



**Transelectrica®**  
Societate Administrată în Sistem Dualist

**Compania Națională de Transport al Energiei Electrice**  
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**To: THE SHAREHOLDERS' GENERAL ASSEMBLY**

**The Report of the Audit Committee and of the Risk Management Committee within the Supervisory Board of NPG Co. Transelectrica (TEL) for the year 2023 on the Company's systems of internal control and significant risk management**

In accordance with its statutory duties, the Supervisory Board (SB) has the essential role to permanently control the manner in which the Directorate manages the Company, as well as the role to verify the activities performed in the name and on behalf of the Company. Therefore the SB is entitled and has the duty to establish the control and verification modes which it considers necessary in order to perform its supervisory activity and later to report regarding the activities developed to the shareholders during reunions of the Shareholders' general assembly (SGA). The organizational and functioning manner of SB and the procedure of taking decisions within the advisory committees were established by the Organizational and Functioning Regulation of SB of TEL in applying the duties and responsibilities set by the relevant legislation, namely: Corporations Law, Capital Market Legislation, Law 123/2012, G.E.O. no.109/2011, as well as the Articles of Association.

All seven members of the Supervisory Board have filled in and submitted statements of independence.

Audit Committee members are nominated from among the SB members (who in their turn are appointed by SGA). Its current membership is the following:

- ✓ ZEZEANU Luminița – Chairwoman,
- ✓ ATANASIU Teodor ,
- ✓ RUSU Rares Stelian,
- ✓ PĂUN Costin-Mihai
- ✓ VASILESCU Alexandru-Cristian.

By the resolution of the SB gathered on October 23, the Risk Management Committee was created. The Risk Management Committee ensure the accordance between the control activities and risks produced by activities and processes which are subject to control, it identifies, analysis, assesses, monitors and reports the identified risks, the measures plan to reduce and anticipate them, other measures taken by the Directorate. It is also responsible for measuring the solvency of TEL by reporting to TEL's ordinary duties and obligations, and informs or, as the case, makes suggestions to SB.

The Risk Management Committee currently consists of:

- ✓ ATANASIU Teodor – chairman
- ✓ VASILESCU Alexandru-Cristian
- ✓ DASCĂL Cătălin-Andrei
- ✓ RUSU Rareș Stelian
- ✓ ORLANDEA Dumitru Virgil.

The two committees, namely the Audit Committee and the Risk Management Committee are of the three Committees that were mandatorily established within the Supervisory Board. The Committees within the Supervisory Board (SB) of NPG Co. Transelectrica S.A., carried out their activity in accordance with the relevant legal provisions.

In fulfilling its responsibilities the Audit Committee and the Risk Management Committee regularly monitor the financial reporting process, internal control and internal audit efficiency and the system of risk management adopted by the Company. The Committees shall submit to the SB reports on their work.

During the year 2023, the Audit Committee, gathered for in 6 plenary meetings, has analysed the process of financial reporting and of management, as well as the financial plan and the elaboration process of the annual, consolidated and stand-alone financial statements. The data and information included in the following documents have been analysed and verified during the meetings:

- Stand –alone financial statements and the consolidated ones related to the financial year 2022;
- The Income and Expense Budget for the year 2023 and the estimations for 2024-2025;
- Stand – alone preliminary financial statements on the date and for the financial exercise ended on December 31, 2022;
- Stand – alone financial statements for the financial exercise ended on December 31, 2022;
- Consolidated financial statements for the financial exercise ended on December 31, 2022;
- Annual Report of the Directorate on the Company's activity during the year 2022, in accordance with the provisions of the capital market;
- Consolidated Annual Report of the Directorate on the Company's activity during the year 2022, in accordance with the provisions of the capital market;
- Finalizing the Semestrial Report of the Supervisory Board regarding the economic - financial activity of Transelectrica for the II Semester of the year 2022;
- Interim simplified financial statements on the date of March 31, 2023;
- The Report regarding the Company's economical – financial activity on March 31, 2023;
- Interim simplified financial statements on the date of June, 30, 2023
- The Report regarding the Company's economical – financial activity on June, 30, 2023;
- The Report of the Supervisory Board regarding the administration activity January - June 2023;
- Interim financial statements on 30.09.2023;
- The Report regarding the Company's economical – financial activity on 30.09.2023 „the Quarterly Report FSA”;
- The activity Report of the Directorate for the period January – September 2023;

During the statutory meeting, the members of the Audit Committee within the SB, were informed about the following documents:

- The Quarterly Report IV and January - December 2022 regarding the economic - financial activity of Transelectrica, elaborated according to the provisions of the capital market;
- The Independent auditor's Report on Stand – alone financial statements for the exercise ended on December 31, 2022;
- The Independent auditor's Report on consolidated financial statements for the exercise ended on December 31, 2022;
- The Auditor's additional report to the Audit Committee;
- Information related to the proposal to allocate the net profit on December 31, 2022;
- Information regarding the establishment of reserves related to the revenues obtained from the allocation of transmission capacity on the interconnection lines in the year 2022, from the surplus made from taxable and non – taxable revaluation reserves upon the change of destination;

- The activity Report of the Directorate regarding the results for T1 2023 in accordance with G.E.O. 109/2011;
- Miscellaneous.

Also, the Audit Committee within the Supervisory Board took part in the elaboration and finalisation of the following documents during the year 2023:

- The 2022 Audit Committee Report on the the systems of internal control and of significant risks management within TEL, elaborated in accordance with the provisions of the Corporate Governance Code of the Bucharest Stock Exchange (SAOGA document at its reunion on 27.04.2023);
- The Supervisory Board Report for the second semester on the administration activity, elaborated in accordance with G.E.O. 109/2011, submitted to the shareholders gathered in ordinary meeting on 28.11.2023;

During the year 2023 the Audit Committee was informed about the Audit (Intern) Action Plan for the year 2023 and about all the Audit Reports drawn up in the year 2023.

