



PROCEDURAL ACT OF THE ENERGY COMMUNITY SECRETARIAT

2026/06/ECS-ENC: ON REPLACING PROCEDURAL ACT 2025/12/ECS-ENC ON ESTABLISHING THE INTERNAL AUDIT

The Energy Community Secretariat,

Considering the fundamental importance of robust governance, risk management, and internal control systems to ensure the effective and transparent execution of the Secretariat's mandate, particularly in supporting the implementation of the Energy Community Secretariat strategic objectives,

Determined to enhance the Energy Community Secretariat's organizational resilience, accountability, and efficiency of operations amongst the increasing complexity of energy reforms, cross-sectoral integration, and the growing demands for compliance with international standards,

Acknowledging the challenges arising from the Secretariat's expanding role in supporting the region's path toward EU membership through the full implementation of EU energy law, driving alignment with EU energy and climate policies, building strong regulatory foundations to secure supply and attract investment, facilitating cross-border trade in electricity, gas, hydrogen, and CO₂, and advancing renewables, energy efficiency, and environmental protection while protecting consumers, which require a highly structured and systematic approach to governance and oversight,

Recognising the need for continuous professional development, technical expertise, and capacity building to enable the Internal Audit to adapt to the evolving governance and compliance landscape, and to provide value-adding assurance and consulting services,

Further recognising the necessity for enhanced coordination between the Internal Audit and Energy Community Secretariat units, to ensure holistic risk assessments, effective mitigation strategies, and successful implementation of reforms,

Based on Article 18 of the Procedural Act of Financial Management Rules of the Energy Community Secretariat,

ADOPTS THE FOLLOWING PROCEDURAL ACT:



PURPOSE OF INTERNAL AUDIT

Article 1

1. This Procedural Act establishes the framework for the Internal Audit, supporting a transparent, accountable and effective Internal Audit function. It defines its role in enhancing the efficiency, effectiveness and integrity of the operations of the Energy Community Secretariat and outlines its authority and responsibilities.
2. The purpose of the Internal Audit function is to strengthen Energy Community Secretariat's ability to create, protect, and sustain value by providing the Director of the Energy Community Secretariat with independent, risk-based, and objective assurance, advice, insight, and foresight.
3. The Internal Audit function enhances Energy Community Secretariat's:
 - 3.1. Successful achievement of its objectives.
 - 3.2. Governance, risk management, and control processes.
 - 3.3. Decision-making and oversight.
 - 3.4. Reputation and credibility with its stakeholders.
 - 3.5. Ability to serve the public interest.
4. Energy Community Secretariat's Internal Audit function is most effective when:
 - 4.1. Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards, which are set in the public interest.
 - 4.2. The Internal Audit function is independently positioned with direct accountability to the Director of the Energy Community Secretariat.
 - 4.3. Internal auditors are free from undue influence and committed to making objective assessments.

GLOSSARY

Article 2

1. Activity under review: The subject of an internal audit engagement.
2. Advisory services: Services through which internal auditors provide advice to an organization's stakeholders without providing assurance or taking on management responsibilities.
3. Assurance: Statement intended to increase the level of stakeholders' confidence about an organization's governance, risk management, and control processes over an issue, condition, subject matter, or activity under review when compared to established criteria.
4. Assurance services: Services through which internal auditors perform objective assessments to provide assurance.
5. Competency: Knowledge, skills, and abilities.
6. Compliance: Adherence to laws, regulations, contracts, policies, procedures, and other requirements.



7. Conflict of interest: A situation, activity, or relationship that may influence, or appear to influence, an internal auditor's ability to make objective professional judgments or perform responsibilities objectively.
8. Control: Any action taken by management and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved.
9. Control processes: The policies, procedures, and activities designed and operated to manage risks to be within the level of an organization's risk tolerance.
10. Criteria: In an engagement, specifications of the desired state of the activity under review.
11. Engagement: A specific internal audit assignment or project that includes multiple tasks or activities designed to accomplish a specific set of related objectives.
12. Engagement conclusion: Internal auditors' professional judgment about engagement findings when viewed collectively.
13. Engagement objectives: Statements that articulate the purpose of an engagement and describe the specific goals to be achieved.
14. Engagement planning: Process during which internal auditors gather information, assess and prioritize risks relevant to the activity under review, establish engagement objectives and scope, identify evaluation criteria, and create a work program for an engagement.
15. Engagement results: The findings and conclusion of an engagement.
16. Engagement work program: A document that identifies the tasks to be performed to achieve the engagement objectives, the methodology and tools necessary, and the internal auditors assigned to perform the tasks.
17. External service provider: Resource from outside the organization that provides relevant knowledge, skills, experience, and/or tools to support internal audit services.
18. Fieldwork: The phase of an internal audit engagement during which internal auditors execute the engagement work program by gathering, analysing, and evaluating sufficient, reliable, and relevant information to achieve the engagement's objectives.
19. Finding: In an engagement, the determination that a gap exists between the evaluation criteria and the condition of the activity under review.
20. Follow-Up audit: A targeted audit-related engagement or assessment conducted after an original audit to determine whether management has implemented the agreed actions.
21. Fraud: Any intentional act characterized by deceit, concealment, dishonesty, misappropriation of assets or information, forgery, or violation of trust perpetrated by individuals or organizations to secure unjust or illegal personal or business advantage.
22. Governance: The combination of processes and structures implemented to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.
23. Impact: The result or effect of an event.
24. Independence: The freedom from conditions that may impair the ability of the Internal Audit function to carry out internal audit responsibilities in an unbiased manner.
25. Inherent risk: The combination of internal and external risk factors that exists in the absence of any management actions.
26. Integrity: Behaviour characterized by adherence to moral and ethical principles, including demonstrating honesty and the professional courage to act based on relevant facts.



