REPORT
OF THE DIRECTOR OF THE ENERGY COMMUNITY SECRETARIAT
TO THE MINISTERIAL COUNCIL OF THE ENERGY COMMUNITY
ON THE EXECUTION OF THE BUDGET 2013
PURSUANT TO
ARTICLE 75 OF THE TREATY
ESTABLISHING THE ENERGY COMMUNITY
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1. Introduction

In the year 2013 the Secretariat of the Energy Community continued its vigorous efforts towards implementation of the budget in accordance with the principle of the sound financial management.

The budget’s main contribution came from the European Union, represented by the Commission, and amounted to EUR 3.159.716 (94,54 % of the overall budget). This budget was sufficient to perform the activities specified in the Energy Community ("EnC"; "the Community") Work Program.

The main areas of activities of the Secretariat in the process of budget implementation are to:

- secure the resources for Energy Community policies, on the basis of an effective financial planning;
- manage the budgetary framework;
- implement the budget in compliance with the applicable regulatory framework;
- draw up the annual accounts of the Energy Community;
- report on the budget implementation on monthly and quarterly basis towards the Budget Committee and annually to the Ministerial Council;
- progress towards the granting of a Discharge Decision by the Ministerial Council and coordinate the discharge procedure;

In the context of its/these activities, the Secretariat’s main achievements in the area of budget implementation in 2013 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 2013;
- It contributed to the preparation of the Commission’s budget proposal for the budgetary period 2014-2015;
- It reported on regular basis on the budget execution of the ongoing year; the produced reports were issued on monthly, quarterly and annual basis;
- It managed VAT refunds and other (minor) recovery amounts;
- It organized the Budget Committee meetings and contributed to its preparation on substance (three meetings in 2013);
- At the beginning of 2014, the annual accounts of the Energy Community (‘financial statements’) for 2013 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 management and administration continued, with the objective of responding to the requirements of the Staff Regulations of the Energy Community on one side and to the operational requirements of the Secretariat on the other side.
Legal basis

Article 75 of the Treaty establishing the Energy Community ("the Treaty") stipulates that the Director of the Secretariat shall report on annual basis 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 that an annual activity report of the Director shall be accompanied by the report on financial and management information during the year.

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 2013.

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 2013 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 usage¹, 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 2013, explaining how the appropriations for 2013 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 2013;
- An assessment of the evolutions of the outstanding commitments at the end of the financial year and
- A summary of information on the revenue 2013.

The implementation data is based on the final and audited actual results for the financial year 2013².

Amounts are presented in EURO, after rounding.

¹ 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
² See Auditor’s Report on the Financial Statements as of 31 December 2013 dated 18 February 2014
2. Establishing the initial budget 2013 and budgetary procedure

Budget 2013 of the Energy Community is part of the biennium budget for 2012-2013 approved by the Ministerial Council on the proposal of the European Commission\(^3\) at its meeting on 6 October 2011.

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 2013 set at EUR 3.342.200 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 2013 and arrived at a level of EUR 3.516.261.

The revenue of the year 2013 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 2012-2013 with an indication of the percentage of subtotals in the overall budget 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]
3. Budget Transfers 2013

In 2013, 4 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 94.000 within and between the budget lines of the overall budget appropriations of EUR 3.342.200, that were made via the end of year transfer[^5]. The overall impact of the approved transfers on the initial budget was nil.


[^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.
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; see also Table 3, column (3)) below:

<table>
<thead>
<tr>
<th>Budget Line / Position</th>
<th>Initial budget</th>
<th>Transfers within the budget line</th>
<th>Transfers between operational budget lines</th>
<th>Impact of transfers (on Initial Budget)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>TO (2) FROM (3) TO (4) FROM (5)</td>
<td></td>
<td>(6)=(1)+(2)+(3)+(4)+(5)</td>
</tr>
<tr>
<td>PI 111 Human Resources</td>
<td>1,750,000.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI 210 Travel</td>
<td>244,800.00</td>
<td></td>
<td></td>
<td>244,800.00</td>
</tr>
<tr>
<td>PI 310 Office rent</td>
<td>18,360.00</td>
<td></td>
<td></td>
<td>18,360.00</td>
</tr>
<tr>
<td>PI 320 Office equipment</td>
<td>51,000.00</td>
<td>20,000.00</td>
<td></td>
<td>71,000.00</td>
</tr>
<tr>
<td>PI 330 Consumables</td>
<td>91,800.00</td>
<td></td>
<td></td>
<td>91,800.00</td>
</tr>
<tr>
<td>PI 340 Other Services</td>
<td>61,200.00</td>
<td></td>
<td></td>
<td>61,200.00</td>
</tr>
</tbody>
</table>

