

**ENERGY CHARTER  
SECRETARIAT**

---

CCDEC 2013

22 BUD

---

Brussels, 6 December 2013

Related documents: CC 477, CC478
-------------------------------------

**DECISION OF THE ENERGY CHARTER CONFERENCE**

**Subject:      Budgetary Issues**

The Energy Charter Conference at its 24<sup>th</sup> Meeting held on 5<sup>th</sup>/6<sup>th</sup> December 2013 **took note** of the Financial Statement and the Auditor's Report of 2012, as circulated in document CC 477 (attached hereto), and **agreed**, on the recommendation of the Budget Committee, to discharge the Secretary General from his management and administrative responsibility in respect to the 2012 Budget, in accordance with Article 32(4) of the Financial Rules.

On the invitation of the Conference Vice-Chairman, the Energy Charter Conference **approved** the draft Budget of the Energy Charter Secretariat for 2014, including the draft Establishment Table and the two multi-annual commitment authorities as contained in CC 478 (attached hereto):

- Prolongation of the multi-annual commitment authority of Euro 100.000 in respect of Budget item 3 'Professional and Special Services', to cover contracts running into the following year;
- Prolongation of the multi-annual commitment authority of Euro 50.000 in respect of Budget item 6 'Operating Expenditure', to obtain the most advantageous market conditions for certain long-term operating expenditures.

Keywords: Discharge, Secretary General, Management, Administrative, Responsibility, 2012, 2014, Budget, Financial Statement, Auditor, Budget Committee

# **ANNEX I: Financial Statements of 2012**



**ENERGY CHARTER SECRETARIAT**  

---

**СЕКРЕТАРИАТ ЭНЕРГЕТИЧЕСКОЙ ХАРТИИ**

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING**  
**31 December 2012**

## BALANCE SHEET AT 31 DECEMBER 2012

ASSETS	2012 EUR	2011 EUR	FUNDS AND LIABILITIES	2012 EUR	2011 EUR
<b>Accounts Receivable</b>			<b>Secretariat Funds</b>		
Contributions normal resources (Art 5 of F.R.)	740.814	480.799	General Reserve Fund	1.295.034	1.258.787
Contributions other resources (Art 6 of F.R.)	0	0			
			<b>Earmarked Funds</b>		
Advances paid	49.906		Working Capital Fund(s)	239.314	199.315
Other receivables	93	61.4170	Reserve Fund for Belgian Social Security	1.076.331	1.139.349
			<i>Total Funds</i>	<i>2.610.679</i>	<i>2.597.451</i>
Financial Assistance	1.451.672	1.542.637	<b>Creditors</b>		
			Creditors	17.485	35.847
<b>Cash at Bank and in Hand</b>	<b>4.386.598</b>	<b>4.197.267</b>	Other Financial Creditors	23.937	24.240
			Provision for Termination benefits	3.926.449	3.381.414
			Salaries, Allowances and Taxes	11.740	189.909
			Advances received	4.336	4.336
<b>Deferred Charges</b>	<b>527</b>	<b>62.631</b>	<b>Accrued Charges</b>	<b>53.898</b>	<b>116.149</b>
<b>Accrued Income</b>	<b>18.914</b>	<b>4.595</b>	<b>Deferred Income</b>		
<b>TOTAL</b>	<b>6.648.524</b>	<b>6.349.346</b>	<b>TOTAL</b>	<b>6.648.524</b>	<b>6.349.346</b>

