REPORT
OF THE BUDGET COMMITTEE
ON THE ENERGY COMMUNITY AUDIT 2008

I. BACKGROUND

This report has been prepared by the Budget Committee, established under Article 22.1 of the Energy Community Procedures for the Establishment and Implementation of Budget, Auditing and Inspection¹ (called further “The Budgetary Procedures”) as to provide information to the Ministerial Council on the execution of the Energy Community Audit for 2008.

This report is due in accordance with Article 81.5 of the Budgetary Procedures.

The year-end accounts of the Energy Community have been audited by the external audit company, task which was performed by “Ernst & Young”. The Audit was assigned to the company “Ernst & Young” (the "Auditor") after a Public Procurement Procedure, following the requirements of the Austrian legislation.

The Auditor conducted the audit in February 2009 in accordance with the approved by the Budget Committee terms of reference on 24 September 2008. During the audit process, accounting records and procedures have been inspected for the purposes of verifying the accuracy and completeness of the records as required under the relevant Articles of the Procedures for the Establishment and Implementation of Budget, Auditing and Inspection (see Art. 81).

The major outcome of the Audit and the conclusions of the auditors are specified in the Audit Report. This report has been presented to the Ministerial Council of the Energy Community at its meeting on 26 June 2009². Further, some operational recommendations of the Auditors are specified in the so called Management Letter, which the Budget Committee also reviewed and respective actions within its competence have been already undertaken.

II. KEY FINDINGS OF THE AUDITOR

The key findings of the Auditor can be summarized as follows:

1. The Audit “did not give rise to any objections”³.

2. It is the auditors’ opinion that “the financial statements present fairly in all material respects, the financial position of the entity as of December 31, 2008, and of its financial performance and of

¹ As established by the Ministerial Council of the Energy Community with Procedural Act 2006/03 of 17.11.2006.
² See Annex 3 of the materials to the Agenda.
³ The citations are from the Auditor’s Report 2008.
its cash flows for the financial year from January 1, 2008 till December 31, 2008, in accordance with International Public Sector Accounting Standards (IPSAS).”

3. The internal control system of the Energy Community Secretariat seems to be adequate to the size and importance of the entity. There seem to be adequate internal management rules and procedures to ensure effectiveness of internal controls;

4. Auditors stated that the rules and regulations set by the Ministerial Council and by the Director have been observed in principle throughout the financial year of budget implementation;

5. During the audit period no facts has come to the attention of external audit company which caused material doubt on the fair presentation of financial statements or adequate use of financial means.

The Audit Company provided the Director with few recommendations for further improved implementation of the budget related procedures, which shall be followed up together with the Budget Committee within the year 2009.

III. ASSESSMENT OF THE AUDITORS’ FINDINGS AND NEXT STEPS

1. The Budget Committee at its first meeting for 2009 (17 March 2009) analyzed the Audit Report 2008 and noted its positive outcome.

2. For 2008, the Budget Committee notes no disagreements with the Director in the process of the financial management of the operations of the Energy Community.

3. On this ground and in accordance with Art. 83 of the Budgetary Procedures, the Budget Committee recommends to the Ministerial Council discharge of the Director of the Secretariat for his management and administrative responsibility in respect of the budget for the financial year 2008.

4. The Budget Committee shall continue to closely work with the Energy Community Secretariat as to perform effectively its supervisory and advisory functions in the process of financial management of the operations of the Energy Community.