

Director's Report on the Execution of the Budget for the Year 2022

The present annual report of the Director to the Ministerial Council (as required under Art 75 of the Treaty¹) gives an overview of Energy Community spending in 2022.

The Energy Community achieved its mission and fulfilled the adopted Work Programme supported by the contributions made by the Parties to the Energy Community Treaty, i.e. the European Union (94.78%) and the Contracting Parties (5.22%) as a part of the ordinary budget approved by the Ministerial Council. The level of 2022 ordinary budget utilization reached 99,55%.

The Energy Community Secretariat is thankful to its additional donors – the Republic of Austria, the Republic of Poland, the Visegrad Fund, the European Commission, the European Climate Foundation, the UN for their extraordinary contribution.

The newly established Ukrainian Energy Support Fund in response to the Russian invasion to Ukraine was supported by donors from Denmark, Hungary, the UK and Germany with unprecedented for the organization level of funding amounted over EUR 135 million in 2022 and is greatly appreciated.

Artur Lorkowski

Director
Energy Community Secretariat

¹ Article 75 of the Treaty establishing the Energy Community ("the Treaty") and Art 38 of the Procedures for the Establishment and Implementation of Budget, Auditing and Inspection ("Budgetary Procedures") stipulate that the Director reports annually on the execution of the budget and activities of the Community to the Ministerial Council.

The presentation follows the applicable Standard 24 of the International Public Sector Accounting Standard (IPSAS) "Presentation of Budget Information in Financial Statements". In accordance with the standard, 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.

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Annual Activities of the Energy Community 2022: focusing on the role of Secretariat

1.1 Clean energy for all Europeans

The Secretariat continued to support the Contracting Parties in the development of National Energy and Climate Plans. Albania and North Macedonia were the first Contracting Parties to adopt this critical guiding instrument for their energy transition paths. In 2022, the focus turned to transposition and implementation of the Clean Energy Package supported by the Energy Community Secretariat.

At the Informal Energy Community Ministerial Council on 8 July 2022, Ministers concluded negotiations on the level of 2030 targets for energy efficiency, renewables and greenhouse gas emission. The targets were formally adopted at the Energy Community Ministerial Council in December 2022.

1.2 Winter preparedness in times of war

The Energy Community and its Secretariat immediately set to work to provide practical solutions to help Ukraine and to mitigate the impacts of a potential gas supply disruption by the Russian Federation. The Secretariat initiated emergency security of supply coordination group meetings for electricity and gas to prepare for a possible gas supply disruption by Russia and outlined technical and regulatory measures to support the diversification of gas supplies to the Contracting Parties. It outlined concrete measures to use existing gas infrastructure more efficiently and take advantage of new supply routes in a report published under the "SEEGAS Initiative".

Less than four months after its adoption in the EU, the Ministerial Council of the Energy Community adopted by written procedure the Gas Storage Regulation to strengthen security of gas supply. The Contracting Parties are also taking part in the EU's joint gas purchasing initiative.

1.3 Tackling rising energy prices

The Energy and Climate Committee in April 2022 kicked off the discussion on measures to address high energy prices, which continued at the July Informal Energy Community Ministerial Council. Contracting Party Ministers and Director Lorkowski discussed the response to high energy prices with EU Energy Ministers at the informal ministerial council meeting in October 2022 in Prague. The importance of the Energy Community as a framework for tackling joint energy challenges and coordinating actions to ensure the stability of the European energy system was underlined.

Against this backdrop, the EU announced the Energy Rescue Scheme for the Western Balkans, which encompasses immediate measures in the form of budget support to cushion energy price increases as well as support to boost investment in energy connections, energy efficiency and renewable energy and other measures. Priorities under the Energy Community framework are aligned with EU support.

The Secretariat and the Energy Community Regulatory Board are monitoring the impact of the price surge and compliance of the measures taken in response in line with their respective competences.