The accompanying Notes form an integral part of the Financial Statements

**STATEMENT OF INCOME AND EXPENDITURE  
FOR THE YEAR ENDING 31 DECEMBER 2012**

**PART I**

	<b>2012</b>		<b>2011</b>	
	<b>Budget (EUR)</b>	<b>Actual (EUR)</b>	<b>Budget (EUR)</b>	<b>Actual (EUR)</b>
<b>INCOME</b>				
Contributions Normal Resources	4.497.040	4.497.040	4.497.040	4.497.040
<b>Total Income</b>	<b>4.497.040</b>	<b>4.497.040</b>	<b>4.497.040</b>	<b>4.497.040</b>
<b>EXPENDITURE</b>				
Salaries and Allowances				
<i>Gross</i>		4.506.932		4.497.779
<i>Internal Taxation</i>		-1.268.524		-1.251.503
<i>Transfer to BP II</i>		-21.850		-30.560
Salaries and Allowances (net)	3.308.520	3.216.558	3.308.520	3.215.716
Official Travel	177.550	172.176	187.550	176.765
Professional and Special Services	349.400	418.441	339.400	269.221
Meetings and Translation	82.060	74.315	82.060	53.096
Representational Expenditure	21.330	20.771	21.330	18.560
Operating Expenditure	485.250	455.665	485.250	483.544
General Administration	27.150	33.202	27.150	34.415
Capital Expenditure	9.590	63.956	9.590	13.575
Information Technology	18.680	3.860	18.680	8.084
Information	14.590	16.445	14.590	10.817
Miscellaneous and Contingency	2.920	0	2.920	0
<b>Total Expenditure</b>	<b>4.497.040</b>	<b>4.475.389</b>	<b>4.497.040</b>	<b>4.283.793</b>
<b>Transfer to GRF</b>		<b>21.651</b>		<b>213.247</b>

The accompanying Notes form an integral part of the Financial Statements.

**STATEMENT OF INCOME AND EXPENDITURE  
FOR THE YEAR ENDING 31 DECEMBER 2012**

**PART II**

<b>INCOME AND EXPENDITURE RELATED TO THE GENERAL RESERVE FUND</b>	<b>2012 EUR</b>	<b>2011 EUR</b>
<b>Financial Result</b>		
<i>Interest Income generated by the Termination Benefit Fund</i>	21.850	30.560
<i>Interest Income</i>	19.677	47.144
<i>Financial Costs</i>	-5.081	-2.160
<b>Net Financial Result</b>	<b>36.446</b>	<b>75.544</b>
<b>Other Expenditure</b>		
<i>Consultants</i>	0	0
<i>Part I (Salaries and Allowances) – Consolidated draw</i>	0	0
<i>Salaries and Allowances (use of interest of TBF, see Note 4)</i>	-21.850	-30.560
<b>Other Expenditure Budget Part II</b>	<b>-21.850</b>	<b>-30.560</b>
<b>SUBTOTAL (net transfer to General Reserve Fund)</b>	<b>14.596</b>	<b>44.984</b>

<b>INCOME AND EXPENDITURE RELATED TO VOLUNTARY CONTRIBUTIONS AND WORKING CAPITAL FUNDS</b>	<b>2012 EUR</b>	<b>2011 EUR</b>
<b>Income</b>		
<i>Royalties</i>	0	237
<i>VC Germany (2011) – Mena Project</i>		110.000
<i>VC Norway (2012) – Workshop in Dushanbe</i>	32.929	
<i>VC Netherlands I (2012)</i>	20.000	
<i>VC Netherlands I (2012)</i>	50.000	
<i>DACO Project</i>	43.667	
<b>Expenditure</b>		
<i>VC Norway (2010) – Workshop in Ulaanbaatar</i>	-3.282	
<i>VC Norway (2012) – Workshop in Dushanbe</i>	-16.031	
<i>VC Germany (2011) – Mena Project</i>	-60.000	
<i>DACO Project</i>	-27.284	
<b>SUBTOTAL (net transfer to Working Capital Fund)</b>	<b>39.999</b>	<b>110.237</b>

<b>TOTAL INCOME AND EXPENDITURE PART II (Transfers to General Reserve Fund and Working Capital Funds)</b>	<b>54.595</b>	<b>155.221</b>
---	---------------	----------------

