection". Our analysis, based on a sample approach, included the review of the financial and business processes within the overall legal framework provided for the operations of the Energy Community.

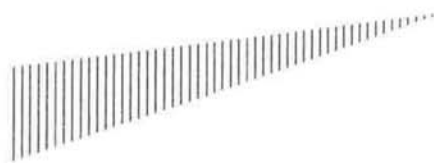
As a general remark we wish to point out that the internal control system of ECS seems to be adequate as to the size and nature of the entity. There seem to be adequate internal management rules and procedures to ensure effectiveness of internal controls. During our audit nothing has come to our attention which may cause material doubt about the fair presentation of financial statements or adequate use of financial means. The rules and regulations set by the Ministerial Council and by the Director principally have been observed. Recommendations for improvement, as identified by us through our audit, are summarized below.

### 1. Use of notes checklist

In view of the growing number of disclosure requirements (refer also to 4. New IPSAS Standards) we recommend to use a standard checklist to ensure the completeness of disclosures. An official notes checklist can be down-loaded from the following website:

[http://www.nao.org.uk/guidance\\_and\\_good\\_practice/financial\\_audit\\_guidance/disclosure\\_guides/ipsas\\_clients.aspx](http://www.nao.org.uk/guidance_and_good_practice/financial_audit_guidance/disclosure_guides/ipsas_clients.aspx)





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*Management response:*

*Thank you for your recommendation. The Secretariat shall follow it. You will be informed within the first half of 2010 about the undertaken steps.*

## **2. Accounting Guidelines**

We recommend to prepare accounting guidelines on issues which are not explicitly regulated by the IPSAS Standards (such as carry-over, unused commitments and unused appropriations etc.) and to include them in the Internal Management rules. These guidelines should be approved by the Budget Committee to ensure common understanding and guarantee consistent and proper application of accounting policies.

*Management response:*

*Thank you for your recommendation. The Secretariat shall follow it. You will be informed within the first half of 2010 about the undertaken steps.*

## **3. Documentation of risks and controls**

In view of actual developments regarding internal control and risk management standards we recommend to complete documentation of the main transactions of the Energy Community Secretariat and to define risks inherent in these transactions as well as controls implemented by management to ensure the accurate use of funds and reliable presentation of accounts.

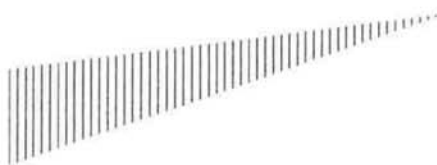
The aim of this documentation should be to provide reasonable assurance regarding the achievement of the following objectives:

- a) effectiveness and efficiency of operations
- b) reliability of financial reporting and
- c) compliance with laws and regulations.

The documentation of transactions and internal controls is an important source of information for all supervising bodies of the EC as to whether the internal control and risk management system of ECS is adequate to ensure accurate use of funds and reliable financial reporting as well as for new employees to get an understanding of transactions and policies of the ECS within adequate time.

*Management response:*

*Thank you for your recommendation. The Secretariat shall follow it. You will be informed within the first half of 2010 about the undertaken steps.*



**ERNST & YOUNG**

#### 4. New IPSAS Standards

In 2009 the International Public Sector Accounting Standards Board (IPSASB) has published the following new Standards:

New standards	Effective date for periods beginning on or after
IPSAS 25 - Employee Benefits	01.01.2011
IPSAS 26 - Impairment of Cash-generating assets	01.04.2009
IPSAS 28/29/30 - Financial Instruments: Presentation, Recognition and Measurement, Disclosures	01.01.2013
IPSAS 31 - Intangible Assets	01.04.2011

Early adoption of these standards is encouraged. Further, there are exposure drafts on the accounting of entity combinations and service concession arrangements.

In view of the dynamic developments of IPSAS standards we encourage early consideration of the effects of these new standards on your accounts and prepare early implementation of the new guidelines.

#### *Management Response*

*Thank you for your recommendation. The Secretariat shall follow it. You will be informed within the first half of 2010 about the undertaken steps.*

In case you wish to discuss with us any of the above recommendations in more detail, please feel free to contact us.

Yours sincerely

Ernst & Young  
Wirtschaftsprüfungsgesellschaft m.b.H.

