

**REPORT
OF THE DIRECTOR OF THE ENERGY COMMUNITY SECRETARIAT
TO THE MINISTERIAL COUNCIL OF THE ENERGY COMMUNITY
ON THE EXECUTION OF THE BUDGET 2014
PURSUANT TO
ARTICLE 75 OF THE TREATY
ESTABLISHING THE ENERGY COMMUNITY**

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1. Introduction

In the year 2014 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 came from the Parties to the Treaty, and amounted to EUR 3.448.810. It 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 2014 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 2014;
- 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 2014);
- At the beginning of 2015, the annual accounts of the Energy Community ('financial statements') for 2014 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.
- It contributed to the discussions on improvement of the *Energy Community Procedures for the Establishment and Implementation of Budget and for presenting and Auditing*

accounts and Inspection (thereinafter: “*Budgetary Procedures*”) that resulted in the amendment of the Procedures through a decision of the Ministerial Council on 23 September 2014;

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 2014.

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 2014 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 2014, explaining how the appropriations for 2014 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 2014;
- 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 2014.

The implementation data is based on the final and audited actual results for the financial year 2014².

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 See Auditor's Report on the Financial Statements as of 31 December 2014 dated 3 March 2015

2. Establishing the initial budget 2014 and budgetary procedure

Budget 2014 of the Energy Community is part of the biennium budget for 2014-2015 approved by the Ministerial Council on the proposal of the European Commission³ 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 2014 set at EUR 3.448.810 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 2014 and arrived at a level of EUR 3.620.371.

The revenue of the year 2014 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 is presented below:

³ 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
3,448,810	3,517,786
p.m.	p.m.
p.m.	p.m.
p.m.	p.m.
1,864,010	1,901,290
110,000	112,200
130,000	132,600
240,000	244,800
15,000	15,300
64,000	65,280
91,000	92,820
50,000	51,000
220,000	224,400
30,200	30,804
450,000	459,000
90,000	91,800
35,000	35,700
14,600	14,892
183,000	186,660
280,000	285,600
42,000	42,840
1,124,800	1,147,296
3,448,810	3,517,786

Table 1: Energy Community Budget 2014-2015: Overview (Source: ECS intern; n=number of staff employed)

3. Budget Transfers 2014

In 2014, 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*⁴.

Director decided on transfers of budget appropriations in the overall amount of EUR 248.200 within and between the budget lines of the overall budget appropriations of EUR 3.448.810, that were made via the end of year transfer⁵. 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	
Human Resources	1,864,010.00	-	40,000.00	1,824,010.00
TRAVEL				
DSA	110,000.00	-	29,200.00	80,800.00
Travel Expenses	130,000.00	22,200.00	-	130,000.00
OFFICE				
Office rent	15,000.00	1,000.00	-	16,000.00
Office equipment	64,000.00	-	7,000.00	57,000.00
Consumables	91,000.00	-	8,000.00	83,000.00
Other Services	50,000.00	-	11,000.00	39,000.00
OTHER COSTS, SERVICES				
Advertising, communication and representation	30,200.00	-	5,000.00	25,200.00
Studies, research and consulting	450,000.00	125,000.00	-	575,000.00
Costs of outsourced services (IT, payroll, etc.)	90,000.00	82,000.00	-	172,000.00
Costs of Audit, Legal and Financial Advice	35,000.00	18,000.00	-	53,000.00
Financial services	14,600.00	-	3,000.00	11,600.00
Conference costs	183,000.00	-	77,504.00	105,496.00
Refunding	280,000.00	-	52,996.00	227,004.00
Training	42,000.00	-	14,500.00	27,500.00
TOTAL	3,448,810.00	248,200.00	- 248,200.00	3,426,610.00

Table 2: Energy Community Budget 2014 – Overview Transfers of Appropriations 2014

4. Budget Appropriations 2014 - '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 2014 (EUR 3.448.810) were adjusted 'pro memoria' with other sources of revenue. Details of those are shown

⁴ 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_\(new_template\).pdf](https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/3570154/EnC_Budgetary_Procedures_update_2014_final_22-05-2014_(new_template).pdf))

⁵ 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.

⁶ Ref.: MC-2011/PA/2011-01-MC-EnC

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 2014⁷.