**STATEMENT OF INCOME AND EXPENDITURE  
FOR THE YEAR ENDING 31 DECEMBER 2012**

**CONSOLIDATED TOTAL PARTS I AND II**

<b>CONSOLIDATED TOTAL PARTS I AND II</b>	<b>2012 EUR</b>	<b>2011 EUR</b>
<b>Income</b>		
<i>Budget Part I Contributions</i>	4.497.040	4.497.040
<i>Budget Part II Financial Income</i>	41.527	77.704
<i>Budget Part II Voluntary Contributions</i>	102.929	110.000
<i>Budget Part II DACO Project</i>	43.667	
<i>Budget Part II LA Conference</i>	0	0
<i>Budget Part II Royalties</i>	0	237
<b>Total Income (Parts I and II)</b>	<b>4.685.163</b>	<b>4.684.981</b>
<b>Expenditure</b>		
<i>Budget Part I</i>	-4.475.389	-4.283.793
<i>Budget Part II Financial Costs</i>	-5.081	-2.160
<i>Budget Part II Use of Interests</i>	-21.850	-30.560
<i>Budget Part II Consolidated draw from GRF</i>	0	0
<i>Budget Part II Consolidated draw from BSS</i>	0	0
<i>Budget Part II Voluntary Contributions</i>	-79.313	0
<i>Budget Part II DACO Project</i>	-27.284	0
<i>Budget Part II LA Conference</i>	0	0
<b>Total Expenditure (Parts I and II)</b>	<b>-4.608.917</b>	<b>-4.316.513</b>
<b>TOTAL INCOME AND EXPENDITURE</b>	<b>76.246</b>	<b>368.468</b>

The accompanying Notes form an integral part of the Financial Statements

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2012**

### **NOTE 1 Constitution and Function**

---

The Energy Charter Secretariat (“the Secretariat”) is constituted under Article 35 of the Energy Charter Treaty of 17 December 1994 (“the Treaty”) and acts under the authority of the Energy Charter Conference (“the Conference”) in accordance with the provisions of the Treaty.

At 31 December 2012, 51 countries and the European Communities were Signatories of the Treaty and members of the Conference.

The Secretariat provides the Conference with all necessary assistance for the performance of its duties and carries out the functions assigned to it by the Treaty and the Conference.

The Treaty has entered into force on 16 April 1998 and had been applied provisionally until that date. The Energy Charter Conference enjoys in Belgium the domestic legal capacity necessary for the exercise of its functions and the fulfilment of the purposes of the Conference.

The Energy Charter Conference and the Kingdom of Belgium signed a Headquarters Agreement on 26 October 1995 defining the privileges and immunities necessary for the exercise of the official functions of the Conference in Belgium. The ratification of that Agreement by the Belgium Parliament was completed on 27 July 1999. The Agreement entered into force on 21 October 1999 following the publication in the Belgian Official Journal (‘Moniteur Belge’).

Article 34, paragraph 7, of the Energy Charter Treaty stipulates that the Conference shall thoroughly review the functions provided for in the Treaty at intervals of no more than five years. The last such review was held in 2009 and the next review will take place not later than 2014.

At the end of 2011, the Energy Charter Conference nominated Ambassador Urban Rusnák as Secretary General of the Energy Charter Secretariat to start his duties on 1<sup>st</sup> January 2012.



## **NOTE 2 Accounting policies**

---

The principal accounting policies adopted in the preparation of these financial statements are set out below:

- **Income:**

Annual contributions due from Signatories/Contracting Parties are taken to income when they fall due. Voluntary contributions are recognised directly in the Working Capital Fund following their acceptance in accordance with the Financial Rules of the Secretariat.

With respect to the collection of outstanding contributions, the Secretariat applies a relatively aggressive policy. In accordance with the Financial Rules, notifications of the level of national contributions of the current year are sent to delegations each year in January, one or two general reminders are sent to those countries with unpaid contributions in the course of the year and, in addition, countries with arrears are also contacted on an individual basis.

As a result, the collection of contributions is very good, particularly in comparison with the situation in other international organisations.