27. Internal Audit function: A professional individual or group responsible for providing an organization with assurance and advisory services.
28. Internal Audit plan: A document, developed by the Internal Auditor Expert, that identifies the engagements and other internal audit services anticipated to be provided during a given period.
29. Internal auditing: An independent, objective assurance and advisory service designed to add value and improve an organization's operations.
30. Legitimate and ethical expectations: Lawful, ethical, and value-based standards of conduct established by an organization, grounded in the Global Internal Audit Standards, applicable laws, and organizational mandates, and aligned with the moral principles of honesty, courage, and the pursuit of the public interest, which employees are expected to follow.
31. Likelihood: The possibility that a given event will occur.
32. Objectivity: An unbiased mental attitude that allows internal auditors to make professional judgments, fulfil their responsibilities, and achieve the Purpose of Internal Auditing without compromise.
33. Periodically: At regularly occurring intervals, depending on the needs of the organization, including the Internal Audit function.
34. Professional skepticism: Questioning and critically assessing the reliability of information.
35. Quality assurance and improvement program: A program established by the Internal Auditor Expert to evaluate and ensure the Internal Audit function conforms with the Global Internal Audit Standards, achieves performance objectives, and pursues continuous improvement.
36. Residual risk: The portion of inherent risk that remains after management actions are implemented.
37. Risk: The positive or negative effect of uncertainty on objectives.
38. Risk assessment: The identification and analysis of risks relevant to the achievement of an organization's objectives.
39. Risk management: A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization's objectives.
40. Stakeholder: A party with a direct or indirect interest in an organization's activities and outcomes.
41. workpapers: Documentation of the internal audit work done when planning and performing engagements.

DEFINITION OF THE INTERNAL AUDIT

Article 3

The Internal Audit function of Energy Community Secretariat provides independent, objective assurance and advisory services designed to add value and enhance the operations of the Energy Community Secretariat. It helps Energy Community Secretariat achieve its objectives by applying



a systematic and disciplined approach to assess and improve the effectiveness of governance, risk management, and internal control processes.

OBJECTIVE OF THE INTERNAL AUDIT

Article 4

The main objectives of the Internal Audit function are to:

1. Develop and implement a risk-based audit plan aligned with Energy Community Secretariat's strategic objectives.
2. Enhance organizational governance and operational effectiveness by identifying areas for improvement in risk management and internal controls.
3. Support strategic decision-making and effective oversight through advisory services and insights.
4. Safeguard Energy Community Secretariat's reputation and credibility with stakeholders.
5. Ensure alignment of Energy Community Secretariat's strategy with public interest.
6. Foster a culture of transparency and accountability.

COMMITMENT TO THE STANDARDS

Article 5

The Energy Community Secretariat's Internal Audit function will adhere to the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework¹, which are the Global Internal Audit Standards and Topical Requirements, in their latest applicable version. The Internal Audit Expert will report periodically to the Director of the Energy Community Secretariat regarding the Internal Audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

The Energy Community Secretariat's Internal Audit function will adhere to the Energy Community Secretariat's legal framework.

MANDATE

Article 6

1. The Internal Audit function derives its authority from the Procedural Act 2019/08/ECS-EnC on Financial Management Rules of the Energy Community Secretariat², in its latest applicable version.

¹ The official website of the Institute of Internal Auditors (IIA): <https://www.theiia.org/en/standards/>

² The official website of the Energy Community: https://www.energy-community.org/dam/jcr:01131778-ad6f-4dcd-8394-e88c4fb30a2c/ECS-2019%20PA_2019-08_ECS_Financial%20Management%20Rules.pdf



2. The Director grants the Internal Audit function the mandate to provide him with objective assurance, advice, insight, and foresight. The authority of the Internal Audit function derives from its direct reporting relationship to the Director, which allows for unrestricted access to him.
3. The Director authorizes the Internal Audit function to:
 - 3.1. Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities.
 - 3.2. Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
 - 3.3. Obtain assistance from the necessary personnel of Energy Community Secretariat and other specialized services from within or outside Energy Community Secretariat to complete internal audit services.