1.4 Advancing the just energy transition

The Secretariat assisted 12 municipalities in the Western Balkans that are part of the Energy Community Clean Air Regions Initiative (CARI) in drafting and implementation of local air quality action plans.

Against the backdrop of rapidly rising energy prices, inflation and need to tackle energy poverty, Director of the Secretariat established a new Centre for Alleviating Energy Poverty. The Centre collects data and information on the causes and impact of energy poverty in the Contracting Parties and promotes the development of appropriate policies and measures for reducing energy poverty.

Under the Gender Equality Initiative, the Secretariat continued to develop evidence-based responses, policies and legislation and raise awareness of the importance of collecting gender-disaggregated data in the energy sector. To facilitate gender-disaggregated data collection, the Secretariat published policy guidelines explaining why data are essential to evaluate and track the pivotal role of women, also as prosumers. Director Lorkowski joined the International Gender Champions (IGC) leadership network in March 2022.

Apart from hands-on practical support, the Secretariat organized the Energy Community Just Transition Forum in cooperation with the Balkan Green Foundation, CEE Bankwatch Network and Climate Action Network (CAN) Europe. Hosted by the Bosnian public electric utility company Elektroprivreda BiH, the Forum gathered governmental representatives, high-level officials as well as representatives of civil society, academia, trade unions and youth.

1.5 Energy Community Secretariat Ukraine support activities

In the immediate aftermath of Russia's invasion of Ukraine, the Energy Community Secretariat came to Ukraine's aid by establishing the Ukraine Support Task Force and the Ukraine Energy Support Fund.

The Task Force supports Ukraine by coordinating the donation process and the door-to-door delivery of specialized energy equipment, fuel and materials needed to repair the infrastructure damaged during the war and financed under the EU4Energy project. It cooperates closely with the European Commission and particularly the Emergency Response Coordination Centre of DG for European Civil Protection and Humanitarian Aid Operations.

Upon request of the European Commission and in agreement with the Ministry of Energy of Ukraine, the Secretariat set up the legal framework for the Ukraine Energy Support Fund to counteract the impact of the Russian invasion. The Fund enables governments and international financial institutions to provide emergency financial support to the Ukrainian energy sector. The Secretariat acts as fiduciary of the Fund as well as an intermediary between the donors and the Ukrainian authorities. By end of 2022, the Fund had accumulated funds worth more than EUR 135 million – Germany acting as the prime contributor. Through extra contribution by EU4Energy II+ Action Grant signed in December 2022 and funded by the European Commission, necessary financial support was provided enabling the operations of the Ukraine Support Task Force and the Ukraine Energy Support Fund.

1.6 Driving renewables uptake in the Energy Community

Under the regional project launched by the Secretariat in January 2022, electronic registries for guarantees of origin were created for Albania, two entities in Bosnia and Herzegovina, Georgia, Kosovo*, North Macedonia, Moldova, Montenegro and Ukraine. The nine registries are ready to go-live following the signing of direct agreements between the Contracting Parties’ issuing bodies and the service provider Grexel. In December 2022, Georgia became the first to start using electronic registry for guarantees of origin.

1.7 EU4Energy Governance (Phase II) “Promoting the clean energy transition”

Throughout the action (2020 - 2024), the Secretariat works with stakeholders in Georgia, Moldova and Ukraine in order to assist them with the drafting, transposition and implementation of energy reforms, including the Clean Energy for all Europeans Package. The targeted sectors are electricity, gas (including hydrogen), energy efficiency and renewable energy.

In April 2022, the Energy Community reinforced its engagement in Moldova by opening an office in Chisinau, financed under the EU4Energy project. The project now has regional offices in all three Eastern partner countries.

1.8 Other Activities

The Secretariat continued performing three basic activities (A) in line with Art 67 of the Energy Community Treaty:

- (a) providing administrative support to institutions and bodies
- (b) reviewing and assisting in the implementation of acquis in the Contracting Parties
- (c) assisting in the coordination of the donors’ activities in the territories of the Contracting Parties.