However, there is a certain concern with respect to the financial outstanding due from two countries:

- By the end of 2012, Uzbekistan had not paid its contribution since 2004. Subsequently, on 13 May 2013, the Secretariat received an amount of Euro 6.853, the exact amount of the unpaid contributions from 2004 to 2012.
- With respect to the Russian Federation, as per the end of 2012, an amount of Euro 561.168, representing the contributions of the last five years, remained unpaid. On 28 August 2013 the Secretariat was informed that the Government of the Russian Federation had formally (through the decision of the Government 1494-p of 26 August 2013) decided to settle as soon as possible the unpaid contributions of 2008 and 2009. While the Secretariat very much welcomes the change of approach by Russia, it will continue to actively pursue collection of the remainder of the outstanding contributions/

- **Expenditure:**

Expenditure is accounted for once appropriation is committed in accordance with the Financial Rules of the Secretariat.

- **Capital expenditure:**

The cost of acquiring capital equipment is charged against income when occurred and is not, therefore, depreciated over the estimated useful lives of the related assets.

- **Foreign currency translation:**

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions; gains and losses resulting from the settlement of such transactions are recognised in income and expenditure.

Monetary balance sheet accounts denominated in foreign currency are re-measured at the relevant closing rates at the balance sheet date. Unrealised foreign exchange gains or

losses arising from the re-measurement process are recognised in income and expenditure.

- **Internal Taxation**

As required by the Headquarters Agreement, the salaries and emoluments of the officials of the Secretariat are subject to an internal tax system in favour of the Budget of the Secretariat. All figures related to Salaries and Allowances in the Financial Statements are given after application of the internal tax system.

- **Employee termination benefits**

The organisation operates a ‘Termination Benefit’ fund, which entitles all eligible employees to a ‘termination benefit’ based on a multiple of their final twelve-month salary, upon leaving the organisation’s employment. Contributions to the fund are made by the employer and the employees in accordance with the Staff Rules.

The expected future cost of these benefit payments is accrued within the ‘provision for termination benefits’. The liability is calculated on the assumption that all current eligible employees terminate employment at the balance sheet date. This equates to the accumulated contributions of the employer and employees at the balance sheet date less benefit payments during the year then ended.

Up to, and including, 2006, the interest generated by the ‘Termination Benefit’ fund was transferred to the General Reserve Fund at year-end. Since 2007, this interest remains in the fund itself.

In response to the critically deteriorating situation in the financial markets and to safeguard its relatively high financial reserves to the maximum extent possible, the Secretariat decided in October 2008 to offer interest bearing loans to members of staff. These loans, covered by the accumulated contributions to the Termination Benefit Fund for the individual staff member, gave the opportunity to benefit from the state guarantee on private bank accounts; the Secretariat’s institutional bank accounts being not covered by any such guarantee.

In 2010 it has been decided to integrate these special loans into Balance item “Financial Assistance”, as the temporary character of these loans had expired and the conditions are now equivalent to regular outstanding loans.

- **Reserve funds**

A. The ‘**General Reserve Fund**’ represents the balance of the accumulated surplus of income over expenditure that has not been allocated to specific Earmarked funds.

B. The organisation maintains ‘Earmarked’ funds as follows:

1. ‘**Working Capital Fund(s)**’ were established to account for unused appropriations from voluntary contributions to the Secretariat, transfers from the General Reserve Fund, and related expenditure.
2. ‘**Reserve Fund for Belgian Social Security**’ is kept in order to meet potential claims by the Belgian Social Security authorities. The issue of whether social security contributions are due in respect of any, and if so which, officials has been discussed between the Secretariat and the Belgian authorities since the creation of the Secretariat in 1995; no conclusion has been reached thus far. The amount of the Reserve Fund is equal to the maximum amount of contributions

which may, taking into account the relevant jurisprudence, be claimed from the Secretariat by the Belgian authorities. There is an uncertainty as to whether a claim would be raised by the Belgian Social Security authorities and therefore, the balance of this Contingency Fund is presented as an 'Earmarked' fund rather than a liability, to better reflect its contingent nature.