INDEPENDENCE, ORGANIZATIONAL POSITION AND REPORTING RELATIONSHIPS

Article 7

1. The Internal Audit Expert is positioned at a level in the Energy Community Secretariat that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the Internal Audit function. Independence enables the Internal Audit Expert to be objective and, consequently, provide unbiased and impartial judgments, which are important for the proper conduct of audits.
2. The Internal Audit Expert reports functionally and administratively to the Director. This positioning provides the organizational authority and status to bring matters directly to the Director without interference and supports the Internal Audit Expert's ability to maintain objectivity.
3. The Internal Audit Expert will confirm in writing to the Director, at least annually, the organizational independence of the Internal Audit function. If the governance structure does not support organizational independence, the Internal Audit Expert will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The Internal Audit Expert shall promptly disclose to the Director any interference encountered in relation to the scope, performance, or communication of internal audit activities and results. The disclosure shall include communicating the implications of such interference on the Internal Audit function's effectiveness and ability to fulfil its mandate.



DIRECTOR OVERSIGHT

Article 8

To establish, maintain, and ensure that Energy Community Secretariat's Internal Audit function has sufficient authority to fulfil its duties, the Director will:

1. Discuss with the Internal Audit Expert the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the Internal Audit function.
2. Ensure the Internal Audit Expert has unrestricted access to and communicates and interacts directly with him.
3. Approve the Procedural Act on establishing the Internal Audit, which includes the Internal Audit mandate and the scope and types of Internal Audit services.
4. Review the Procedural Act on establishing the Internal Audit periodically with the Internal Audit Expert to consider changes affecting the Energy Community Secretariat.
5. Approve the risk-based Internal Audit plan.
6. Approve the Internal Audit function's expenses.
7. Authorize the appointment and removal of the Internal Audit Expert.
8. Review the Internal Audit Expert's performance.
9. Receive communications from the Internal Audit Expert about the Internal Audit function including its performance relative to its plan.
10. Ensure a quality assurance and improvement program has been established and review the results periodically.

INTERNAL AUDIT EXPERT ROLES AND RESPONSIBILITIES

Article 9

Ethics and Professionalism

The Internal Audit Expert shall:

1. Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
2. Understand, respect, meet, and contribute to the legitimate and ethical expectations of the Energy Community Secretariat and be able to recognize conduct that is contrary to those expectations.
3. Encourage and promote an ethics-based culture in the Energy Community Secretariat.
4. Be alert to red flags and misconduct and report organizational behaviour that is inconsistent with the Energy Community Secretariat's ethical expectations.
5. Promote a culture of internal controls and ethical behaviour by providing training and guidance to Energy Community employees on compliance and risk management.



Article 10

Objectivity

1. The Internal Audit Expert shall ensure that independence and objectivity are maintained and that no conditions exist which may threaten the ability to perform assigned responsibilities in an unbiased manner, including matters relating to engagement selection, scope, procedures, frequency, timing, and communication. Where the Internal Audit Expert determines that objectivity may be impaired, either in fact or in appearance, the nature and details of such impairment shall be disclosed to the Director as soon as possible. Impairments of independence or objectivity, in fact or appearance, shall be disclosed to the Director as soon as possible.
2. The Internal Audit Expert shall maintain an impartial and unbiased mental attitude that enables the objective performance of engagements, ensuring confidence in the quality and integrity of work products, without compromising professional standards or subordinating professional judgment on audit matters to others, either in fact or in appearance.
3. The Internal Audit Expert shall have no direct operational responsibility for, or authority over, any activities subject to review. Accordingly, the Internal Audit Expert shall not implement internal controls, develop procedures, install systems, or engage in any activities that may impair objectivity or independence, including but not limited to:
 - 3.1. Assessing operations for which responsibility was held within the previous year.
 - 3.2. Performing operational duties for the Energy Community Secretariat.
 - 3.3. Directing the activities of any employee of the Energy Community Secretariat who is not assigned to the Internal Audit function, except where such personnel have been appropriately assigned by the Director to Internal Audit teams or to provide assistance to the Internal Audit Expert.
4. The Internal Audit Expert shall:
 - 4.1. Exhibit professional objectivity in gathering, evaluating, and communicating information.
 - 4.2. Make balanced assessments of all available and relevant facts and circumstances.
 - 4.3. Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Article 11

Responsibility

The Internal Audit Expert has the responsibility to:

1. Develop the Internal Audit strategy and the risk-based annual Internal Audit plan that considers the input of the Director and the Energy Community Secretariat's objectives.



Discuss and submit the Internal Audit strategy and the risk-based annual Internal Audit plan to the Director for review and approval.