**Table 2: Energy Community Budget 2013 – Overview Transfers of Appropriations 2013**

4. **Budget Appropriations 2013 - ‘pro memoria’ adjustments**

Following the decision of the Ministerial Council of 6 October 2011\(^6\) based on Commission decision (C(2011)6207 final) of 5 September 2011, initial budget appropriations of 2013 (EUR 3,342.200) were adjusted ‘pro memoria’ with other sources of revenue. Details of those are shown in column 2 of table 3 of this report (see below). The adjustments concerning the increase of expenditure for (1) the rent of the premises of the Secretariat and (2) consumables were decided upon by the Director in the course of closing the accounts for 2013\(^7\).

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 2013, altogether two budget modifications were adopted (‘pro memoria’). Their impact on the revenue side of the 2013 budget is indicated in the table below:

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\(^6\) Ref.: MC-2011/PA/2011-01-MC-EnC

\(^7\) 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
5. Budget 2013 - Implementation Overview

This section gives an overview in % of the implementation to the budget during the financial year 2013 and provides brief comments on the utilization of 2013 budget appropriations in comparison to the actual amounts.

As required by IPSAS 24, the execution of 2013 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. For example, the impact of amending budget in budget position PI330 “Consumables” is such, that implementation rate would be 101% (see column 10 of the Table 3 below) of the initial budget (88% of the final budget).