We submit to the shareholders the short information on the Company's systems of internal control and of significant risks management:

#### **I. Report regarding the activity for the year 2023 developed by the Public Internal Audit (API) entity within N.P.T.Co. "Transelectrica" S.A. as well as by its subsidiaries**

The activity report presents the way of organizing and carrying out the public internal audit activity within National Power Grid Company Transelectrica S.A. as well as within its subsidiaries (Company for Electricity Transmission Maintenance Services SMART – S.A., the Electricity Market Operator Company OPCOM – S.A., FORMENERG – S.A. Company, the Company for Telecommunication Services and Information Technology in Electric Transmission Networks TELETRANS – S.A., ICEMENERG – SERVICE – S.A. Company). Within them, establishing the public internal position is as follows:

1. three subsidiaries have established their own public internal audit structure, with the approval of TEL;
2. two subsidiaries of internal audit provided by ensuring this position by higher hierarchical body. The internal audit is provided by NPG Co. Transelectrica S.A. for the subsidiaries FORMENERG and ICEMENERG SERVICE S.A.

Throughout the year 2023, in accordance with the organizational structure of the Company, there have been eight operational Territorial Transmission Subsidiaries without legal personality.

During the year 2023 the public internal audit was carried out through the public internal audit structure (API) within NPG Co. Transelectrica S.A., in compliance with the minimum reporting requirements required by UCAAPI (Central Harmonization Unit for Public Internal Audit) în cursul anului 2023,

##### **I.1. Planning the activity of public internal audit**

- ✚ The annual public internal audit plan for the year 2023 was substantiated based on:
  - ✓ Risks analysis;
  - ✓ Some requests from the Directorate members;
  - ✓ The available time resources;
  - ✓ The compliance with the periodicity in auditing;
  - ✓ The human resources involved.

The annual public internal audit plan for the year 2023 approved by Directorate contained 22 missions, of which 2 of assessment (at SMART and OPCOM) and 20 missions of assurance (regularity/conformity) (5 of them within the Executive of the Company and 15 within its Territorial transmission subsidiaries. The annual public internal audit plan for the year 2023 was not changed.

- ✚ Within the three subsidiaries of TEL that have elaborated annual report regarding the internal public audit activity, the process of activity planning has the following features, as follows:
  - at SMART the multiannual plan 2023 – 2025 and the annual plan for internal audit for the year 2023 were approved at the end of the year 2022. 4 regularity missions were planned.
  - at OPCOM the activity of planning the internal public audit activity for the year 2023, refers mainly to:
    - approving the Multiannual plan for public internal audit for 2023 – 2025
    - approving the annual plan for public internal audit for 2023 that includes 4 public internal audit missions for assurance;
  - In TELETRANS a number of 4 assurance missions were unfolded in accordance with the annual plan for internal public audit for the year 2023 approved at the end of the year 2022. Within the annual plan for internal public audit for the year 2023 there have been established 4 assurance missions, namely:
    - Evaluation of corruption prevention system;
    - Auditing the legal activity;
    - Auditing the activity of procurement and investment;
    - Evaluation of the IT system within the TLT.

## **I.2. Public internal audit missions performed**

In the year 2023 at TEL level the 22 public audit missions planned have been ended (2 of evaluation and 20 of assurance) in the following fields:

- 2 evaluation missions at SMART and OPCOM;
- 5 in financial – accounting field: performed in the territorial transmission subsidiaries;
- 4 human resources field: performed at the Executive of the Company (4 human resources offices with their working places in the territorial transmission subsidiaries;
- 10 in field of specific positions, performed thusly: one mission performed in the Executive of the Company and 9 at the territorial transmission subsidiaries.
- 1 other fields, performed in the Executive of the Company.

The degree of performance of the Annual internal public audit plan for the year 2023 was 100%.

## **I.3. Current situation of public internal audit**

Within NPG Co. Transelectrica S.A. the established public internal audit structure is functional since the year 2004.

Within the five subsidiaries its operation has the following characteristics:

- ✓ The case of establishing the position of internal public audit is as follows:
  - Three subsidiaries have established internal public audit through their own structure with TEL's approval;
  - Two subsidiaries have established internal public audit through assuring this position by the higher hierarchical body. The internal audit is assured by Transelectrica for FORMENERG and ICEMENERG SERVICE SA subsidiaries.

- ✓ From the point of view of the way of organizing the internal public audit position, the three subsidiaries that established the internal audit through their own structure chose the following structure:
  - One for service (SMART);
  - One for office (OPCOM);
  - One for compartment (TELETRANS).

In four entities the public internal audit works:

- in three entities (SMART, OPCOM, TELETRANS) through their own structure;
  - in an entity (FORMENERG) through the higher hierarchical body;
- ✓ In an entity (ICEMENERG SERVICE) the public internal audit does not work, although it is established by the hierarchically superior body. ICEMENERG SERVICE is in bankruptcy proceedings, no public internal audit missions have been carried out in recent years, this being the cause of the non-functioning of the public internal audit provided by the higher hierarchical body.

### **I.3.1. Reporting the public internal audit activity**

Of the five subsidiaries of Transelectrica Company, three entities (SMART, OPCOM and TELETRANS) established the public internal audit through their own structure with the approval of NPG Co. Transelectrica S.A. FORMENERG and ICEMENERG SERVICE SA subsidiaries established the public internal audit through higher hierarchical body.

The public internal audit operates through its own structure at all three subsidiaries which have created public internal audit through own structure. Thus, the three subordinated entities have the obligation to issue and communicate to NPG Co. Transelectrica S.A. the annual activity report on the public internal audit regarding the position of public internal audit. The annual activity report on the public internal audit was elaborated by three public subordinated entities (subsidiaries), the information given by them are to be found within the present report.