2. Communicate the impact of resource limitations on the Internal Audit plan to the Director.
3. Review and adjust the Internal Audit plan, as necessary, in response to changes in Energy Community Secretariat's business, risks, operations, programs, systems, and controls.
4. Communicate with the Director if there are significant interim changes to the Internal Audit plan.
5. Ensure that Internal Audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards, in a timely manner, and in compliance with confidentiality requirements. Internal Audit reports shall be prepared and presented clearly and concisely, detailing findings, potential consequences, recommendations, corrective actions, and emphasizing opportunities for process improvement and risk mitigation.
6. Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of Internal Audit services to the Director periodically and for each engagement as appropriate.
7. Ensure the Internal Audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfil the internal audit mandate.
8. Identify and consider trends and emerging issues that could impact the Energy Community Secretariat and communicate to the Director.
9. Consider emerging trends, changes in regulations and successful practices in internal auditing, accounting and governance.
10. Establish and ensure adherence to methodologies designed to guide the Internal Audit function.
11. Ensure adherence to Energy Community Secretariat's relevant policies and procedures unless such policies and procedures conflict with this Procedural Act or the Global Internal Audit Standards. Any such conflicts shall be resolved or documented and communicated to the Director as soon as possible.
12. Lead consultative debriefing and validation meetings with stakeholders on identified risks, root causes, and potential improvement actions.
13. Coordinate activities and act as a focal point with external auditors. If the Internal Audit Expert cannot achieve an appropriate level of coordination, the issue must be communicated to the Director as soon as possible.

Article 12

Reporting

The Internal Audit Expert shall report periodically to the Director regarding:

1. The Internal Audit function's mandate.
2. The Internal Audit plan and performance relative to its plan.



3. Potential impairments to independence, including relevant disclosures as applicable.
4. Results from the quality assurance and improvement program, which include the Internal Audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the Internal Audit function's deficiencies and opportunities for improvement.
5. Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Director that could interfere with the achievement of Energy Community Secretariat's strategic objectives.
6. Results of assurance and advisory services.
7. Resource requirements.
8. Auditee's responses to risk that the Internal Audit Expert determines may be unacceptable.

SCOPE AND TYPES OF INTERNAL AUDIT SERVICES

Article 13

1. The scope of Internal Audit services covers the entire breadth of the organization, including all the Energy Community Secretariat's activities, assets, and personnel. The scope of Internal Audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Director on the adequacy and effectiveness of governance, risk management, and control processes for the Energy Community Secretariat.
2. The nature and scope of advisory services may be agreed with the Head of the Unit requesting the service and the Director, provided the Internal Audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements.
3. Internal audit engagements may include evaluating whether:
 - 3.1. Risks relating to the achievement of Energy Community Secretariat's strategic objectives are appropriately identified and managed.
 - 3.2. The actions of the Energy Community Secretariat's officers, directors, management, employees, and contractors or other relevant parties comply with Energy Community Secretariat's policies, procedures, and applicable laws, regulations, and governance standards.
 - 3.3. The results of operations and programs are consistent with established goals and objectives.
 - 3.4. Operations and programs are carried out in an effective, efficient, economical, transparent, and sustainable manner.



- 3.5. Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Energy Community Secretariat.
- 3.6. The integrity of information (financial and non-financial) and the means used to identify, measure, analyse, classify, and report such information is accurate and reliable.
- 3.7. Resources and assets are acquired economically, used efficiently and sustainably, properly accounted for, and protected adequately against losses due to waste, inefficiency, fraud or mismanagement.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

Article 14

1. The Internal Audit Expert shall develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the Internal Audit function. The program shall include external and internal assessments of the Internal Audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the Internal Audit function's progress toward the achievement of its objectives and promotion of continuous improvement.
2. The program also shall assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment shall include plans to address the Internal Audit function's deficiencies and opportunities for improvement.
3. Annually, the Internal Audit Expert shall communicate with the Director about the Internal Audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments, if applicable. External assessments shall be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Energy Community Secretariat.

CHANGES TO THE PROCEDURAL ACT

Article 15

1. The Procedural Act is reviewed at least annually by the Internal Audit Expert for circumstances that may require its update. Such circumstances may include but are not limited to:
 - 1.1. A significant change in the Global Internal Audit Standards.
 - 1.2. A significant reorganization within the Energy Community Secretariat.
 - 1.3. Significant changes to the Energy Community Secretariat's strategies, objectives, risk profile, or the environment in which operates.
 - 1.4. New laws or regulations that may affect the nature and/or scope of internal audit services.



2. Any amendment must be approved by the Director of the Energy Community Secretariat.

FINAL PROVISIONS

Article 16

Entry into force

This Procedural Act enters into force on the day of its adoption.

For Energy Community Secretariat

A handwritten signature in black ink, reading "Artur Lorkowski".

Artur Lorkowski
Director

Done in Vienna, on 19 March 2026



Annex I:

A large, faint, light-colored graphic of the European Union flag's stars is centered on the page, serving as a background for the title.