The Reserve Fund for Belgian Social Security the Secretariat has built up through annual provisions in the course of its existence, has become larger than necessary in relation to the amount that eventually may have to be paid. On this basis, the Secretariat had decided in 2008 to discontinue the accumulation of provisions to this Fund and has started to use part of the appropriations that have thus become available under sub-item 'Social Security' to finance some expenditure for salaries and allowances.

With respect to the Financial Statements for 2010, it had been decided, in consultation with the Auditors, to maintain not more than what needs to be covered in the Reserve Fund itself. As a consequence, an amount of Euro 63.018 has been transferred by 2012 year end from the Reserve Fund for Belgian Social Security to "Salaries and Allowances" to bring the Reserve Fund to Euro 1.076.331.

### NOTE 3 Accounts receivable

Details of contributions receivable and amounts actually received are given below:

<b>ACCOUNTS RECEIVABLE</b>	<b>2012 EUR</b>	<b>2011 EUR</b>
<b>Contributions Receivable at the beginning of the year</b>		
<i>Total of contributions to be received for current year</i>	4.497.040	4.497.040
<i>Arrears receivable at the beginning of the year</i>	480.799	415.652
<b>Total Receivable at the beginning of the year</b>	<b>4.977.839</b>	<b>4.912.692</b>
<b>Contributions Received during the current year</b>		
<i>Contributions to be received for the current year</i>	4.231.835	4.335.930
<i>Arrears</i>	5.189	95.963
<b>Total Received</b>	<b>4.237.024</b>	<b>4.431.893</b>
<b>Balance Receivable at Year-end</b>	<b>740.815</b>	<b>480.799</b>

Details of contributions outstanding per country at 31 December 2012 are presented below. All contributions prior to the financial year 2004 have been settled.

<b>COUNTRY</b>	<b>2004 EUR</b>	<b>2005 EUR</b>	<b>2006 EUR</b>	<b>2007 EUR</b>	<b>2008 EUR</b>	<b>2009 EUR</b>	<b>2010 EUR</b>	<b>2011 EUR</b>	<b>2012 EUR</b>	<b>TOTAL EUR</b>
<i>Belarus</i>								3.249	3.249	<b>6.498</b>
<i>Belgium</i>									83.167	<b>83.167</b>
<i>Iceland</i>									3.249	<b>3.249</b>
<i>Malta</i>								1.315	1.315	<b>2.630</b>
<i>Portugal</i>								19.767	39.533	<b>59.300</b>
<i>Russian Fed.</i>					94.677	94.677	123.938	123.938	123.938	<b>561.168</b>
<i>Slovenia</i>								7.969	7.969	<b>15.938</b>
<i>Turkmenistan</i>									2.012	<b>2.012</b>
<i>Uzbekistan</i>	289	1.176	1.176	631	631	631	773	773	773	<b>6.853</b>
<b>TOTAL</b>	<b>289</b>	<b>1.176</b>	<b>1.176</b>	<b>631</b>	<b>95.308</b>	<b>95.308</b>	<b>124.711</b>	<b>157.011</b>	<b>265.205</b>	<b>740.815</b>

## NOTE 4 Provision for termination benefits

---

The details for the Provision for termination benefits are set out below:

<b>TERMINATION BENEFITS</b>	<b>2012 EUR</b>	<b>2011 EUR</b>
<b>Opening Balance</b>	3.381.414	3.451.220
<i>Employers' Contributions (charged to Expenditure)</i>	575.006	512.770
<i>Interest from the Termination Benefit Fund</i>	21.850	30.560
<i>Employee's Contributions</i>	140.433	137.130
<i>Payments</i>	-192.254	-750.266
<b>Balance at year end</b>	<b>3.926.449</b>	<b>3.381.414</b>

**NOTE 5 Financial Result**

The Statement of financial results is presented below:

<b>FINANCIAL RESULT</b>	<b>2012 EUR</b>	<b>2011 EUR</b>
<b>Financial Income</b>		
<i>Interest Income generated by the Termination Benefit Fund</i>	21.850	30.560
<i>Interest Income</i>	19.002	46.459
<i>Realised Exchange gains</i>	674	685
<i>Unrealised Exchange gains</i>	0	0
<i>Other Financial Income</i>	0	0
<b>Total Financial Income</b>	<b>41.526</b>	<b>77.704</b>
<b>Financial Costs</b>		
<i>Bank Charges</i>	1.512	1.472
<i>Realised Exchange losses</i>	3.569	688
<i>Unrealised Exchange losses</i>	0	0
<i>Other Financial charges</i>	0	0
<b>Total Financial Costs</b>	<b>5.081</b>	<b>2.160</b>
<b>NET FINANCIAL RESULT</b>	<b>36.445</b>	<b>75.544</b>

**NOTE 6 Statement of Movements of Funds for the year ending  
31 December 2012**

<b>GENERAL RESERVE FUND</b>	<b>2012 EUR</b>	<b>2011 EUR</b>
<i>Opening Balance</i>	1.258.787	1.000.556
<i>Transfer at year-end – Part I</i>	21.651	213.247
<i>Transfer at year-end – Part II</i>	0	44.984
<i>Financial Result</i>	14.596	0
<b>Balance at year end</b>	<b>1.295.034</b>	<b>1.258.787</b>

<b>WORKING CAPITAL FUNDS</b>	<b>2012 EUR</b>	<b>2011 EUR</b>
<b>Opening Balance</b>		
<i>WCF related to Transit Negotiations</i>	56.271	56.271
<i>WCF Royalties</i>	1.307	1.070
<i>WCF LA Conference</i>	10.171	10.171
<i>WCF Finland (2000)</i>	6.138	6.138
<i>WCF Norway (2002)</i>	7.483	7.483
<i>WCF Sweden (2002)</i>	4.663	4.663
<i>WCF Norway (2010)</i>	3.282	3.282
<i>WCF Germany (2011)</i>	110.000	
<i>DACO Project</i>	43.667	
<b>Total Opening Balance</b>	<b>242.982</b>	<b>89.078</b>

<b>WORKING CAPITAL FUNDS</b>	<b>2012 EUR</b>	<b>2011 EUR</b>
<b>Movements of the Year (net amounts)</b>		
<i>WCF Royalties</i>	0	237
<i>WCF Norway (2010)</i>	-3.282	0
<i>WCF Germany (2011)</i>	-60.000	110.000
<i>WCF Norway (2012) – inc.: 32.929, exp.: 16.031</i>	16.898	
<i>WCF Netherlands I (2012)</i>	20.000	
<i>WCF Netherlands II (2012)</i>	50.000	
<i>DACO Project</i>	16.383	
<b>Total net movements during the Year</b>	<b>39.999</b>	<b>110.237</b>

<b>WORKING CAPITAL FUNDS</b>	<b>2012 EUR</b>	<b>2011 EUR</b>
<b>Closing Balance</b>		
<i>WCF related to Transit Negotiations</i>	56.271	56.271
<i>WCF Royalties</i>	1.307	1.307
<i>WCF LA Conference</i>	10.171	10.171
<i>WCF Finland (2000)</i>	6.138	6.138
<i>WCF Norway (2002)</i>	7.483	7.483
<i>WCF Sweden (2002)</i>	4.663	4.663
<i>WCF Norway (2010)</i>	0	3.282
<i>WCF Germany (2011)</i>	50.000	110.000
<i>WCF Norway (2012)</i>	16.898	
<i>WCF Netherlands I (2012)</i>	20.000	
<i>WCF Netherlands II (2012)</i>	50.000	
<i>DACO Project</i>	-27.284	
<b>Total Closing Balance</b>	<b>195.647</b>	<b>199.315</b>

<b>RESERVE FUND FOR SOCIAL SECURITY</b>	<b>2012 EUR</b>	<b>2011 EUR</b>
<i>Opening Balance</i>	1.139.349	1.127.969
<i>Movements for the year</i>	-63.018	11.380
<b>Balance at year end</b>	<b>1.076.331</b>	<b>1.139.349</b>



## **ANNEX II: Auditor's Report of 2012**

## **Independent auditor's report to the members of Energy Charter Conference on the financial statements of Energy Charter Secretariat for the year ended 31 December 2012**

In accordance with Article 32 of the Financial Rules applicable to Energy Charter Secretariat, we report to you on the performance of our mandate which has been entrusted to us. This report contains our opinion on the financial statements.