Recognizing that its supporting role does not come without environmental impact, the Secretariat continues the work in the area of Eco-Management and Audit Scheme (EMAS) and will be seeking for the current recertification in 2023.

The Secretariat continued to increase the presence of the Energy Community in social media (i.e. Twitter, Facebook, LinkedIn) and served as the focal point for journalists seeking detailed information on the process and energy sector developments in the Parties. Communications and outreach actions are summarised here:

200,197 Unique website visitors	134 News items	559,869 Page views
10 Publications	3 Studies	9.484 LinkedIn followers

Source: AIR2022 (status November 1, 2022)

2 2022 Energy Community ordinary and extraordinary budgets

With all these and other efforts, the Secretariat is committed to ensure that the Energy Community budget achieves the best outcomes for contributing to the attainment of the Energy Community's priorities and activities defined in the work programme. Its continuous efforts ensure the implementation of the budget in accordance with the principle of sound financial management.

Budget implementation in 2022 was smooth, effective, efficient, and timely. The level of implementation of the ordinary **budget** reached **99.55%** after writing-off the unpaid Ukraine contribution. The total repayment amount of unused budget appropriations and other income amounts to **EUR 28,426.12**

The overall results of the audited year-end accounts resulted in an **unqualified auditors' opinion** provided by PwC in August 2023.

2.1 Annual Revenue

In 2022, the Energy Community revenues and other available sources amounted to EUR 142,621,399.73 and were derived from the Parties' contributions **EUR 4,958,852** (ordinary budget), extraordinary budget contribution **EUR 1,872,601.28**, other revenue **EUR 1,259.72**, and **EUR 135,788,686.73** received as Fiduciary.

2.1.1 Parties' contributions to the ordinary budget

The core operational financing of the Energy Community comes from the Parties' contributions to be paid annually by March 31, 2022. The contribution and not used budget (with adjustments for 2021) is presented in Table 1 with total repayment of EUR 28,426.12.

Note: that the contribution of Ukraine was not paid fully (partial solidarity payments were received from Georgia in amount of EUR 2,000, and Montenegro in amount of EUR 2,500), and was written off as per the 20th Ministerial Council decision dated December 15, 2022 by distribution proportionally to the different expenses categories of the ordinary budget.

Parties	Contribution in EUR	Contribution in %	Unused Appropriations 2022	Unused Legal Commitments 2021	Total repayment amount
			(1)	(2)	(3) = (1) + (2)
European Union	4,700,000.00	94.78%	20,948.37	5,993.91	26,942.27
Republic of Albania	4,463.00	0.09%	19.89	5.69	25.58
Bosnia and Herzegovina	9,918.00	0.20%	44.21	12.65	56.85
Georgia	5,455.00	0.11%	24.31	6.96	31.27
Kosovo*	3,471.00	0.07%	15.47	4.43	19.90
North Macedonia	4,959.00	0.10%	22.10	6.32	28.43
Moldova	4,959.00	0.10%	22.10	6.32	28.42
Montenegro	2,479.00	0.05%	11.05	3.16	14.21
Serbia	27,770.00	0.56%	123.77	35.42	159.20
Ukraine	195,379.00	3.94%	870.82	249.17	1,119.99
TOTAL	4,958,853.00	100.00%	22,102.10	6,324.02	28,426.12

Table 1: Contributions and repayments of unused budget appropriations and other income for 2022

2.1.2 Other contributions

Other available sources represent additional funds (extraordinary) available to the Energy Community and summarized in Table 2.