INTERNAL AUDIT MANUAL ENERGY COMMUNITY SECRETARIAT



INTRODUCTION

1. Purpose and scope

The Internal Audit Manual provides guidance in a systematic and disciplined manner to implement the Internal Audit strategy, develop the Internal Audit plan, and conform with the Standards by providing specific instructions and criteria that help internal auditors implement the Standards and perform services with quality. The Internal Audit Manual will ensure the conformance with the International Standards for the Professional Practice of Internal Auditing (Standards) and the Energy Community Secretariat's objectives.

The Internal Audit Manual is not designed to be all-inclusive or unduly restrictive. Its provisions are intended to supplement the experience, competencies, skills and judgement of internal auditors in planning, conducting and reporting on internal audit engagements.

2. Legal framework

This manual has been developed in accordance with:

- The International Professional Practices Framework (IPPF)
- The Energy Community Secretariat's internal legal framework.

AUDIT ENGAGEMENT DIMENSIONS

As part of the Internal Audit at the Energy Community Secretariat, there are different dimensions of the audit engagements:

1. Assurance versus Advisory engagements

Assurance engagements: referring to services through which internal auditors perform objective assessments to provide assurance.

Advisory engagements: referring to services through which internal auditors provide advice to an organization's stakeholders without providing assurance or taking on management responsibilities.

2. Planned versus Ad hoc engagements

Planned engagements: referring to engagements included in the risk-based annual Internal Audit plan.

Ad hoc engagements: referring to ad hoc requests by the authorized bodies such as the Director of the Energy Community Secretariat or the Heads of Units, subject to approval by the Director of Energy Community Secretariat. These audits address emerging risks, specific concerns, or urgent matters requiring immediate examination.

AUDIT ENGAGEMENT TYPES

The scope of Internal Audit assurance engagements is broad and covers multiple areas, including financial, operational/performance, compliance and technology engagements.

1. Financial audits

Financial audits focus on evaluating the accuracy, completeness, and reliability of financial records, transactions, reporting systems, and financial statements. The objectives are to assess compliance with applicable accounting standards, Energy Community Secretariat policies, and regulatory requirements; evaluate the effectiveness of financial controls and processes; ensure appropriate authorization of expenditures and proper safeguarding and use of Energy Community Secretariat's assets; and identify material misstatements, errors, or fraudulent activities.

2. Operational / Performance audits

Operational / Performance audits assess the efficiency, effectiveness, and economy of the activities of the Energy Community Secretariat. The objectives are to evaluate the achievement of goals and objectives; evaluate operational efficiency and cost-effectiveness; identify weaknesses, suggest improvements, and recommend best practices to enhance productivity and achieve organizational objectives.

3. Compliance audits

Compliance audits assess whether the operations, activities, and transactions of the Energy Community Secretariat adhere to legal and statutory requirements, internal procedural acts and policies, contractual obligations and ethical guidelines.

4. Technology audits

Technology audits focus on evaluating the adequacy, effectiveness, and reliability of information technology systems, applications, infrastructure, and related processes that support the Energy Community Secretariat's operations and objectives. The objectives are to assess compliance with applicable policies, standards, contractual obligations, and regulatory requirements; evaluate the effectiveness of IT governance, cybersecurity, general and application controls; ensure the confidentiality, integrity, availability, and resilience of information assets and systems; assess the effectiveness of change management, access management, incident response, and business continuity processes; and identify control weaknesses, system vulnerabilities, and technology-related risks that could adversely affect operations, data protection, or strategic objectives.

RISK BASED INTERNAL AUDIT PLAN

The Internal Audit Expert must prepare an Internal Audit plan based on an assessment of the Energy Community Secretariat's strategies, objectives, and risks. The assessment shall be informed by input from the Director and Heads of Units as well as the Internal Audit Expert's understanding of the Energy Community Secretariat's governance, risk management, and control processes and must be performed at least annually.

The critical steps to be undertaken when developing the risk based Internal Audit plan are:

a) Understanding the Organization

To add value and improve Energy Community Secretariat's success, Internal Audit function priorities should be aligned with the Energy Community Secretariat's objectives and risks. The Internal Audit Expert must have an in-depth understanding of the Energy Community Secretariat's strategies, objectives, processes and key risks through reviewing of key documents, such as procedural acts and organigram to gain insight into the Energy Community Secretariat's processes and potential risks and control points; attending meetings with the Director and the Heads of the Units; using tools such as surveys, interviews, and group workshops for obtaining input and identifying emerging risks and fraud risks.

b) Review and update Internal Audit Charter, Strategy and Universe

Once the major strategies and objectives have been identified, the Internal Audit Expert shall update the Audit Universe. The Audit Universe is a list of all the possible areas where audits could be performed and must be assessed on an annual basis. Where appropriate, the Internal Audit