### **I.3.2. Independence of the public internal audit structure and objectivity of auditors**

Independence is the attribute of public internal audit position while objectivity is the prerogative of public internal auditors. Therefore, in order to keep the independence of the public internal audit structure the following criteria<sup>1</sup> are ensured:

- ✓ The position of public internal audit reports directly to the superior management of the organization;
- ✓ The appointment and revocation of the management position for public internal audit, namely of the public internal auditors must be submitted to the endorsement process in accordance with the law and in order to maintain the objectivity of internal public auditors, the following criteria are followed:
  - ✓ Internal public auditors must not be involved in the activities that they can later audit;
  - ✓ Internal public auditors must declare their independence within the public internal audit and within the performed assessment missions.

These aspects are found in the current legal basis, respectively Law no. 672/2002, republished with later amendments and additions and GD no. 1086/2013. Also, similar aspects are found in the international internal audit practice stipulated in the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (Standards 1100 to 1130).

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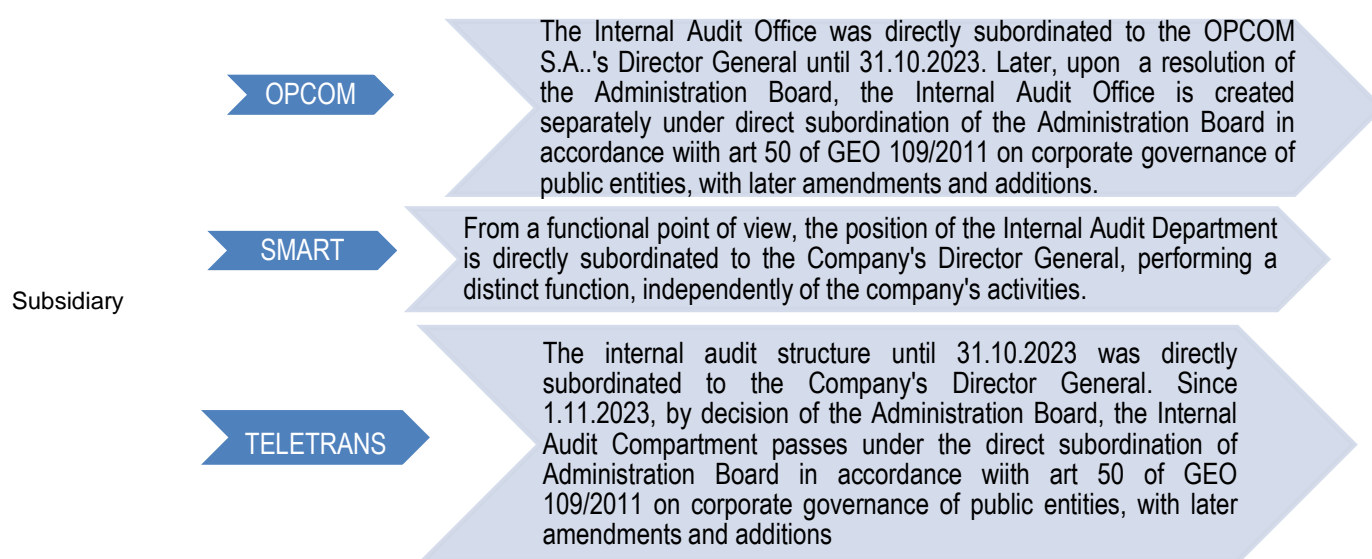
<sup>1</sup> In accordance with current legal basis, respectively Law no. 672/2002, republished with later amendments and additions and GD no. 1086/2013 and the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (Standards 1100 to 1130).

❖ At the level of NPG Co. Transelectrica S.A.

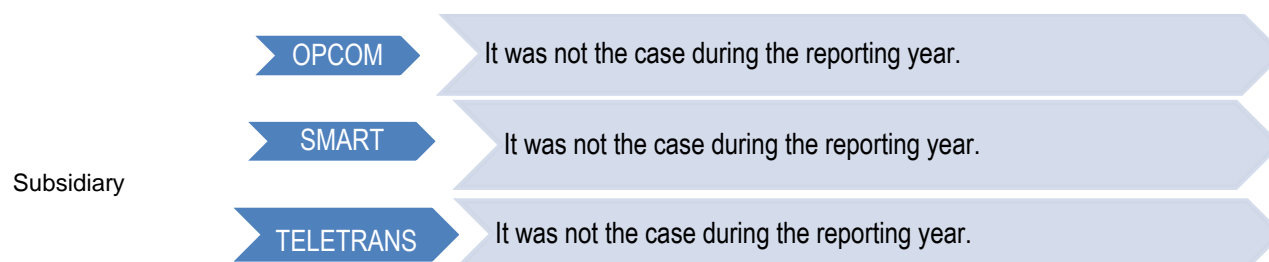
According to the Organizational and Functional Structure valid from 30.03.2023, approved by Directorate Decision no. 34/2023, the structure of the Public Internal Audit (API) is subordinated to the Company's Directorate. During the reporting year there were no appointments or dismissals of the public internal audit structure's management, nor revocation of the internal auditors.