Other sources of revenue	Contribution in EUR
Republic of Austria	170,000.00
Republic of Poland	12,776.24
Vyshegrad Fund	23,240.00
Grant EU4Energy II	631,307.84
Grant EU4Energy II Plus	883,961.00
Grant European Climate Foundation	54,000.00
Grant EU4Climate	97,316.20
Total	1,872,601.28

Table 2: Contributions provided by other donors

2.1.3 The Ukrainian Energy Support Fund (UESF)

The UESF was established in March 2022 to support the Ministry of Energy of Ukraine to maintain the energy infrastructure and sector suffering from the attacks of the Russian Federation since the 24th of February 2022.

The Fund is based on a Fiduciary Agreement between Sponsors, **the Energy Community Secretariat (as Fiduciary)**, and the Ministry of Energy of Ukraine. A separate special bank account was established in Austria to receive donations and pay the invoices received and verified by the Ministry of Energy.

The total amount of funds received in 2022 to this account is **EUR 135,788,686.73**

3 Expenditures

The total level of expenditures reached the amount of EUR 5.791.643,13, including actual expenses of the Ukrainian Energy Support Fund in amount of EUR 25,292). The summary of budget expenditures from ordinary, extraordinary budget and Fiduciary is presented in Table 3.

(in EUR)	Ordinary Budget			Extraordinary Budget and Fudiciary							Total
	Final Budget 2022	Actual amounts 2022 on a comparable basis incl. Legal Commitments	Actual amounts on a comparable basis incl. Legal Commitments [in %]	Actual expenses Donation Austria	Actual expenses Donation Poland	Actual expenses Visegrad Fund	Actual expenses EU4Energy II	Actual expenses European Climate Foundation	Actual expenses Ukraine Energy Support Fund	Actual expenses EU for Climate	Ordinary and extraordinary expenses
1. HUMAN RESOURCES											
Subtotal Human Resources	2.849.868,00	2.838.620,17	99,61%				309.515,13				3.148.135,30
2. TRAVEL EXPENSES											
Daily Subsistence Allowance (DSA)	78.100,00	78.003,95	99,88%								78.003,95
Travel Expenses (flights and incidentals)	141.159,72	140.967,51	99,86%			12.236,72	7.967,50				161.171,73
Subtotal Travel Expenses	219.259,72	218.971,46	99,87%			12.236,72	7.967,50				239.175,68
3. OFFICE EXPENSES											
Office rent	195.800,00	193.203,43	98,67%	170.000,00			24.899,97				388.103,40
Office equipment	19.000,00	13.595,00	71,55%								13.595,00
Consumables	140.000,00	138.550,81	98,96%				7.214,19				145.765,00
Other Services	74.200,00	74.105,37	99,87%								74.105,37
Subtotal Office Expenses	429.000,00	419.454,61	97,77%	170.000,00			32.114,16				621.568,77
4. OTHER COSTS AND SERVICES											
Advertising, communication and representation	56.800,00	56.768,72	99,94%								56.768,72
Studies, research and consulting	587.984,00	587.894,05	99,98%		10.900,00		123.726,62	85.824,20	25.592,00	60.000,00	893.936,87
Costs of outsourced services (IT, payroll, etc.)	256.300,00	256.212,59	99,97%								256.212,59
Costs of Audit, Legal and Financial Advice	75.500,00	75.428,09	99,90%								75.428,09
Financial services	28.300,00	27.763,07	98,10%								27.763,07
Conference costs	208.100,00	208.072,32	99,99%			12.398,08	692,71				221.163,11
Refunding	181.500,00	181.421,34	99,96%			2.665,20					184.086,54
Training	67.500,00	67.404,39	99,86%								67.404,39
Subtotal Other Costs and Services	1.461.984,00	1.460.964,57	99,93%		10.900,00	15.063,28	124.419,33	85.824,20	25.592,00	60.000,00	1.782.763,38
TOTAL EXPENSES - ORDINARY BUDGET	4.960.111,72	4.938.010,81	99,55%	170.000,00	10.900,00	27.300,00	474.016,12	85.824,20	25.592,00	60.000,00	5.791.643,13

Table 3: Summary of budget expenditures from ordinary and extraordinary budget

3.1 Human Resources from an ordinary budget

The budget line Human Resources covers expenses for salaries of the Secretariat's staff which represent all-inclusive employee remuneration and expenses for accident insurance for staff. On 31 December 2022, Energy Community employed 43 staff (includes permanent and temporary staff i.e. internship and secondment).