Charter and the Internal Audit Strategy should be updated and approved by the Director of the Energy Community Secretariat.

c) Identify, assess and prioritize risks

Upon completion of the identification and documentation of Internal Audit Universe, the Internal Audit Expert assesses and prioritizes the relevant risks in respect of the achievement of the Energy Community Secretariat's objectives. For the risk assessment, the Internal Audit Expert may collect and review information from various sources, such as management views, written procedural acts, audit reports from previous periods, financial statements, legal and other regulatory framework. Internal Audit Expert should give due consideration to risks, such as those related to ethics, fraud, information technology, third-party relationships, and noncompliance with regulatory requirements, that may be tied to more than one unit or process and may require more complex evaluation. Specific risk categories and additional assessment criteria, including the complexity and maturity of the IT infrastructure within the audit area, shall be determined.

d) Develop Internal Audit plan and Solicit Feedback

When developing the Internal Audit plan, the Internal Audit Expert should consider engagements required by laws or regulations; engagements critical to the Energy Community Secretariat's mission or strategy; areas and activities with significant levels of risk; advisory and ad hoc requests; the time and the financial, human and technological resources required for each potential engagement; each engagement's potential benefits to the Energy Community Secretariat, such as the engagement's potential to contribute to the improvement of the Energy Community Secretariat's governance, risk management, and control processes.

The proposed Internal Audit plan should include:

- The resources and hours available for engagements compared to other administrative and non-audit activities or initiatives focused on improving the Internal Audit function.
- The list of proposed engagements and related analysis, specifying the degree to which the engagements are assurance or advisory; focused on certain Units, or objectives of the Organization; predominately addressing financial, compliance, operational/performance, technology-related objectives.
- General purpose and preliminary scope of each proposed engagement.

Once the draft risk-based Internal Audit plan is developed, the Internal Audit Expert discusses the plan with the Director of the Energy Community Secretariat and incorporates relevant information to ensure that the plan appropriately reflects the Energy Community Secretariat's priorities.

e) Approval of Internal Audit plan and Revision

Upon completion of the above process, the Internal Audit Expert submits the Internal Audit plan to the Director for approval. The plan may be revised during the year in response to changes in the Energy Community Secretariat's external environment, objectives, risks, controls, and organizational culture. Additional examples of significant changes include cancelling or postponing engagements related to significant risks or critical strategic objectives. Any significant revision of the plan must be adequately documented, reviewed and approved by the Director of the Energy Community Secretariat.

INTERNAL AUDIT ENGAGEMENTS

1. Engagement planning

Engagement communication: The Internal Audit Expert prepares an Audit Planning Memo, defining the audit objectives, the audit scope and the estimated timeframe. The Audit Planning Memo is submitted to the Head of the Unit involved in the audited activity, with the Director of the Energy Community Secretariat in copy at least seven calendar days before the audit. Internal Audit Expert must communicate effectively throughout the engagement. Engagement communications shall include initial, ongoing, closing, and final communications with the Head of the activity under review. To ensure effective communication, a variety of methods should be used, such as formal, informal, written, and oral. Engagement communications may occur through scheduled meetings, presentations, emails and other documents, and informal discussions. The extent of ongoing communication depends upon the nature and length of the engagement and may include:

- a) Announcing the engagement.
- b) Discussing the engagement risk assessment, objectives, scope, and timing.
- c) Requesting the information and resources necessary to perform the engagement.
- d) Setting expectations for additional engagement communications.
- e) Providing updates about the engagement progress, including governance, risk management, or control issues that require immediate attention and changes to the scope, objectives, timing, or length of the engagement.
- f) The engagement results, including findings, recommendations, and/or management's action plans to address the findings.
- g) The timing of and owner responsible for implementing recommendations and/or action plans.



Engagement risk assessment: Internal Audit Expert must develop an understanding of the activity under review to assess the relevant risks. For advisory services, a formal, documented risk assessment may not be necessary, depending on the agreement with relevant stakeholders. To develop an adequate understanding, Internal Audit Expert must identify and gather reliable, relevant, and sufficient information regarding the Energy Community Secretariat's strategies, objectives, and risks relevant to the activity under review; the governance, risk management, and control processes of the activity under review; applicable frameworks, guidance, and other criteria that can be used to evaluate the effectiveness of those processes.

Internal Audit Expert must review the gathered information to understand how processes are intended to operate and shall identify the risks to review by:

- Identifying the potentially significant risks to the objectives of the activity under review.
- Considering specific risks related to fraud.
- Evaluating the significance of the risks and prioritizing them for review.

Internal Audit Expert must identify the criteria that management uses to measure whether the activity is achieving its objectives.

