Background and Scope

This report reflects the activities of the Budget Committee of the Energy Community for 2009. It is issued in accordance with the requirements of the "Internal Rules of Procedure of the Budget Committee" (see item III.3) of 30 January 2008. It covers fiscal year 2009.

The Budget Committee of the Energy Community was set up under the “Procedures for the Establishment and Implementation of Budget, Auditing and Inspection” (“Budgetary Procedures”) at its constitutive meeting on 30 January 2008 in Brussels.

Scope of Activities

In the year 2009, the Budget Committee of the Energy Community continued to supervise and advise the Director of the Energy Community Secretariat with regard to the financial management in line with the applicable requirements. During the year, the Budget Committee was involved in decisions of operational and principle importance, related to the efficient utilization of the Energy Community budget.

A key concrete activity of the Budget Committee throughout the year was related to monitoring of the budget implementation. In addition to the financial reports (on monthly and quarterly basis), the Director provided the Budget Committee with other operational information on the developments and implementation of the Energy Community activities, which is linked to the utilization of the budget.

However, in parallel to the analysis of the periodical information on the utilization of the budget, the Budget Committee was invited to consider different questions, related to its competences.

Specific details and information on the discussed topics and the relevant decisions is to be found in the relevant Minutes of the Meetings. Nevertheless, below summary information on each of the meetings is presented.

Summary information on the meetings of the Budget Committee

Within 2009, the Budget Committee had three (3) meetings. The key elements per meeting are summarized as follows:

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1 As a follower of EC; see Title IV and Art 88 of the Procedures for the Establishment and Implementation of Budget, Auditing and Inspection (PA 2006/03 of the MC).
2 See Article 22 of the Procedures for the Establishment and Implementation of Budget, Auditing and Inspection
In the 1st meeting held on 17 March 2009 in Vienna, the Budget Committee noted inter alia the overall positive outcome of the audit results for the financial year 2008. The Director presented the budget utilization for 2008 including the budget report of 31 December 2008, the Statement of Financial Position, and the report on the transfers of appropriations. Recommendations of the external audit company related to the amendment of the applicable rules concerning utilization of leave days by the ECS staff were noted by the Director and welcomed by the Budget Committee.

Following presentations related to the budgetary period 2008-2009, the Budget Committee was informed about relevant procedures of budget establishment for the period 2010-2011, including the corresponding Work Program.

The external audit company approved the adequacy of the internal management rules and procedures of the Energy Community and its Secretariat for assurance of the effectiveness of internal controls. However, the Director noted the need of particular attention concerning the issue of unused appropriations (procedure of offsetting) and concerning budgetary transfers. Additionally, further improvements of the Rules for Reimbursement within the Energy Community were considered and new Rules for interns, secondees and locally recruited personnel were presented.

A key focus of attention at the 2nd Budget Committee meeting held on 25 June 2009 in Sarajevo was the presentation of the budget report under Article 75 of the Treaty establishing the Energy Community. This report was presented subsequently to the Ministerial Council on 26 June 2009. A relevant decision on discharge of the Director from his management and administrative responsibility for the financial year 2008 was taken at the same occasion. Further, the Budget Committee was informed about the actual utilization of the budget 2009 and the draft proposal of the Energy Community’s budget for the period 2010-2011, made by the European Commission, was presented too. General discussion concerning the issue related to the recovery of non-used appropriations within the budget of the Energy Community was initiated.

Based on the Secretariat’s experience concerning the implementation of the Reimbursement Rules within the scope of the Energy Community, the Budget Committee decided that payment on private accounts shall be restricted to certain exceptions and progressively phased out. Requests for advance payments of travel expenditures shall not be accepted any more.

In addition to the standard agenda points, the Budget Committee discussed the current status of budget utilization in 2009 and approved a transfer of appropriations at its 3rd and last meeting held on 28 September 2009 in Vienna. In view of the closure of year-end accounts for 2009, the proposed appointment of Ernst & Young as an external audit company was approved too. Based on the agreement given by the Ministerial Council at its 5th meeting in Tirana, on 11th December 2008, “upon the proposed extension of the Terms of Service for appointment of an external audit company from one to three years, which shall be applicable from 2009 onwards” (see Conclusions, Annex 1, point 3) the Budget Committee decided that - starting 2010 - the term of appointment of the audit company would be for two (2) subsequent financial years.

The Secretariat presented a set of relevant internal rules of procedure, concerning the implementation of the budget, which are linked to the organizational structure, internal management rules, and internal control systems. Given the experience made throughout the period of application, there was a need for technical amendments to some of these rules.

Concerning the recovery of non-utilized appropriations for the financial years 2007-2008, the Budget Committee approved the calculation method proposed by the European Commission. The Secretariat sent letters of notification to the Parties under the Treaty, informing about the relevant individual entitlements for recovery of non-used parts of their contributions.
Conclusion

As specified above, the Budget Committee continued actively in 2009 to supervise and advice the Director within the financial management of the budget of the Energy Community, thus proving to be an active Energy Community body.

For more details, please refer to the minutes of the Budget Committee meetings, which are available upon request.