- ❖ At the level of NPG Co. Transelectrica S.A. subsidiaries. From the annual activity reports issued by a number of three functional public internal audit structures, the following information have resulted:

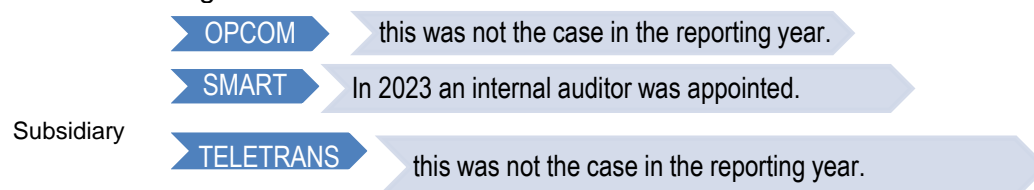
Regarding the position of the public internal audit structure:



Regarding the application and observance of the procedure for appointing/dismissing the head of the public internal audit structure during the year 2023:



Regarding the application and observance of the procedure for appointing/revoking the internal public auditors during 2023





Within NPG Co. Transelectrica during the year 2023 the Public Internal Audit structure was not involved in exercising auditing activities. Also during the year 2023 all the internal auditors have filled in the 'Independence Declaration' for each audit mission that he took part in. No problems were recorded after filling these declarations.

#### Objectivity of internal auditors within subsidiaries

Subsidiary	OPCOM	In 2023, the public internal audit structure was not involved in carrying out the auditable activities at the company's level.
	SMART	the internal audit office was not involved in activities from the auditable area in the year 2023.
	TELETRANS	the internal auditors within the Internal Audit Compartment were not involved in carrying out the auditable activities in the year 2023.

No problems were recorded after filling the independence declarations during the year 2023.

### I.3.3. Providing the methodological and procedural framework

The methodological and procedural framework of public internal audit activities refers to aspects likely to provide good development of such activities in the light of applicable methodologies and procedures, taking into account as well the application and observance of the public internal auditor's ethical conduct code. With reference to setting procedures for activities of the public internal audit structure, they are also subject to issuing system or operational procedures, as appropriate. In view of this, it is necessary for the public internal audit structures to analyze and decide how many of the activities carried out have to be under procedure (i.e. to issue a written procedure for that activity). In this context, the degree of procedure issuance may vary from one entity to another, depending on the professional judgment applied. Also, for the procedural activities, it will be established what is the issuance degree of the procedures. Naturally, the target is 100%, aiming to come as close as possible to this percentage.

### I.3.4. Existence of written procedures specific to public internal audit

At the level of NPG Co. Transelectrica S.A. At the level of the public internal audit structure, an activity was identified, namely that of "public internal audit", which was carried out by procedure. The internal procedure was updated during 2021. All the steps carried out in public internal audit missions from planning to observing and reporting the implementation degree of recommendations are foreseen in the body of this procedure. Therefore, a written procedure was issued for an activity identified to be carried out by procedure, which represents 100% degree of issuance of procedures

At the level of the subsidiaries of the Company – there have been identified activities at the public internal audit structure and these activities can be issued by procedure, as it follows:

1. OPCOM: 4 main activities have been identified, and they are considered as being procedural:

- ✓ Elaborating and updating of the Methodological Norms specific to the public internal audit activity and of the Internal Audit Charter at OPCOM level
- ✓ Elaborating the multi-annual and annual public internal audit plan at OPCOM level;

- ✓ Carrying out internal public audit missions of assurance and counseling at OPCOM level;
- ✓ Elaborating regular reports to the interested parties/entities regarding the public internal audit activity at OPCOM level.

At the level of the Audit Office, a number of 4 written procedures have been elaborated and are being implemented, as mentioned above, which represents 100% degree of issuance of procedures.

## 2.SMART:

Within the Internal Audit Office there is the operational procedure of Public Internal Audit Activity. From 1 procedural activity, 1 written procedure was issued, which represents 100% degree of issuance of procedures.

## 3.TELETRANS:

There have been identified within the public internal audit structure the activities to be carried out by procedure for which a single procedure was developed. The activities covered by the procedure and established as procedural are as follows:

- ✓ Organizing the internal audit activity;
- ✓ Appointment/dismissal of the head of CAI- Teletrans and of the internal auditors;
- ✓ Conducting internal audit;
- ✓ Providing and improving the quality of internal audit;
- ✓ Planning the internal audit activity;
- ✓ Methodology of conducting a regular public audit mission of regularity/compliance;
- ✓ Carrying out a regularity/compliance internal public audit mission ;
- ✓ Carrying out internal performance audit mission;
- ✓ Carrying out internal system audit missions;
- ✓ Counseling mission. Carrying out formalized counseling missions;
- ✓ Reporting the public internal audit activity. Annual internal audit report.

A written procedure has been issued for all procedural activities, which represents 100% degree of issuance of procedures. The operational procedure was updated in March 2022. After approving the own internal rules, the internal operational procedure will be changed upon the legislative amendments occurred in internal audit during the year 2023.

### **I.3.5. Ensuring and improving the quality of public internal audit**

#### Elaborating and updating the Quality Insurance and Improvement Programme (PAIC)

In accordance with the provisions of point 2.3.7. from annex no. 1 to GD no. 1086/2013, within the public internal audit structure, a Quality Insurance and Improvement Programme (PAIC) is elaborated in every aspect of the public internal audit, which would allow a continuous control of its effectiveness. By applying PAIC it is ensured that the activity is carried out in accordance with the rules, instructions and the Code on the ethical conduct of the public internal auditor and it contributes to the improvement of the activity of the public internal audit structure.

PAIC gives conclusions regarding the quality of activity of public internal audit and recommendations to implement the improvement of this activity and should allow an assessment of:

- compliance with the laws in force;
- the contribution of the public internal audit to the processes of governance, risk management and control of the organization;
- full coverage of the auditable domain;
- compliance with the laws, regulations and procedures that the public internal audit activity must comply with;
- the risks affecting the operation of the public internal audit.



PAIC imposes a systematic and disciplined approach to the periodic self – assessing process, including the method of conducting the periodic self assessment for each intermediate year between the external evaluations.