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 2014, two budget modifications were adopted (*'pro memoria'*). Their impact on the revenue side of the 2014 budget is indicated in the table below:

Budget	Date of adoption	Main subject	Revenue 2014
Budget 2014	21-Jan-15	Incorporation into budget 2014 of the amount of EUR 165.682,00 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	165,682
		Incorporation into budget 2014 of the amount of EUR 5.879 into the budget position <i>PI330 Consumables</i> relating to the other sources of revenues gained in 2014	5,879
		TOTAL	171,561

5. Budget 2014 - Implementation Overview

This section gives an overview in % of the implementation to the budget during the financial year 2014 and provides brief comments on the utilization of 2014 budget appropriations in comparison to the actual amounts.

As required by IPSAS 24, the execution of 2014 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.

⁷ 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

(in EUR)

	Original Budget 2014	Changes due to other sources of revenue	Budget Transfers 2014	Final Budget 2014	Actual amounts 2014 on a comparable basis	Legal Commitments 2014	Actual amounts 2014 on a comparable basis incl. legal commitments	Actual vs. Final Budget 2014 [in %]	Unused Appropriations
1. HUMAN RESOURCES									
Subtotal Human Resources	1,864,010.00		-40,000.00	1,824,010.00	1,811,543.73		1,811,543.73	99%	12,466.27
2. TRAVEL EXPENSES									
Daily Subsistence Allowance (DSA)	110,000.00		-29,200.00	80,800.00	79,898.50		79,898.50	99%	901.50
Travel Expenses (flights and incidentals)	130,000.00		22,200.00	152,200.00	152,199.55		152,199.55	100%	0.45
Subtotal Travel Expenses	240,000.00		-7,000.00	233,000.00	232,098.05		232,098.05	100%	901.95
3. OFFICE EXPENSES									
Office rent	15,000.00	165,682.00	1,000.00	181,682.00	181,265.04		181,265.04	100%	416.96
Office equipment	64,000.00		-7,000.00	57,000.00	56,915.61		56,915.61	100%	84.39
Consumables	91,000.00	5,878.86	-8,000.00	88,878.86	88,295.58		88,295.58	99%	583.28
Other Services	50,000.00		-11,000.00	39,000.00	38,299.01		38,299.01	98%	700.99
Subtotal Office Expenses	220,000.00	171,560.86	-25,000.00	366,560.86	364,775.24		364,775.24	100%	1,785.62
4. OTHER COSTS AND SERVICES									
Advertising, communication and representation)	30,200.00		-5,000.00	25,200.00	24,405.83		24,405.83	97%	794.17
Studies, research and consulting	450,000.00		125,000.00	575,000.00	575,000.00	481,151.00	574,176.61	100%	823.39
Costs of outsourced services (IT, payroll, etc.)	90,000.00		82,000.00	172,000.00	107,484.51	63,646.00	171,130.51	99%	869.49
Costs of Audit, Legal and Financial Advice	35,000.00		18,000.00	53,000.00	52,457.92		52,457.92	99%	542.08
Financial services	14,600.00		-3,000.00	11,600.00	10,674.30		10,674.30	92%	925.70
Conference costs	183,000.00		-77,504.00	105,496.00	105,476.93		105,476.93	100%	19.07
Refunding	280,000.00		-52,996.00	227,004.00	226,169.15		226,169.15	100%	834.85
Training (internal and external)	42,000.00		-14,500.00	27,500.00	26,965.81		26,965.81	98%	535.09
Subtotal Other Costs and Services	1,124,800.00		72,000.00	1,196,800.00	646,660.06	544,797.00	1,191,457.06	100%	5,343.84
TOTAL	3,448,810.00	171,560.86	0.00	3,620,370.86	3,055,077.08	544,797.00	3,599,874.08	99%	20,497.68

Table 3: Budget Report 2014⁸ (see also Auditor's Report 2014, https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/3734146/ENC_Report_on_the_Audit_of_the_Financial_Statements_for_the_year_ended_31_December_2014.pdf)

Utilization of budget appropriations in 2014 is presented in comparison with the previous periods of budget implementation (see chart below).