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

<table>
<thead>
<tr>
<th></th>
<th>Original Budget 2013</th>
<th>Changes due to other Sources of Revenue</th>
<th>Final Budget 2013</th>
<th>Actual amounts 2013 on a comparable basis</th>
<th>Legal Commitments 2013</th>
<th>Actual amounts 2013 on a comparable basis incl. Legal Commitments</th>
<th>Actuals vs. Final Budget 2013 [in %]</th>
<th>Unused Appropriations</th>
<th>Actuals vs. Original Budget 2013 [in %]</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. HUMAN RESOURCES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotal Human Resources</td>
<td>1,750,000</td>
<td>1,750,000</td>
<td>1,685,953</td>
<td>1,685,953</td>
<td>96%</td>
<td>64,047</td>
<td>96%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI 200 Personnel</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI 201 Subscriptions, Allowances</td>
<td>197,000</td>
<td>-14,000</td>
<td>183,000</td>
<td>183,000</td>
<td>100%</td>
<td>4,000</td>
<td>96%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI 202 Unemployment</td>
<td>26,000</td>
<td>8,800</td>
<td>34,800</td>
<td>34,800</td>
<td>100%</td>
<td>0</td>
<td>94%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI 203 Maternity</td>
<td>3,500</td>
<td>2,500</td>
<td>6,000</td>
<td>6,000</td>
<td>100%</td>
<td>0</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI 204 Other Social Security</td>
<td>47,000</td>
<td>9,000</td>
<td>56,000</td>
<td>56,000</td>
<td>100%</td>
<td>0</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Social Security</td>
<td>260,000</td>
<td>28,000</td>
<td>288,000</td>
<td>288,000</td>
<td>100%</td>
<td>0</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. TRAVEL EXPENSES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI 210 Daily Subsistence Allowance (DSA)</td>
<td>102,000</td>
<td>102,000</td>
<td>72,027</td>
<td>72,027</td>
<td>71%</td>
<td>29,974</td>
<td>71%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI 220 Travel Expenses (flights and incidentals)</td>
<td>142,800</td>
<td>142,800</td>
<td>118,369</td>
<td>118,369</td>
<td>83%</td>
<td>24,431</td>
<td>83%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotal Travel Expenses</td>
<td>244,800</td>
<td>244,800</td>
<td>190,395</td>
<td>190,395</td>
<td>78%</td>
<td>54,405</td>
<td>78%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. OFFICE EXPENSES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI 310 Office rent</td>
<td>18,360</td>
<td>159,953</td>
<td>178,313</td>
<td>177,438</td>
<td>100%</td>
<td>875</td>
<td>96%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI 320 Office equipment</td>
<td>51,000</td>
<td>40,000</td>
<td>91,000</td>
<td>80,142</td>
<td>88%</td>
<td>10,858</td>
<td>157%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI 330 Consumables</td>
<td>91,800</td>
<td>14,108</td>
<td>105,908</td>
<td>92,678</td>
<td>88%</td>
<td>13,230</td>
<td>101%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI 340 Other Services</td>
<td>61,200</td>
<td>-20,000</td>
<td>41,200</td>
<td>31,371</td>
<td>76%</td>
<td>9,829</td>
<td>51%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotal Office Expenses</td>
<td>222,360</td>
<td>174,061</td>
<td>0</td>
<td>416,421</td>
<td>381,630</td>
<td>381,630</td>
<td>92%</td>
<td>34,791</td>
<td>172%</td>
</tr>
<tr>
<td>4. OTHER COSTS AND SERVICES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI 410 Advertising, communication and representation</td>
<td>30,600</td>
<td>14,000</td>
<td>44,600</td>
<td>43,781</td>
<td>98%</td>
<td>819</td>
<td>143%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI 420 Studies, research and consulting</td>
<td>409,000</td>
<td>409,000</td>
<td>33,151</td>
<td>359,718</td>
<td>392,869</td>
<td>96%</td>
<td>16,131</td>
<td>96%</td>
<td></td>
</tr>
<tr>
<td>PI 430 Costs of outsourced services (IT, payroll, etc.)</td>
<td>112,300</td>
<td>-15,000</td>
<td>97,300</td>
<td>96,798</td>
<td>100%</td>
<td>402</td>
<td>86%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI 440 Costs of Audit, Legal and Financial Advice</td>
<td>40,800</td>
<td>-15,000</td>
<td>25,800</td>
<td>25,800</td>
<td>100%</td>
<td>0</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI 450 Financial services</td>
<td>12,240</td>
<td>12,240</td>
<td>11,103</td>
<td>11,103</td>
<td>91%</td>
<td>1,137</td>
<td>91%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI 460 Conference costs</td>
<td>214,200</td>
<td>-39,000</td>
<td>175,200</td>
<td>100,291</td>
<td>100,291</td>
<td>57%</td>
<td>74,909</td>
<td>47%</td>
<td></td>
</tr>
<tr>
<td>PI 470 Refunding</td>
<td>265,200</td>
<td>20,000</td>
<td>285,200</td>
<td>256,683</td>
<td>256,683</td>
<td>90%</td>
<td>28,517</td>
<td>97%</td>
<td></td>
</tr>
<tr>
<td>PI 480 Training</td>
<td>40,800</td>
<td>-20,000</td>
<td>20,800</td>
<td>13,674</td>
<td>13,674</td>
<td>66%</td>
<td>7,127</td>
<td>34%</td>
<td></td>
</tr>
<tr>
<td>Subtotal Other Costs and Services</td>
<td>1,125,040</td>
<td>-20,000</td>
<td>1,105,040</td>
<td>606,793</td>
<td>359,718</td>
<td>359,718</td>
<td>87%</td>
<td>138,529</td>
<td>86%</td>
</tr>
<tr>
<td>TOTAL OPERATING EXPENSES</td>
<td>3,342,200</td>
<td>174,061</td>
<td>0</td>
<td>3,516,261</td>
<td>2,864,771</td>
<td>359,718</td>
<td>3,224,489</td>
<td>92%</td>
<td>291,772</td>
</tr>
</tbody>
</table>

Table 3: Budget Report 2012 (see also Auditor’s Report 2013, http://www.energy-community.org/pls/portal/docs/2958024.PDF )

Utilization of budget appropriations in 2013 is presented in comparison with the previous periods of budget implementation (see chart below).
Narration note on the expenses 2013

The implementation of the budget line 1 Human Resources amounted to EUR 1.685.953, i.e. to 96% of the budget appropriations.