A fully functioning PAIC exercises a permanent monitoring of the internal public audit activity and the periodic self – assessment of it to ensure compliance with the applicable and legal framework. This process should help the external evaluation become an opportunity to obtain new ideas from the evaluator or from the evaluation team regarding the ways of improving the overall quality of public internal audit, as well as its efficiency and effectiveness.

❖ At the level of NPG Co.Transelectrica S.A.

The last update of the PAIC was made on 10.12.2020 at the level of the public internal audit structure within the Company.

❖ At the level of the subsidiaris of NPG Co.Transelectrica S.A.

The following information resulted from the annual activity reports issued by a number of three functioning public internal audit structures:

1. On the public internal audit structure within OPCOM the version of the Program for providing and improving the quality of the public internal audit activity elaborated in 2020 is applicable and it contains the action plan for 2023 – 2025.
2. On the Internal Audit Service within SMART, PAIC was issued in 2023.
3. On the public internal audit structure within Teletrans the last update of the document was made in March 2021.

### **I.3.6. Carrying out the external evaluation**

Complementary to the PAIC, the quality of the public internal audit function can be improved by means of external evaluations. These evaluations should be carried out every five years according to the requirements of national legislation, but also according to the international internal audit standards issued by the Internal Institute of Auditors. The objective of external evaluation is to assess public internal audit activities in terms of their conformity with the internal audit definition, with the requirements of the ethical conduct code and the provisions of national legislation in this domain. External evaluations can also focus on identifying opportunities to improve the public internal audit function, providing suggestions to improve the effectiveness of such activities and promoting ideas to enhance the image and credibility of the public internal audit function.

❖ Within NPG Co.Transelectrica S.A.

In 2023, the structure of Public Internal Audit was not evaluated by Public Internal Audit Compartment within GSG, the hierarchically superior body. The evaluation took place in 2021.

❖ Within the subsidiaris of NPG Co.Transelectrica S.A.

1. At the level of the public audit structure within OPCOM, in 2023, the internal audit activity was evaluated by the hierarchically superior audit structure, namely Public Internal Audit within Transelectrica.
2. At the level of the public audit structure within SMART, in 2023, the internal audit activity was externally evaluated by Transelectrica.
3. Internal Audit Compartment within Teletrans was not evaluated in 2023 by the internal audit structure of Transelectrica.

### **I.3.7. Human resources allocated to internal audit**

At a time when there is an increasing emphasis on organizational accountability, improved internal control, risk management and corporate governance, more and more emphasis should be placed on public internal audit structures.

In order to achieve its objectives, it is important that the internal audit structure<sup>2</sup> has access to human resources which have necessary skills for this purpose.

- ❖ Within NPG Co.Transelectrica S.A. – at the level of entities, on December 31, 2023, the public internal audit structure had a leading position (chief inspector). The person who took the attributions of chief inspector is hired within another organizational structure of the Company. Regarding the operating positions, on December 31, 2023, the public internal audit structure had six positions occupied. All the six operating positions occupied are framed as internal auditors, people who actually work for the public internal audit structure.
- ❖ Within the subsidiaris of NPG Co.Transelectrica S.A., on December 31, 2023 the public internal audit structures had allocated management and operating positions occupied.

### **I.3.8 Personnel structure and professional training as of December 31, 2023**

When analyzing personnel structure, the following criteria were taken into account: public internal audit experience, field of specialized studies, foreign languages spoken, national and international certifications held as well as membership in national and international professional organizations. All these elements, together with the personnel's professional training, contribute to a qualitative analysis of the human resource, an extremely important factor in carrying out the public internal audit activity.

#### ❖ Within NPG Co.Transelectrica S.A.

According to the Classification provided in the Collective Labor Agreement, all employees within API are employed as internal auditors, and the head of the structure as Chief Inspector. According to the populated list of positions, valid from the 31.03.2023, within the structure of Public Internal Audit (API) there is a chief inspector position and six internal auditors (with experience in public internal audit of more than five years).

On 31.12.2023, within the Public Internal Audit structure (API), there are: 7 economists of which 2 are engineers and 1 graduated the mathematics – informatics profile;

All seven employees of API speak English, three of them also speak French and one of them speaks Turkish.

The status of certifications held by the internal auditors and by the chief inspector is as follows:

- The Chief Inspector has the international qualification CISCO IT Essentials: PC hardware and software and CISCO IT Essentials II: Network operating systems
- An internal auditor is financial auditor and expert evaluator for companies.
- An internal auditor holds the certificate of ANRE authorized electrician degree IV A+B, namely site manager authorized ISC electrical networks.
- An internal auditor is also a quality auditor.

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<sup>2</sup> It is important to have a minimum number of personnel within the public internal audit structure because:

- art. 2 letter.(f) of Law no. 672/2002, with later amendments and completion mention that a public internal audit structure can be established with minimum two full norm positions. Therefore any public internal audit structure should comply with this legal provision, having at least two full norm positions of public auditors.
- The entire methodology of public internal audit mention within G.O.no. 1086/2013 refers to the existence of a public internal audit team that must include a supervisor of missions. Therefore, any public internal audit structure should comply with this legal provision, having at least two full norm positions occupied.

It must be mentioned that due to the experience of the internal auditors, most of the objectives within Transelectrica's entities were audited by both economists and engineers.

❖ Within the subsidiaris of NPG Co.Transelectrica.

1. Within Public Internal Audit of the subsidiary OPCOM an employee with more than 15 years experience in internal public audit is working (the chief of the structure) as well as an employee with experience in internal public audit since September 2020.
2. Within the subsidiary SMART the chief of the Public Internal Audit has experience in public internal audit since 2019, with specialization: economist, financial audit, foreign languages spoken: French, international certifications: CIA. On December 31, 2023 the internal audit office had the following structure: 1 internal auditor with experience in public internal audit since 2020, with specialization: communication specialist, quality audit, foreign languages spoken: English and French; and 1 internal auditor with experience in public internal audit since April 1, 2023, with specialization: economist, foreign languages spoken: English and French;
3. Within the subsidiary Teletrans the chief of the structure has experience in public internal audit of more than 5 years with specialization: economist, professional experience in financial management control, professional experience of up to 16 years in accounting – financial management, experience in financial management of infrastructure projects with European funding. English speaking person. The operating personnel has professional experience in internal audit of up to 3 years, juridical studies and professional experience in public acquisitions, management internal control and also professional experience of more than 15 years in legal field, English speaking person.