Engagement objectives and scope: Internal Audit Expert must establish and document the objectives and scope for each engagement. The engagement objectives must articulate the purpose of the engagement and describe the specific goals to be achieved, including those mandated by laws and/or regulations. The scope must establish the engagement's focus and boundaries by specifying the activities, locations, processes, systems, components, time period to be covered in the engagement, and other elements to be reviewed, and be sufficient to achieve the engagement objectives. Internal Audit Expert shall identify the most relevant criteria to be used to evaluate the aspects of the activity under review defined in the engagement objectives and scope. Internal Audit Expert has the flexibility to make changes to the engagement objectives and scope when audit work identifies the need to do so as the engagement progresses.

Engagement Work Program: Internal Audit Expert must develop and document an engagement work program to achieve the engagement objectives. The engagement work program must be based on the information obtained during engagement planning, including, when applicable, the results of the engagement risk assessment.

The engagement work program must identify:

- Criteria to be used to evaluate each objective.
- Tasks to achieve the engagement objectives.
- Methodologies, including the analytical procedures to be used, and tools to perform the tasks.



- Internal auditors assigned to perform each task.

The engagement work program builds on the information gathered and developed during engagement planning and details the tasks and methodologies that will be used to achieve the engagement objectives and analyse and evaluate information as Internal Audit Expert develops engagement findings, recommendations, and conclusions. When sampling is used, the engagement work program should include the sampling methodology, population, sample size, and whether the results can be projected to the population.

Agile methodology: Internal Audit Expert may utilize agile auditing techniques to enhance responsiveness, stakeholder collaboration, and timely delivery of insights. The decision to apply agile techniques is based on engagement complexity, risk volatility, stakeholder needs, and resource considerations. Under an agile approach, audit work may be conducted in short, iterative cycles, with prioritized audit objectives aligned to the Energy Community Secretariat's key risks.

2. Conducting Engagement Work

Gathering Information for Analyses and Evaluation: Internal Audit Expert must gather information that is relevant, reliable and sufficient to provide a reasonable basis upon which to formulate potential engagement findings and conclusions. Procedures to gather information for analyses may include:

- Interviewing or surveying individuals involved in the activity under review.
- Directly observing a process, also known as performing a walk-through.
- Directly accessing Energy Community Secretariat's systems to observe or extract data.
- Working with system users and administrators to obtain data.

Analyses and Potential Engagement Findings: The engagement work program may include a list of specific analyses to be conducted, such as:

- Tests of the accuracy or effectiveness of a process or activity.
- Ratio, trend, and regression analyses.
- Comparisons between current period information and budgets, forecasts, or similar information from prior periods.
- Analyses of relationships among sets of information (for example, financial information, such as recorded payroll expenses, and nonfinancial information, such as changes in the average number of employees).



- Internal benchmarking, comparing information between different areas within the Energy Community Secretariat.
- External benchmarking, comparing information from similar organizations.

The following analysis techniques may be used:

- *Inspection*: reviewing or examining records, processes or properties and comparing with what is expected (this can be defined in the policies, procedures, laws, regulations or standards).
- *Re-performance*: re-performing the steps/tasks undertaken by the process owner and assessing if the output obtained by the Internal Audit Expert is similar to that of the process owner.
- *Vouching*: testing the validity of a transaction or recorded information by following it backwards to a tangible source.
- *Tracing*: testing the completeness of information by tracking information forward from a tangible source to a subsequent prepared document/report.
- *Computation*: checking the arithmetic accuracy of accounting records or performing independent calculations.
- *Confirmation*: soliciting and obtaining written verification of the information from an independent third party e.g., circularization to debtors and suppliers to confirm accounts receivable and payable balances respectively.
- *Analytical reviews*: comparing actual performance against expectations. Analytical reviews may include ratio, trend, and regression analysis; reasonableness testing; period-to-period comparisons; forecasting; benchmarking against comparable units. The nature, timing, and extent of analytical reviews performed depend on the availability, reliability, and relevance of the data.
- *Data analytics*: using automated techniques and tools to analyse entire populations or large data sets to identify patterns, anomalies, trends, and relationships, and to support the development of audit conclusions.

Evaluation of Findings: Internal Audit Expert must evaluate each potential engagement finding to determine its significance. When evaluating potential engagement findings, Internal Audit Expert must collaborate with management of the activity under review to identify the root causes, when possible; determine the potential effects; and evaluate the significance of the issue. Findings should be written succinctly, in plain language, and document various elements such as the criteria, condition, root cause (when possible), effect, significance and prioritization.



The following criteria are used to rate each finding:

- *High*: An issue relating to the design and/or operating effectiveness of the internal controls that is most likely to have a significant impact upon the achievement of the objectives of the system, function, process under review and/or the reliability and integrity of financial reporting that requires the immediate management's corrective action.
- *Medium*: An issue relating to the design and/or operating effectiveness of the internal controls that is likely to have a moderate impact upon the achievement of the objectives of the system, function, process under review and/or the reliability and integrity of financial reporting that requires short to medium-term management's corrective action.
- *Low*: An issue relating to the design and/or operating effectiveness of the internal controls of low importance as it does not impact the achievement of the objectives of the system, function, process under review and/or the reliability and integrity of financial reporting; nevertheless, an appropriate corrective plan will have to be agreed in line with resource availability.