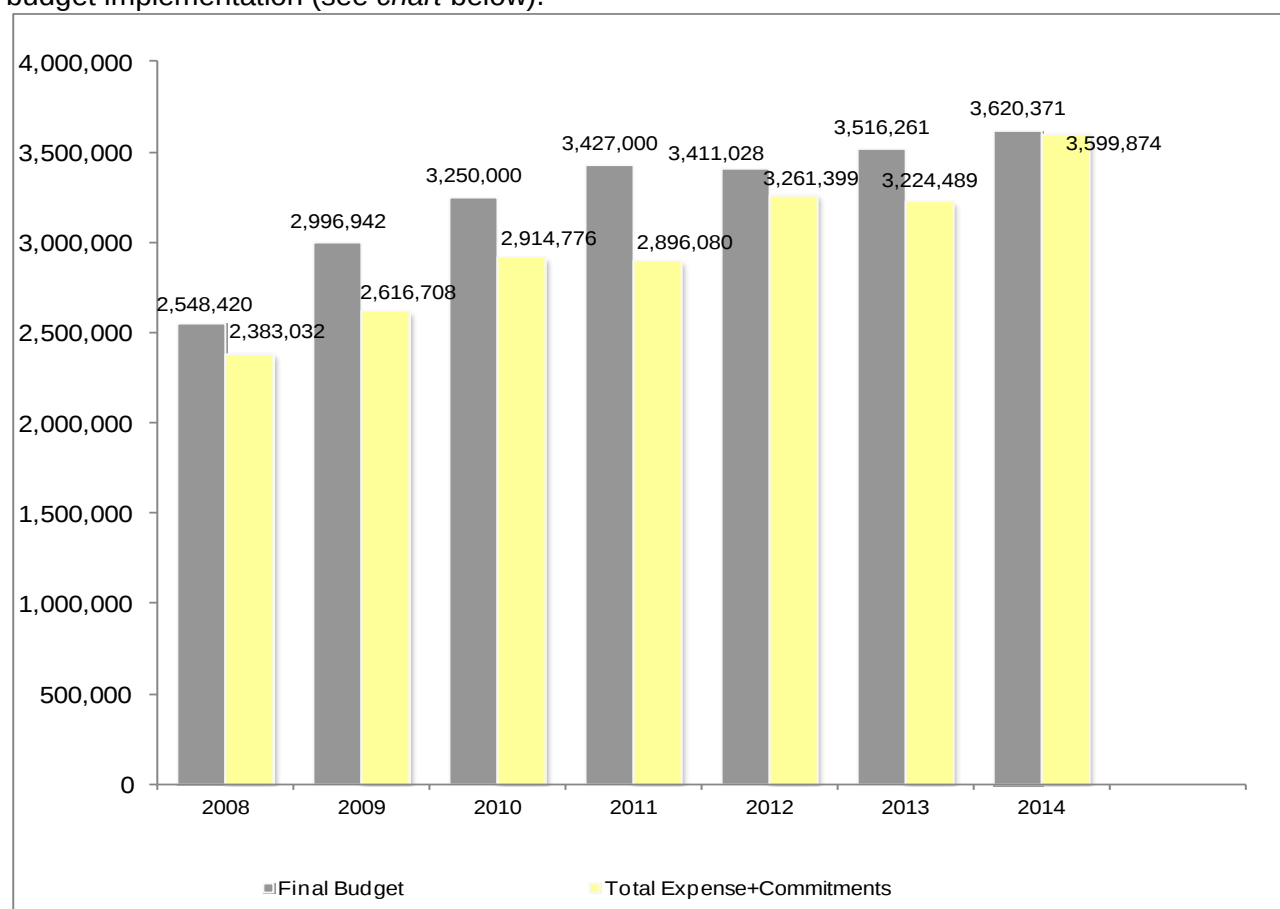


Chart: Energy Community Budget 2014 in comparison [source: ECS intern]

⁸ 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.

Narration note on the expenses 2014

The implementation of the budget line 1 *Human Resources* amounted to EUR 1.811.544, i.e. to 99% of the budget appropriations.

The budget for *Travel Expenses* amounted to EUR 232.098 and was utilized in 100%. Included therein actual expenditure for position *Daily Subsistence Allowance* amounted to EUR 79.899 and EUR 152.200 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 366.561 was utilized in almost 100%, in the amount of EUR 364.775. Within this budget line the expenditure for *Office Rent* amounted to EUR 181.265⁹, for the *Office, Equipment and communications* (IT) amounted to EUR 56.916, for the budget position *Consumables* amounted to EUR 88.296 and for the budget position *Other Services* (telephone, fax, communications) to EUR 38.299.

The implementation of *Other Costs, Services* (budget line 4) amounted to EUR 1.191.457 resulting in 98% 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, budget of the year 2014 was spent at high level of 99%, where the difference of EUR 20.498 remained unspent (for details see item 8).