The budget for Travel Expenses amounted to EUR 244.800 and was utilized in 78% (i.e. EUR 190.395). Included therein actual expenditure for position Daily Subsistence Allowance amounted to EUR 72.027 and EUR 118.369 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 amounted to EUR 416.421, and was utilized in the amount of EUR 381.630, i.e. 92%. Within this budget line the expenditure for Office Rent amounted to EUR
177.438\(^8\), for the Office, Equipment and communications (IT) amounted to EUR 80.142, for the budget position Consumables amounted to EUR 92.678 and for the budget position Other Services (telephone, fax, communications) to EUR 31.371.

The implementation of Other Costs, Services (budget line 4) amounted to EUR 966,511, i.e. to 87% of the budget appropriations. Expenditure for the respective budget positions included therein was utilized at the levels as shown in the table 3.

The most not used funds were derived from the following positions: 1) Conference Costs (EUR 74.909 remained unspent), 2) Human Resources budget (under-spending EUR 64.047), 3) Refunding (under-spending EUR 28.517).

6. Carry over from 2013 into 2014 (legal commitments)

In 2013, budget appropriations for legal commitments concluded by 31 December 2013 were carried into 2014 amounting to total amount of EUR 359.718. Details of implementation of those are presented a summary table below:

<table>
<thead>
<tr>
<th>Budget Line</th>
<th>Budget Line Description</th>
<th>Appropriations 2013 carried over to 2014</th>
<th>Payments till 31/12/2013</th>
<th>Open for payments in 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>PI 111</td>
<td>Human Resources</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PI 210,</td>
<td>Travel Expenses</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PI 220</td>
<td>Office</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PI 310</td>
<td>Rent</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PI 320</td>
<td>Office equipment</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PI 330</td>
<td>Consumables</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PI 340</td>
<td>Other Services</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PI 410</td>
<td>Advertising &amp; Communication</td>
<td>359,718</td>
<td>39,912</td>
<td>319,806</td>
</tr>
<tr>
<td>PI 420</td>
<td>Studies, Research, Consulting</td>
<td>359,718</td>
<td>39,912</td>
<td>319,806</td>
</tr>
<tr>
<td>PI 430</td>
<td>Costs of Outsourced Services</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PI 440</td>
<td>Costs of Audit, Financial Advice</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PI 450</td>
<td>Financial Services</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PI 460</td>
<td>Conference Costs</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PI 470</td>
<td>Refunding</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PI 480</td>
<td>Training and seminar costs</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PI 490</td>
<td>Secondment and Traineeship</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>359,718</td>
<td>39,912</td>
<td>319,806</td>
</tr>
</tbody>
</table>

Table 4: Budget appropriations 2013 carried over into 2014: Overview [source: ECS]

\(^8\) These actual expenses are composed of expenses covered by the Republic of Austria (on monthly basis) and of portion of rent related expenses, paid directly by the Energy Community. In total an amount of EUR 159.952.92 was covered by Austria in 2013 (see also Audit Report 2013, Statement of Financial Position for the period ending 31 December 2013).
7. Revenue 2013

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 2013 (see in the Report on the Audit of the Financial Statements for the year ended 31 December 2013).

In 2013, the Energy Community received its funds from the following sources:

- Parties Contributions EUR 3,342,200
- Donations of the Republic of Austria EUR 159,953
- Finance revenue EUR 3,852
- Other revenue EUR 10,256

**Budget Appropriations 2013** in the amount of EUR 3,342,200 result from the financial responsibility of the Parties to the Treaty under Article 2 of the Budgetary Procedures. Further to those, in 2013 Republic of Austria contributed to the office rent expenses in the amount of EUR 159,953. 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 10,256 comes from refunding of travel expenses to the Energy Community experts by various organizations/institutions.

Finally, in 2013, the funds paid to the Energy Community borne an interest of EUR 3,852 (**finance revenue**).

8. Unused budget appropriations 2013 and repayment procedure

In general, unused budget appropriations’ mean budget contributions which have not been committed at the balance sheet date, i.e. no contracts entered into in the current year or in prior years.

Unused budget appropriations are shown as a liability in the Statement of Financial Position at the balance sheet date.