#### **I.4. Providing the continuous professional development**

❖ Within NPG Co.Transelectrica.

The participation degree within the professional training is of 100%. The average number of days of professional training for each public internal auditor is of 15 days, being done as follows:

- 0 days through training courses;
- 105 days through individual studying;
- 0 days through other ways of training.

We observe that due to the individual study of each internal auditor, the minimum requirement of professional training foreseen by the legislation<sup>3</sup> (15 days/year) is fulfilled.

❖ Within the subsidiaris of NPG Co.Transelectrica S.A

1. In OPCOM SA, the participation degree within the professional training is of 100 %. The average number of days of professional training done in the reporting year was of 15 days/person, being fulfilled both by the managing personnel and by the operating personnel. During the reporting year there have not been problems regarding the fulfilling of the minimum number of days of training foreseen by the regulation framework.
2. In SMART SA the participation degree within the professional training is of 100%. During the year 2023, taking into account the existing training needs, the main themes for professional training were: improvement in internal audit, internal managerial control, risk management, financial accounting and legislation regarding the implementation of the national anti – corruption system. The professional training at the level of the internal audit service was made by 135 days of training courses and 45 days (15 days per person) of individual study

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<sup>3</sup> In order to ensure the continuous professional development of every auditor, to maintain and develop his/her competence, the legal framework foresees the obligation to perform at least 15 days/year of professional development. The training needs were identified in accordance with the competence necessities in order to ensure the performance of the objectives of the missions included in the audit plan and in accordance with the legal amendments in the field of audit and in the field that enters the field of audit.

on the legal and procedural framework of the fields audited, by studying different specialized publications and the legislation.

3. In „Teletrans” S.A., the participation degree within the professional training is of 100%. During the reporting year the following problems regarding the minimum number of training days foreseen by the regulation framework have appeared: due to the financial situation of the company in the year 2023, the professional training was achieved through individual study done by each employee CAI in the field of internal audit.

### **I.5. Analysis of the adequacy of the size of the internal public audit department**

From the cumulative interpretation of the articles of law<sup>4</sup>, it results that the area that can be audited must be completely covered in three years, according to the risks associated with the activities. So the public internal audit structure is organized in such a way that it can provide the necessary resources to audit, in a period of three years, based on the risk analysis, all the activities developed by the company. In accordance with the applicable regulations, the public internal audit structure is sized (number of auditors, based on the volum of activity and the size of the risk associated) in such a way that it can ensure the audit of the activities included in the area of the public internal audit.

#### **❖ Within NPG Co.Transelectrica.**

Taking into consideration the existing personnel resources, namely a number of six occupied positions, the degree of coverage of the auditable area in 4 year is of 54,5 %. In order to comply with the legal provisions and with the total coverage (100 %) of the auditable area in three years, the public internal audit needs a number of 11 occupied positions of public internal auditor.

#### **❖ Within the subsidiaries of<sup>5</sup> ”Transelectrica” S.A.**

1. OPCOM – a number of occupied positions that exercises the activity of public internal auditor, the degree of coverage of the auditable area is of 100 %.
2. SMART – a number of 3 occupied positions, the degree of coverage of the auditable area in 4 years is of 100 %.
3. TELETRANS – a number of 1 managing position and 1 operating position, the degree of coverage of the auditable area in 4 years is of 100 %.

### **I.5. Planning the internal audit activity carried out in the reporting year**

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<sup>4</sup> According to art. 3 para. (2) of Law no. 672/2002, the scope of the public internal audit includes all the activities carried out within the public entities in order to fulfill their objectives, including the evaluation of the managerial control system. According to the provisions of art. 15 para. (1) of Law no. 672/2002, the public internal audit is performed on all the activities carried out in a public entity, including on the activities of the subordinated entities, under the coordination or under the authority of other public entities. According to the provisions of art. 15 para. (2) of Law no. 672/2002, the public internal audit structure audits, at least once every 3 years, without being limited to the following:

- a. the financial activities or with financial implications carried out by the public entity since the establishment of the commitments until the use of the funds by the final beneficiaries, including the funds from external financing;
- b. payments made under budgetary and legal commitments, including from Community funds;
- c. the administration of patrimonial assets, as well as the sale, pledging, concession or rent of goods from the state's private domain or of the administrative-territorial units;
- d. the concession or rental of goods from the state's public domain or of the administrative-territorial units;
- e. the establishment of public revenues, namely the manner of authorization and establishment of debt securities, as well as the facilities granted for their collection;
- f. allocation of budget appropriations;
- g. the accounting system and its reliability;
- h. decision making system;
- i. management and control systems, as well as the risks associated with such systems;
- j. computer systems.

<sup>5</sup> In order to comply with the legal provisions and the full coverage (100%) of the auditable scope in a period of three years, the internal audit structure needs a total number of 2 positions of internal auditors occupied (1 internal auditor - head of department and 1 internal auditor - operating position).

Regarding the function of public internal audit, the planning activity is performed multiannually, for a period of 4 years, but also annually. The calculation and distribution of resources is done only on the shorter time horizon (1 year).