### **Unqualified opinion on the financial statements, including emphasis of matter paragraph**

We have audited the financial statements of Energy Charter Secretariat for the year ended 31 December 2012, which comprise the balance sheet as at 31 December 2012, the statement of income and expenditure for the year then ended (except for the amount under the "Budget" columns on page 3, which have been approved by the members of the Conference) and a summary of the significant accounting policies and notes. These financial statements are identified by a balance sheet total of EUR 6,648,524 and a net of total income and total expenditure for the year (total of parts I and II) of EUR 76,246.

### *Responsibility of the management for the preparation and fair presentation of the financial statements*

The management is responsible for the preparation and fair presentation of the financial statements in accordance with the Financial Rules and their Implementing Instructions applicable to the Energy Charter Secretariat and in accordance with the Accounting Policies of the Secretariat which are described in Note 2 to the financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Responsibility of the independent auditor*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing, applied in a public sector perspective. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.



**Audit report dated 25 September 2013 on the financial statements  
of Energy Charter Secretariat  
for the year ended 31 December 2012**

In making those risk assessments, we have considered internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Secretariat's internal control. We have evaluated the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by the Secretariat and the presentation of the financial statements, taken as a whole. Finally, we have obtained from the management and the Secretariat's officials the explanations and information necessary for executing our audit procedures. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Opinion*

In our opinion, the financial statements for the year ended 31 December 2012 give a true and fair view of the Energy Charter Secretariat's financial position and its Income and Expenditure for the year then ended in accordance with the Financial Rules and their Implementing Instructions and with the Accounting Policies which are described in Note 2 to the financial statements of the Energy Charter Secretariat.

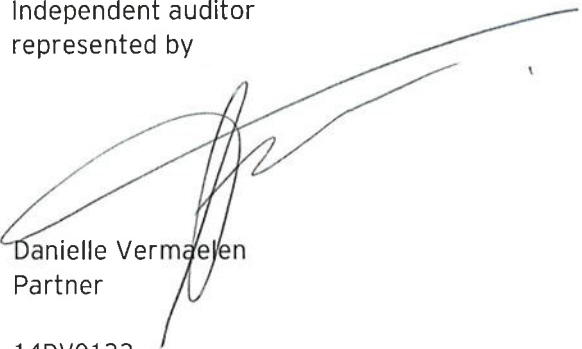
*Emphasis of Matter*

Without altering our opinion, we draw attention to Note 2 to the financial statements which describes the uncertainties and recent developments related to the collection of the contributions due by the Russian Federation. The unpaid contributions amount to EUR 561,168 at 31 December 2012 and represent the contributions due for the last five years. In a decree of 26 August 2013, the Government of the Russian Federation has authorized the payment of the contributions for the years 2008 and 2009 (i.e. EUR 189,354). According to the management, there is no indication that the Russian Federation does not intend to pay the remainder of the contributions. Therefore, the management has decided not to record an impairment loss on these unpaid contributions in the financial statements.

Our opinion is not qualified in respect of this matter.