The level of utilization amounted to EUR 2,838,620.17 or 99.61%.

3.2 Travel Expenses from an ordinary budget

This budget line covers travel expenses of the Energy Community staff related to technical assistance to the Contracting Parties and participation at meetings and conferences organized at different locations outside the Secretariat's headquarters related to the implementation of the Treaty and includes direct travel expenses (flights, train and incidentals), as well as daily DSA.

The level of utilization amounted to EUR 218,971.46 or 99.87%.

3.3 Office expenses from an ordinary budget

This budget line covers expenses for acquisitions of non-current assets, office furniture, computer equipment and software, as well as expenses for telephone, cleaning, maintenance and repair, and rental expenses.

The level of utilization amounted to EUR 419,454.61 or 97.77%.

3.4 Other costs and services from an ordinary budget

3.4.1 Advertising, communication and representation

Advertising, communication and representation expenses relate to Energy Community publications aimed at distribution to the interested public in order to promote operations and the Institutions of the Energy Community throughout the region of its scope of activities. Similarly, all material related to public relations together with representation is covered by this budget line.

The level of utilization amounted to EUR 56,768.72 or 99.94%.

3.4.2 Studies, research and consulting

In general, this budget sub-line allocates funds for activities related to consulting by third parties in the areas of work of the Energy Community. In 2022 the Energy Community initiated several contracts related to studies and research and some will continue in 2023.

The level of utilization amounted to EUR 587,894.05 or 99.98%.

3.4.3 Cost of outsourced services (IT, payroll, etc.)

Outsourced services relate to consulting and maintenance work provided by external IT companies (web server, HQ network, end-user equipment and software). Also included in this position are the costs for leased office equipment, as well as fees for web-based travel administration software and a yearly service fee for the accounting software.

The level of utilization amounted to EUR 256,212.59 or 99.97%.

3.4.4 Cost of audit, legal and financial advice

Expenses under this budget sub-line relate mainly to the costs of the annual audit as well as financial and legal advice, when required.

The level of utilization amounted to EUR 75,428.09 or 99.90%.

3.4.5 Financial services

This budget forecasts expenditures for bank fees in relation to a bank account held by the Energy Community. In the course of its regular business, the Energy Community reimburses travel costs to participants at conferences and meetings coming mostly from non-EU countries where no-cost SEPA transactions are not applicable.

The level of utilization amounted to EUR 27,763.07 or 98.10%.

3.4.6 Conference costs

Conference costs relate to expenses incurred for conference and meeting facilities, rental and support of required technical equipment and catering. The net spent amount is nearly doubled compared with COVID-19 time.

The level of utilization amounted to EUR 208,072.32 or 99.99%.

3.4.7 Refunding

Refunding represents the reimbursement of travel expenses to the eligible participants at the meetings organized by the Institutions of the Energy Community. The budget of this position was significantly reduced within the financial year from the original level of EUR 284,000 to EUR 181,500.

Majority of the conferences and meetings took place in hybrid format moving to cyberspace and reducing in-person attendance.

The level of utilization amounted to EUR 181,421.34 or 99.96%.

3.4.8 Training

In general, this budget sub-line allocates different pieces of training for employees of the Energy Community. In 2022 some of those training was not completed, but funds are obligated as they continue in 2023.

The level of utilization amounted to EUR 67,404.39 or 99.86%.

4 Budget management

Since 2007, the EU and the Contracting Parties to the Treaty establishing the Energy Community have committed to biannual budgets that provide a solid basis for the implementation of the objectives of the Treaty and the functioning of the institutions.