In general, the amount shall equal to the amount calculated as a difference between actual and budget and presented in the budget report under IPSAS 24. Since, however, Energy Community uses different principles for accounting (accrual) and budget accounts (cash basis of budgeting), there is a slight difference in the presented amounts of the unused budget appropriations in the Financial Statements and in the Budget Report. The reconciliation of the amounts is shown in the table below:

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9 See also EnC Auditors’ Report 2013 and Statement of Financial Performance for the period 1 Jan – 31 Dec 2013.
Repayment amount 2013

As a general rule, the repayment amount is based on the Statement of Financial Position and - following the applicable MC decision of 6 October 2011 - is to include all types of revenue (i.e. interest and other income; see table 5 below)\(^\text{10}\).

In 2013 some 8% of the initial budget 2013 (EUR 3.342.200) remained unspent. 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 (see also attachment 2).

Based on the above, repayments amounts 2013 calculated in accordance with %-ages of Annex IV of the Treaty are as follows:

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\(^{10}\) See Minutes of the meeting of the Budget Committee of 10 April 2013, item 5
In this section of the Report, the utilization of the established budget of the institutions is reported. The Institutions of the Energy Community are: Ministerial Council (MC), Permanent High Level Group (PHLG), Regulatory Board (ECRB), Fora (Electricity, Gas, Social Issues, Oil) and the Secretariat. 11

The structure of this report follows the established structure of the approved budget 2012-2013 (see PA MC-2011/PA/2011-02-MC-EnC On the adoption of the Energy Community Budget 2012-2013, page 12) which envisages also presentation of expenses for additional cost centers in the same way as it is envisaged for Institutions.

The initial budget 2013 established for the functioning of its institutions at the level of EUR 470,000 has been sufficient and in it basis amended to the level of EUR 460,400. 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.

From the budget implementation perspective, the Institutional Budget Report provides an overview of the thematic allocation of costs attributable to Institutions and other cost centers.

The Institutional Budget is a part of the main budget and comprises the costs recorded under two budget positions – PI460 “Conference costs” and PI470 “Refunding”. In the Institutional Budget format – the conference costs and refunding are being grouped and presented as amounts by Institutions and other cost centers.

All together, the final budget of the Institutions of EUR 460,400 has been used at the level of 78%.

Details of the utilization through comparison of the final budget and actual results are presented in details in the table below.

11 Secretariat’s budget, as one of the Institution under Article 67 of the Energy Community Treaty, is defined as a difference of total budget and the budgets of the other institutions (see also footnote 2) of table 6 of this report;
In March 2014 the designated external audit company finalized the audit of the financial statements of the Energy Community for the year ended 31 December 2013. 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 2013 are the following:

- "Financial statements present fairly, in all material respects, the financial position of the entity as of 31 December 2013 and of its financial performance and its cash flows for the financial year from 1 January 2012 to 31 December 2013 in accordance with the International Public Sector Accounting Standards (IPSAS)"

12 In accordance with Article 80 of the Budgetary Procedures
13 See Auditors’ Report 2013
- 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 2013, there have been no management recommendations to the Director of the Energy Community Secretariat.

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 2013.
11. Conclusion and outlook

In 2013, the operations followed the successful establishment of the Energy Community as an international organization. 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 have been successfully implemented, in terms of organization of compliance more needs to be done to ensure controls are working effectively in practice. In particular, further efforts are needed to ensure that all staff members are aware of their responsibilities as regards internal control.

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.

12. 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 March 2014

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;
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;
## Attachment 2: Budget Repayments 2007-2013 in comparison

<table>
<thead>
<tr>
<th>(in EUR) Budget years</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repayment of unused appropriations</td>
<td>118,549</td>
<td>195,136</td>
<td>384,074</td>
<td>335,224</td>
<td>530,920</td>
<td>149,628</td>
<td>260,021</td>
</tr>
<tr>
<td>Budget of the year [Final]</td>
<td>1,244,100</td>
<td>2,548,420</td>
<td>2,996,942</td>
<td>3,250,000</td>
<td>3,427,000</td>
<td>3,411,028</td>
<td>3,516,261</td>
</tr>
<tr>
<td>Unused appropriations in % of the budget</td>
<td>10%</td>
<td>8%</td>
<td>13%</td>
<td>10%</td>
<td>15%</td>
<td>5%</td>
<td>7%</td>
</tr>
</tbody>
</table>

![Bar chart showing budget repayments and budget for 2007 to 2013]