6. Carry over from 2014 into 2015 (legal commitments)

In 2014, budget appropriations for legal commitments concluded by 31 December 2014 were carried into 2015 amounting to total amount of EUR 544.797 (in 2013: EUR 359,718.00) of committed budget appropriations remained open and is due to be expensed in 2015. The commitments, based on a concrete legal contracts entered into between the Energy Community and Third Parties in 2014, referred on one side to the contracts concluded for studies and consultancy (EUR 481.151) and other costs and services (EUR 63.646), for details please see annex .

Details of implementation of those are presented a summary table below:

⁹ 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 165.682 was covered by Austria in 2014 (see also Audit Report 2014, Statement of Financial Position for the period ending 31 December 2014).

Budget Line	Budget Line Description	Appropriations 2014 carried over to 2015	Payments till 31/12/2014	Open for payments in 2015
		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	544,797	39,784	505,013
PI 410	Advertising & Communication	-	-	-
PI 420	Studies, Research, Consulting	481,151	21,360	459,791
PI 430	Costs of Outsourced Services	63,646	18,424	45,222
PI 440	Costs of Audit, Financial Advice	-	-	-
PI 450	Financial Services	-	-	-
PI 460	Conference Costs	-	-	-
PI 470	Refunding	-	-	-
PI480	Training	-	-	-
	TOTAL	544,797	39,784	505,013

Table 4: Budget appropriations 2014 carried over into 2015: Overview [source: ECS]

7. Revenue 2014

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 2014* (see in the *Report on the Audit of the Financial Statements for the year ended 31 December 2014*).

In 2014, the Energy Community received its funds from the following sources:

- Parties Contributions	EUR 3.448.810
- Donations of the Republic of Austria	EUR 165.682
- Finance revenue	EUR 3.785
- Other revenue	EUR 2.094

Budget Appropriations 2014 in the amount of EUR 3.448.810 result from the financial responsibility of the Parties to the Treaty under Article 2 of the *Budgetary Procedures*. Further to those, in 2014 **Republic of Austria** contributed to the office rent expenses in the amount of EUR 165.682¹⁰. 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 2.094 comes from refunding of travel expenses to the Energy Community experts by various organizations/institutions.

Finally, in 2014, the funds paid to the Energy Community borne an interest of EUR 3.785 (**finance revenue**).

8. Recovery procedure of non-used budget appropriations 2014

In 2014 almost entire (final) budget 2014 (EUR 3.620.371) 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 (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 position¹¹, all other sources of revenue (incl. interest gained)¹².

Based on the above, repayments amounts calculated for 2014 are as follows:

¹⁰ See also EnC Auditors' Report 2014 and Statement of Financial Performance for the period 1 Jan – 31 Dec 2014

*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.

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

¹² 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.

Parties	Contribution in EUR	Contribution in %	Unused Appropriations Repayments in EUR	Other Sources of Revenue	Unused Appropriations Repayments 2013 in EUR	Total repayment amount
			(1)	(2)	(3)	(4) = (1) + (2) + (3)
European Union	3,274,300.21	94.94%	19,460.50	5,581.39	30,638.11	55,679.99
Republic of Albania	3,103.93	0.09%	18.45	5.29	29.04	52.78
Bosnia and Herzegovina	6,897.62	0.20%	41.00	11.76	64.54	117.30
former Yugoslav Republic of Macedonia	3,448.81	0.10%	20.50	5.88	32.27	58.65
Moldova	3,448.81	0.10%	20.50	5.88	32.27	58.65
Montenegro	1,379.52	0.04%	8.20	2.35	12.91	23.46
Republic of Serbia	18,623.57	0.54%	110.69	31.75	174.26	316.70
Ukraine	135,193.35	3.92%	803.51	230.45	1,265.02	2,298.98
Kosovo*	2,414.17	0.07%	14.35	4.12	22.59	41.05
TOTAL	3,448,810.00	100.00%	20,497.68	5,878.86	32,271.02	58,647.56

Table 5: Not used budget appropriations 2014 – table of repayments (see Audit Report 2014)

The total repayment amount (see column (4)), contains correction in relation to the financial year 2013 (see column 3, table 5) as for the year 2013 the amount to be repaid to the parties would have been EUR 291,771.89. The amount actually paid back (for unused budget appropriations 2013) was EUR 259,500.87. The balance of EUR 32,271.02 had to be considered as a corrective amount in favour of the Parties and instructed for repayment together with the not used budget appropriations 2014.