Engagement Conclusions, Recommendations and Action Plans: Internal Audit Expert should promptly discuss the findings and potential recommendations or action plans with the management authorized to make and oversee changes to the activity under review and evaluate the feasibility and reasonableness of the recommendations and/or action plans. The implementation dates of the action plans should be also discussed and agreed.

Internal Audit Expert must develop an engagement conclusion that summarizes the engagement results relative to the engagement objectives. The engagement conclusion must summarize the Internal Audit Expert's professional judgment about the overall significance of the aggregated engagement findings and the effectiveness of the governance, risk management, and/or control processes of the activity under review, including an acknowledgment of when processes are effective.

The following scale is used for the engagement conclusion:

- *Satisfactory*: Controls evaluated are adequate, appropriate, and effective in providing reasonable assurance that risks are being managed, and objectives are expected to be met. The impact on objectives, reporting, compliance, or operations is negligible.
- *Partially Satisfactory*: A few specific control weaknesses were noted; however, they are unlikely to result in material misstatement, operational failure, or regulatory breach. Controls evaluated remain generally adequate, appropriate, and effective in providing reasonable assurance that risks are being managed, and objectives are expected to be met. The impact on objectives, reporting, compliance, or operations is limited
- *Needs Improvement*: Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives will be



met. The impact on objectives, reporting, compliance, or operations is moderate, and there is potential for meaningful operational disruption, financial error, or compliance exposure.

- *Unsatisfactory*: Controls evaluated are not adequate, appropriate, or effective in providing reasonable assurance that risks are being managed and objectives will be met. The impact on objectives, reporting, compliance, or operations is substantial, with a high likelihood of material misstatement, regulatory violation, fraud, or failure to meet strategic or operational objectives.

Engagement Documentation: Internal Audit Expert must document information and evidence to support the engagement results. The analyses, evaluations, and supporting information relevant to an engagement must be documented such that an informed, prudent internal auditor, or similarly informed and competent person, could repeat the work and derive the same engagement results. Engagement documentation should include the date or period of the engagement; engagement's risk assessment; engagement's objectives and scope; work program and workpapers; description of analyses, including details of procedures and source(s) of data; engagement results; evidence of communication to appropriate parties. Documentation remains property of the Energy Community Secretariat and any external access requires written approval by its Director.

3. Communicating Engagement Results and Monitoring Action Plans

Internal Audit Expert is responsible for issuing a final communication after completing the engagement and communicating the engagement results to the Director of the Energy Community Secretariat. The final communication shall be accurate, objective, clear, concise, constructive and providing relevant, reliable, sufficient and timely information to its recipients.

The final communication must include the engagement's objectives; scope; findings and their significance and prioritization; explanation of scope limitations, if any; recommendations and/or action plans if applicable; and a conclusion regarding the effectiveness of the governance, risk management, and control processes of the activity reviewed.

Internal Audit Expert continues to communicate with the management of the activity under review to confirm that action plans are implemented according to the established timelines. Periodically, Internal Audit Expert must perform follow-up assessments to confirm that management's action plans have effectively addressed findings. Follow-up assessments may be performed for completed action plans selectively, depending on the risk's significance.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

A Quality Assurance and Improvement Program is established by the Internal Audit Expert to evaluate and ensure the Internal Audit function conforms with the Global Internal Audit



Standards, achieves performance objectives, contributes to the improvement of governance, risk management, and control processes, and pursues continuous improvement. The Quality Assurance and Improvement Program includes internal quality assessments and external quality assessments.

Internal Quality Assessments: Entail ongoing monitoring of the Internal Audit function's conformance with the Standards and progress toward performance objectives. Periodic self-assessments are conducted to address conformance with every Standard; adequacy of the Internal Audit function's methodologies; quality of Internal Audit services performed; and compliance with the relevant laws, regulations, guidelines, policies and charter.

External Quality Assessments: Must be performed at least once every five years by a qualified, independent assessor or assessment team or through a self-assessment with independent validation.

TRANSITIONAL AND FINAL PROVISIONS

1. Approval and amendments

This manual shall be reviewed periodically by the Internal Audit Expert and updated as necessary.

2. Effective date

This manual is effective from the date of approval by the Director Energy Community Secretariat.

Approved by Director:

Artur Lorkowski

Date: 19/03/2026

List of Annexes:

- Annex I. Internal audit manual (attached in this document)
- Annex II. Internal Audit Strategy
- Annex III. Risk Assessment Template
- Annex IV. Ethics and Professionalism Acknowledgement
- Annex V. Instructions on sampling and materiality
- Annex VI. Follow Up Template