The Director of the Secretariat is entrusted with the implementation of the budget in accordance with the principles of Energy Community financial regulation, primarily Procedures for the Establishment and Implementation of Budget, Auditing and Inspection and Budget Committee Internal Rules of Procedure ("Budgetary Procedures").

The budget for 2022 is part of the biennium 2022-2023 approved by the Ministerial Council in 2021.

The biannual financial framework lays down the maximum amounts (ceilings) that the Energy Community may spend in 4 (four) different categories of expenditure (budget lines) each year.

The structure of the budget is defined in Title V of the *Budgetary Procedures*.

The funds are allocated between four major categories of expenditures of the Energy Community, "*budget lines*", composed of "*budget positions*". The headings (budget lines) correspond, therefore, to different types of expenditures, which are:

1. *Human resources* include the resources for the employment of the Energy Community personnel (temporary and permanent) at the seat of its Secretariat in Vienna
2. The *travel* budget line defines resources required for the travel activities of its personnel;
3. *Office expenditures* include any resources that are necessary for the functioning of the Secretariat as a seat of the Energy Community
4. *Other costs and services* include resources required for the continuous functioning of the Secretariat (i.e. outsourced services for IT and accounting) and for technical assistance provided to the Contracting Parties as well as management and refunding of events.

The operational expenditures necessary for the functioning of its institutions are laid down in different parts of the budget. For the year 2022, the biannual ordinary budget sets a maximum of EUR 4,958,852 for commitment appropriations.

4.1 Budget implementation

During the year, the budget of the Energy Community may be modified as is often required by the changing conditions during the year of implementation. This is usually done either through transfers or sometimes through amending the budget.

The final budget for a given year is considered as a final one once the financial year has ended and all changes have been approved, either by the Director or by the Budget Committee in line with their respective competencies (Art 18 of the Budgetary Procedures).

The following flexibility instruments may result in changes in the annual budget of the financial year:

4.1.1 Carryover of unused legal commitments

Unused commitments are budget contributions that have not been used (paid or invoiced) at the balance sheet date but for which commitments (e.g. by the commissioning of studies) have been entered into in the current year or in prior years. The carryover of legal commitments is presented in Table 4.

Title	2022 in EUR
Studies, research and consulting	201.380,00
Training	14.979,00
Total ORDINARY BUDGET	493.494,00
Total EXTRAORDINARY BUDGET	-
Total ORDINARY & EXTRAORDINARY BUDGET	493.494,00

Table 4. Legal Commitments carried forward from 2022 to 2023.

4.1.2 Transfers of budget appropriations

Transfers between budget lines are by definition neutral in their effect on the overall budget. They are decided by the Director with information provided to the Budget Committee.

In 2022, EUR 54,000 were transferred from the budget line "Travel Expenses", EUR 46,000 were transferred from the budget line "Office Expenses" to the budget line "Other costs and services" primary to support extra studies, research and consultancies, cope with increased conference cost after COVID-19, and reduction of refunding to the event participants due to their participation online instead in-person attendance. Overall, EUR 100,000 or 2,02% of the initial budget approved resources were reallocated, see details in Table 5.