The planning is based on the assessment of the risks related to the activities carried out within the Company and the prioritization of these activities according to the risk score. This risk score is what will determine when that activity will be audited by the public internal audit structure. Given the fact that the risks associated with the activities are generated by the economic and social environment in which the activity is carried out, there is a need for the risks to be reassessed periodically, in order to be followed in their dynamics. In this context, the multi-annual public internal audit plan should be updated annually, and this should be the basis for the development of the annual public internal audit plan. Also, in order to perform a substantiated risk analysis, but also to reduce the subjectivity degree of the risk analysis, we consider it necessary to use well-defined risk analysis criteria, explaining the effective way to perform the risk analysis and establish the risk score.

❖ Within NPG Co. Transelectrica

For 2017 - 2023, the Multiannual Public Internal Audit Plan of NPG Co. Transelectrica S.A. was elaborated and approved. The Multiannual Public Internal Audit Plan has not been updated. A new Multiannual Public Internal Audit Plan will be suggested to the management of the Company in the year 2024.

According to the provisions of Law no. 672/2002, republish with later amendments, the public internal audit is performed on all the activities carried out in a public entity, including on the activities of the subordinated entities. As a consequence, the existing internal auditors within API must carry out public internal audit activity within the organizational structures of the Company's Executive branch, the eight Territorial Transmission Subsidiaries and the subsidiaries where there is no internal audit structure. The audit in OPCOM, SMART and TELETRANS subsidiaries is performed through their own structure, and later the API staff from NPG Co. Transelectrica S.A. shall assess them.

Taking into consideration the large number and the diversity of the activities carried out by the Company, compared with the human resources of API structure and the annual calendar available for the public internal audit missions, as well as the necessity to perform assessment missions in the subsidiaries, the multiannual plan was elaborated for a period of seven years.

In order to break down the audited activities by years, a hierarchy of organizational entities was made, depending on their importance and contribution in achieving the main activity objectives of TEL. Within each structure, the activities carried out were identified and ranked, based on the detailed organization and functioning regulations and on the discussions carried out with the management of those entities.

The ranking also took into account the analysis and assessment of the risks associated with each activity. The division of these activities into years was in accordance with International Standards on Auditing and good practice in the field, taking into account, as far as possible, a balanced distribution. Thus, every year, mainly high-risk activities will be audited, but also those with medium and low risk.

The risk analysis criteria used in the annual and multiannual planning are as follows:

- ✓ Likelihood of risk occurrence;
- ✓ Seriousness of event consequences (impact level).

Within TEL, the 'Public Internal Audit' procedure has been elaborated and it regulates the way the annual and multiannual planning is carried out. This planning is achieved taking into consideration the structures within the entity.

❖ In the subsidiaries of Transelectrica S.A.

1. OPCOM – Specific criteria have been developed for multi-annual planning. In this regard, the risk analysis criteria used in the planning process took into account the following elements:

- ✓ The share of risks identified for the activity at the level of structure;

- ✓ Coverage degree of activities with procedure;
- ✓ Methodological changes due to legislative changes;
- ✓ The share of number of measures to be implemented for the risks that require treatment/mitigation.

Within OPCOM SA a procedure has been elaborated and it regulates the way the annual and multiannual planning is carried out and this planning is achieved taking into consideration the structures, activities, projects and operations within the company. In November 2022 it was elaborated the project of the multiannual plan for public internal audit for 2023 – 2025, as well as the project of the annual plan for the year 2023 at the level of OPCOM SA.

2. SMART – the Multiannual Plan for internal audit related to the period 2023 – 2025 is in accordance with the incidental legislation.

The planning was made for a period of 3 years (2023, 2024 and 2025) and it includes the missions regarding the audit of the activities, structures, processes, projects and operations carried out within the company. The selection of internal audit missions was made according to the risk assessment related to different activities and operations, taking into account the periodicity of the audit every 4 years, types of audits and the available audit resources.

The elaboration of the multi – annual internal audit plan was done by going through the following steps:

1. identifying the activities carried out within the company and included in the area of internal audit;
2. establishing the criteria for risk analysis;
3. determining the total risk score for each activity and their ranking
4. establishing the distribution of internal audit missions by years;
5. preparation of the multi-annual audit plan.

The operations from points 1- 3 were carried out by drawing up the Annex “Identification of activities, determination of the total risk score and their ranking for the 2023-20225 multi-annual plan”.

The annual plan for internal audit for the year 2023 included 4 assurance missions.

3. TELETRANS – the risk analysis criteria used in the annual and multi – annual planning were established as follows:

- ✓ Assessment of internal control;
- ✓ Quantitative assessment;
- ✓ Qualitative assessment;
- ✓ Legislative amendments.

Within Teletrans, the multi-annual and annual planning activity is included in the operational internal audit procedure and this planning is carried out taking into consideration the structures within the entity.

The activity of the Internal Audit Compartment within the subsidiary is carried out based on the Annual plan for internal audit. The 2023public internal audit plan was based on:

- ✓ the multi-annual plan for internal audit 2023 – 2025, based on the analysis of risks and forecasts regarding the development/maintenance of the subsidiary activity;
- ✓ the impact of changes in the internal and external environment in which the subsidiary evolves.
- ✓ the time available;
- ✓ the human resources involved.

Within the Annual Plan for 2023 a number of 4 assurance missions were established,namely:

- ✓ evaluation of the corruption prevention system;
- ✓ auditing of legal activity;
- ✓ Auditing the procurement and investment activity;
- ✓ Evaluation of the IT system.