9. Institutional budget 2014: year-end utilization

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

The initial budget 2014 established for the functioning of its institutions at the level of EUR 463.000 has been sufficient and in it basis amended to the level of EUR 332.500. In general, this budget related to the operational expenditures of the institutions is part of the overall (initial budget) of the Energy Community, in 2014 part of the EUR 3.448.810. It is composed of the costs of events organization and budget for refunding of eligible expenditures (see PI 460 and PI 470 of the total budget).

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.

All together, the final budget of the institutions of EUR 332.500 has been used at the level of almost 100%. Details of the utilization through comparison of the final budget with actual results, are presented in details, in the table below.

(in EUR)	Initial Budget 2014	Budget Transfers	Final Budget 2014	Actual 2014	Utilisation Act - Final Budget in %
Ministerial Council	15,790.00	-1,789.00	14,001.00	14,000.00	99.99
Budget Committee	10,525.00	-3,860.00	6,665.00	6,664.09	99.99
Environmental Task Force	31,580.00	-23,078.00	8,502.00	8,501.12	99.99
Energy Efficiency Task Force	31,580.00	-12,606.00	18,974.00	18,972.74	99.99
Security of Supply Group	10,525.00	-948.00	9,577.00	9,365.22	97.79
Ministerial Council (incl. Budget Committee, Env TF, Energy Efficiency CG, SoS)	100,000.00	-42,281.00	57,719.00	57,503.17	99.63
Permanent High Level Group	45,000.00	-12,911.00	32,089.00	32,087.37	99.99
Energy Community Regulatory Board (incl. WGs)	150,000.00	-79,636.00	70,364.00	70,360.78	100.00
Competition Network	17,740.00	-3,085.00	14,655.00	14,653.37	99.99
Investment Conference	8,870.00	-8,627.00	243.00	242.52	99.80
Workshops	41,390.00	50,879.00	92,269.00	91,643.56	99.32
Statistics		10,374.00	10,374.00	10,372.57	99.99
Secretariat (incl. competition network, investment, WS and Statistics)	68,000.00	49,541.00	117,541.00	116,912.02	99.46
Electricity Forum	25,000.00	-3,301.00	21,699.00	21,698.72	100.00
Gas Forum	25,000.00	-3,441.00	21,559.00	21,557.17	99.99
Social Forum	25,000.00	-17,804.00	7,196.00	7,194.39	99.98
Oil Forum	25,000.00	-20,667.00	4,333.00	4,332.46	99.99
TOTAL	463,000.00	-130,500.00	332,500.00	331,646.08	99.74

Table 6: Institutional Budget Utilization Report for 2014

10. Audit 2014

In March 2015 the designated external audit company¹³ finalized the audit of the financial statements of the Energy Community for the year ended 31 December 2014. 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 2014 are the following:

- "Financial statements present fairly, in all material respects, the financial position of the entity as of 31 December 2014 and of its financial performance and its cash flows for the

¹³ In accordance with Article 80 of the *Budgetary Procedures*

financial year from 1 January 2014 to 31 December 2014 in accordance with the International Public Sector Accounting Standards (IPSAS)¹⁴

- *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 2014, there have been two management recommendations to the Director of the Energy Community Secretariat that considered accounting treatment of accrual leave as well as improved budget control and documentation of the legal commitments.

As far as the status of implementation of those recommendations is concerned the first recommendation has been already implemented in the Financial Statements for the year 2014 and the second one is under implementation in the current year, subject to review in the next year by the audit company.

As a final result, unqualified audit opinion 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 2014.

¹⁴ See Auditors' Report 2014

11. 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.