(in EUR)	Original Budget 2022	Changes due to other Sources of Revenue	Budget Transfers 2022	Final Budget 2022
ORDINARY BUDGET				
1. HUMAN RESOURCES				
Subtotal Human Resources	2.849.868,00	0,00	0,00	2.849.868,00
2. TRAVEL EXPENSES				
Daily Subsistence Allowance (DSA)	89.600,00	0,00	-11.500,00	78.100,00
Travel Expenses (flights and incidentals)	182.400,00	1.259,72	-42.500,00	141.159,72
Subtotal Travel Expenses	272.000,00	1.259,72	-54.000,00	219.259,72
3. OFFICE EXPENSES				
Office rent	200.000,00	0,00	-4.200,00	195.800,00
Office equipment	65.000,00	0,00	-46.000,00	19.000,00
Consumables	145.000,00	0,00	-5.000,00	140.000,00
Other Services	65.000,00	0,00	9.200,00	74.200,00
Subtotal Office Expenses	475.000,00	0,00	-46.000,00	429.000,00
4. OTHER COSTS AND SERVICES				
Advertising, communication and representation	50.000,00	0,00	6.800,00	56.800,00
Studies, research and consulting	503.984,00	0,00	84.000,00	587.984,00
Costs of outsourced services (IT, payroll, etc.)	190.000,00	0,00	66.300,00	256.300,00
Costs of Audit, Legal and Financial Advice	130.000,00	0,00	-54.500,00	75.500,00
Financial services	24.000,00	0,00	4.300,00	28.300,00
Conference costs	120.000,00	0,00	88.100,00	208.100,00
Refunding	284.000,00	0,00	-102.500,00	181.500,00
Training	60.000,00	0,00	7.500,00	67.500,00
Subtotal Other Costs and Services	1.361.984,00	0,00	100.000,00	1.461.984,00
Subtotal Operating Expenses	2.108.984,00	1.259,72	0,00	2.110.243,72
TOTAL EXPENSES - ORDINARY BUDGET	4.958.852,00	1.259,72	0,00	4.960.111,72

Table 5. Comparison of original budget with budget transfers and other revenues

4.1.3 Amendments to the budget

There were no amendments in 2022.

5 Accounting framework

The Energy Community accounts are prepared in accordance with the International Public Sector Accounting Standards (IPSAS), ensuring that the accounts provide relevant, reliable, comparable and understandable financial information to its stakeholders.

6 Annual accounts

The accounts provide information on the financial position (statement of financial position) and financial performance (statement of financial performance) with detailed explanations of the respective positions presented (notes to the financial statements). Further, a detailed report on the execution of the Energy Community budget, as required under IPSAS 24, is part of the annual accounts.

Annual accounts comprise two main elements:

- 1) Financial statements that show the Energy Community's assets and liabilities and the revenues and expenditure for that period
- 2) The budget implementation report shows the ordinary budget, derived from the contributions of the Parties, and the extraordinary budget, established through other sources of revenues received (direct grants, donations, other).

7 The budgetary discharge

Every year, the Ministerial Council, after taking account of the potential observations of the Budget Committee, examines the certified accounts and financial statements of the Energy Community and the report of the external auditors, with the view of granting the discharge of the Director from his/her management and administrative responsibility with respect to the budget for the year in question.

The integrated financial package being a basis for the discharge decision comprises the following documents:

- 1) The Director's Report on the budget utilization as required under Article 75 of the Treaty (the present Report);
- 2) Annual accounts produced in accordance with IPSAS;
- 3) Potential observations of the Budget Committee in relation to the audit as per Article 82 of the Budgetary Procedures.

8 Control of the Energy Community budget

The annual accounts are audited by the assigned external audit company, which gives its opinion in a public report (published on the website of the Energy Community) and directly to the Budget Committee of the Energy Community comprising representatives of the Parties to the Treaty.

In October 2023, the designated external audit company PwC finalized the audit of the financial statements of the Energy Community for the year ending 31 December 2022. The audit's 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 statement of the auditors for the relevant period ending 31 December 2022 is the following:

"In our opinion, the accompanying financial statements comply with legal requirements and give a true and fair view of the financial position of the Organization as at 31 December 2022,

of the financial performance and of its cash flow for the financial year then ended in accordance with International Public Sector Accounting Standards (IPSAS). The Statement of Comparison of Budget and Actual Amounts for the Year 2022 is prepared, in all material respects, also in accordance with IPSAS.¹²

As a final outcome, a statement of assurance has been issued by the audit company, which is the sound basis for the proposal for the decision on the discharge of the Directors from their management and administrative responsibilities for the financial year 2022.

² See Audit Report on the Financial Statements as at 31 December 2022.