Brussels, 25 September 2013

Ernst & Young Réviseurs d'Entreprises scrl  
Independent auditor  
represented by



Danielle Vermaelen  
Partner

14DV0133

## **ANNEX III: Budget & Establishment table 2014**

**Draft BUDGET 2014***All figures in Euros '000*

<b>BUDGET PART I</b>		<b>2014</b>	<b>2013</b>
1	Salaries and Allowances	3.298,59	3.308,52
2	Official Travel	177,55	177,55
3	Professional and Special Services	374,75 (*)	349,40
4	Meetings	72,06	82,06
5	Representation	21,33	21,33
6	Operating Expenditure	448,25	453,25
7	General Administration	27,15	27,15
8	Capital Expenditure	19,59	19,59
9	IT Equipment and Software	40,68	40,68
10	Information	14,59	14,59
11	Miscellaneous and Contingency	2,92	2,92
<b>TOTAL BUDGET PART I</b>		<b>4.497,46</b>	<b>4.497,04</b>
<b>BUDGET PART II</b>			
	Draw on GRF (Salaries and Allowances)	220,00	220,00
	Interest Income (Consultants)	53,63	53,63
	Voluntary Contribution Norway	p.m.	39,00
	Voluntary Contribution Germany	0,00	36,67
	Voluntary Contribution France	20,00	20,00
	Voluntary Contribution The Netherlands	50,00	0,00
	Voluntary Contribution The Netherlands	20,00	0,00
	Other Working Capital Funds	p.m.	p.m.
	Voluntary Contributions	p.m.	p.m.
	EC – Daco Project	0,00	38,11
<b>TOTAL BUDGET PART II</b>		<b>363,63</b>	<b>407,41</b>
<b>GRAND TOTAL</b>		<b>4.861,09</b>	<b>4.904,45</b>

(\*) including an amount of Euro 417, representing the annual contribution of Afghanistan, following its accession to the ECT in 2013

**Draft Establishment Table 2014**

<b><u>Total posts</u></b>	<b>2013</b>	<b>2014</b>
A-grade	15	15
B-grade	11	11
C-grade	0	0
<b>Total</b>	<b>26</b>	<b>26</b>

<b><u>Office of SG</u></b>			<b><u>Office of SG</u></b>
A7+ - Secretary General	1	1	A7+ - Secretary General
B4 - Secretary	1	1	B4 - Secretary
A4 - Senior Adviser	1	1	A3/4 - Senior Adviser
A3 - Legal Counsel	1	1	A3/4 - Legal Counsel
B5 - Assistant (knowledge centre)	1	1	B5 - Assistant (knowledge centre)
<b><u>Office of DSG</u></b>			<b><u>Office of DSG</u></b>
A7 - Deputy Secretary General	1	1	A6/7 - Deputy Secretary General
B3 - Secretary	1	1	B3 - Secretary
A4 - Senior Expert (ExO)	1	1	A3/4 - Senior Expert (ExO)
B5 - Assistant (language)	1	1	B5 - Assistant (language)
B5 - Assistant (ExO)	1	1	B5 - Assistant (ExO)
<b><u>Directorate</u></b>			<b><u>Directorate</u></b>
A6 - Director	1	1	A5/6 - Director
B3 - Secretary	1	1	B3 - Secretary
B3 - Secretary	1	1	B3 - Secretary
A3/4 - (Senior) Expert (Transit)	1	1	A3/4 - (Senior) Expert (Transit)
A2/3 - Expert (Transit)	1	1	A2/3 - Expert (Transit)
A3/4 - (Senior) Expert (En. Eff.)	1	1	A3/4 - (Senior) Expert (En. Eff.)
A2/3 - Expert (Energy Efficiency)	1	1	A2/3 - Expert (Energy Efficiency)
A3/4 - (Senior) Expert (Trade)	1	1	A3/4 - (Senior) Expert (Trade)
A2/3 - Expert (Trade)	1	1	A2/3 - Expert (Trade)
A3/4 - (Senior) Expert (Investment)	1	1	A3/4 - (Senior) Expert (Investment)
A2/3 - Expert (Investment)	1	1	A2/3 - Expert (Investment)
<b><u>Administration &amp; Finance</u></b>			<b><u>Administration &amp; Finance</u></b>
A4 - Head of AF	1	1	A3/4 - Head of AF
B3 - Secretary	1	1	B3 - Secretary
B6 - Principal Assistant	2	2	B6 - Principal Assistant
B4 - Assistant	1	1	B4 - Assistant