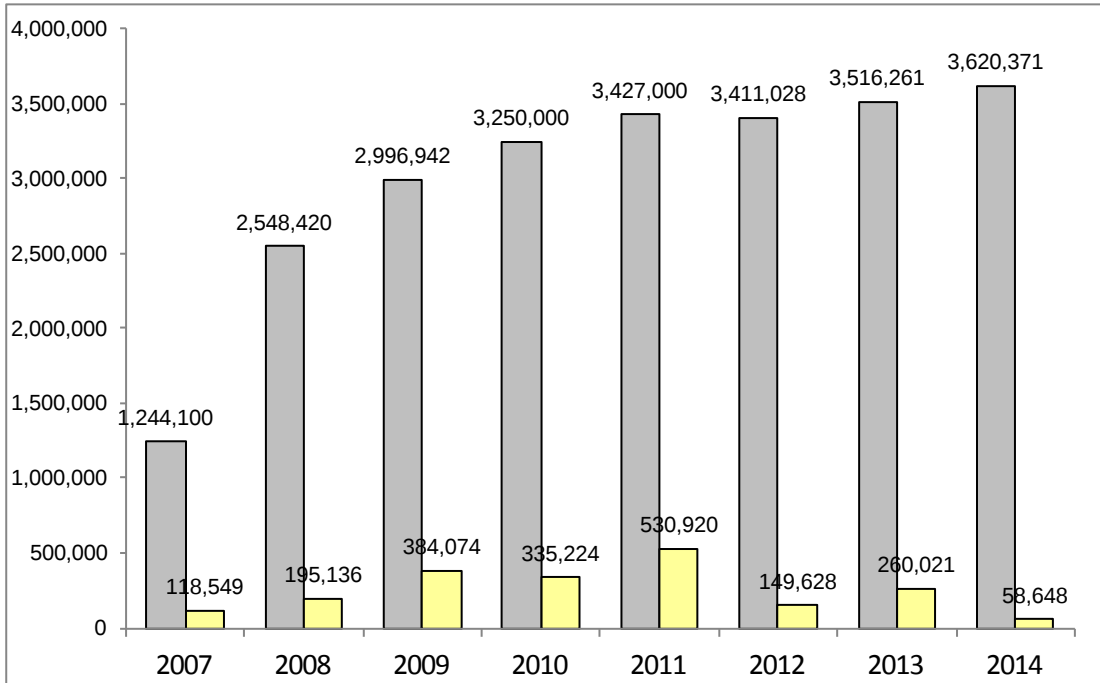
Janez Kopač
Director

ATTACHMENTS

Attachment 1: List of Rules and Procedures of Relevance for the implementation of the Energy Community Budget, status as of June 2015

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 Seconded, 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 2007-2014 in comparison



Attachment 3: Details of legal commitments 2014

Description	Consultant	Date of Contract	Contract value in EUR (excl. VAT)	Progress Level as of 31 December 2014
Software Licences and implementation of electronic approval procedure	Ramsauer & Stürmer Software GmbH 5101 Bergheim bei Salzburg, Dorfstraße 67	8-Apr-2014	9,400.00	80%
			23,945.50	
Website of Energy Community - change request	nettec EDV Dienstleistungen GmbH Sonnleithnergasse 53-57, Stiege 1 A- 1100 Vienna Austria	19 Dez 2014	16,800.00	0%
Technical support on drafting the terms of reference for the procurement notice for the Service Level Agreement	42virtual Business Services GmbH Strategie – Projekte – Beratung www.42virtual.com Johannesgasse 15, 1010 Wien	14-Nov-2014	13,500.00	5%
Studies from the energy policy area	see details attached		481,151.00	
TOTAL 2014			544,796.50	

Details of studies 2014

	Description	Area of Work	Reference to the Austrian Procurement Law	Consultant Address and details	Date of contract	Contact value in EUR (excl. VAT)
1	Consultancy support on sustainability criteria for biofuels in transport sector	Gas Unit / Biofuels	Restricted procedure without prior public notice	E4tech (UK) Ltd, 83 Victoria Street, London, SW1H OHW, UK	3/10/2014	53,400.00
2	Study to define Natural Gas Pricing Models applicable to the Energy Community Contracting Parties	Gas Unit	Restricted procedure without prior public notice	Sund Energy AS Meltzers Gate 4 0257 Oslo, Norway	25/09/2014	49,000.00
4	Impact Assessment of Regional Balancing Market Integration	ECRB	Restricted procedure without prior public notice	Electricity Coordinating Center Ltd, Vojvode Stepe 412, PO Box 50, 11040 Belgrade 33, Serbia	8/05/2014	51,400.00
5	Technical Assistance for conducting surveys of Energy Consumption	Statistics	Open procedure	Energy Institute "Hrvoje Pozar", Savska cesta 163, HR-1000 Zagreb, Croatia	18/11/2014	168,190.00
6	Assessment of the implementation of the NREAPs and on the progress in the promotion and use of energy from renewable sources in the Energy Community	Electricity / RES	Open procedure	Energy Research Center of the Netherlands, Westerduinweg 3, 1755 Le Petten, The Netherlands	27/10/2014	159,161.00
TOTAL						481,151.00