## I.6. Carrying out the internal audit missions

### I.6.1. Carrying out the assurance missions

#### ❖ Within NPG Co.Transelectrica S.A.

In 2023 a number of 20 assurance missions were carried out. Taking into account that during an assurance mission several domains can be dwelt with, it was ascertained that:

- ✓ The budgetary domain has not been addressed by none of the assurance missions;
- ✓ 5 assurance missions approached the financial – accounting domain;
- ✓ 0 assurance missions approached the public procurements domain;
- ✓ 4 assurance missions approached the human resources domain;
- ✓ None of the assurance missions approached the IT domain;
- ✓ None of the assurance missions approached the juridical domain;
- ✓ None of the assurance missions approached the community funds domain;
- ✓ 10 assurance missions approached the positions specific to entities;
- ✓ None of the assurance missions approached the SCM/SCIM activity ;
- ✓ 1 assurance missions approached other domains.

Within the public internal audit missions carried out during the year 2023 no irregularities have been ascertained. Within the public internal audit missions carried out during the year 2023 no outstanding recommendations have been ascertained<sup>6</sup>.

Regarding the overseeing of the implementation of the recommendations, this activity refers to the recommendations drawn up by the public internal audit structure within the previous assurance missions, for which the audit structure has the obligation to oversee the implementation method. In this context, during the year 2023 a number of 59 recommendations have been supervised, with the following results:

- ✓ 21 implemented recommendations, of which:
  - 18 recommendations implemented within the established term;
  - 3 recommendations implemented after the established term ;
- ✓ 3 partially implemented recommendations (under implementation), of which:
  - 2 recommendations that did not exceed the established implementation term;
  - 1 recommendations that exceeded the established implementation term;
- ✓ 35 non- implemented recommendations, of which:
  - 35 recommendations that did not exceed the established implementation term;
  - 0 recommendations that exceeded the established implementation term.

Domain	Number of implemented recommendations		Number of partially implemented recommendations		Number of non-implemented recommendations	
	Within the established term	After the established term	That did not exceed the established term	That exceeded the established term	That did not exceed the established term	That exceeded the established term
Budgetary	-	-	-	-	-	-
Financial –	4	-	-	-	10	-

<sup>6</sup> The non – appropriated recommendations are recommendations that have been included in the final public internal audit report, but were not checked by the manager of the public entity in accordance with the provisions of point 6.6.6 of G.O. no. 1086/2013, mentioning it specifically. In accordance with the applicable legislation in force, these recommendations must be brought to the attention of UCAAPI together with the consequences of not implementing them.

accounting						
Public procurements	-	-	-	-	-	-
Human resources	7	-	-	-	2	-
Information technology	-	-	-	-	-	-
Legal	-	-	-	-	-	-
Community funds	-	-	-	-	-	-
Entity specific functions	6	3	2	1	21	0
SCM/SCIM	-	-	-	-	-	0
Other domains	-	-	-	-	2	0
<b>TOTAL 1</b>	<b>18</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>35</b>	<b>0</b>
<b>TOTAL 2</b>	<b>21</b>		<b>3</b>		<b>35</b>	

❖ Within the subsidiaries of NPG Co."Transelectrica" S.A.

Within the subordinated entities CNTEE Transelectrica SA in the year 2023, 12 assurance missions have been performed. Taking into account that during an assurance mission several domains can be dwelt with, it was ascertained that:

- ✓ none assurance mission approached the budgetary domain;
- ✓ 4 assurance missions approached the financial - accounting domain;
- ✓ 1 assurance missions approached the public procurements domain;
- ✓ None of the assurance missions approached the human resources domain;
- ✓ 1 assurance missions approached the IT domain;
- ✓ 1 assurance mission approached the legal domain;
- ✓ None of the assurance missions approached the community fund domain;
- ✓ 2 assurance missions approached the specific entity domain;
- ✓ None of the assurance missions approached the SCM/SCIM;
- ✓ 3 assurance missions approached other domains.

Within the public internal audit missions carried out during the year 2023 no irregularities have been ascertained in the subordinated entities.

Regarding the overseeing of the implementation of the recommendations, this activity refers to the recommendations performed by the public internal audit structure within the assurance missions from the previous years, for which the public internal audit structure has the obligation to supervise the implementation method. In this context, during the year 2023 a number of 125 recommendations have been supervised, having the following results:

- ✓ **34** recommendations implemented of which:
  - 34 recommendations implemented within established implementation term;
  - 0 recommendations implemented after established implementation term.
- ✓ **54** partially implemented recommendations (under implementation) of which:
  - 54 recommendations that did not exceed the established implementation term;
  - 0 recommendations implemented after established implementation term
- ✓ **37** non- implemented recommendations of which:
  - 37 that did not exceed the established implementation term
  - 0 recommendations implemented after established implementation term

Domain	Number of implemented recommendations within all the subordinated entities		Number of partially implemented recommendations within all the subordinated entities		Number of non-implemented recommendations within all the subordinated entities	
	Within the established term	After the established term	That did not exceed the established term	That exceeded the established term	That did not exceed the established term	That exceeded the established term
Budgetary	-	-	-	-	-	-
Financial – accounting	18	-	54	-	1	-
Public procurements	3	-	-	-	2	-
Human resources	-	-	-	-	1	-
Information technology	-	-	-	-	3	-
Legal	-	-	-	-	2	-
Community funds	-	-	-	-	-	-
Entity specific functions	6	-	-	-	8	-
SCM/SCIM	1	-	-	-	8	-
Other domains	6	-	-	-	12	-
<b>TOTAL 1</b>	<b>34</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37</b>	<b>-</b>
<b>TOTAL 2</b>	<b>50</b>		<b>54</b>		<b>37</b>	

1. OPCOM – In the year 2023, a number of 4 assurance missions have been performed. Public internal audit missions have approached the following domains (in accordance with the UCAAPI methodology):

- ✓ Budgetary, Financial – accounting, procurements and investments domains:
  - Assurance mission regarding the evaluation of the activities performed within the Financial Control field;
- ✓ The Company's specific functions domain:
  - Assurance mission regarding the evaluation of the necessary activities for the organization and operation of the centralized markets of electrical energy, managed by the company;
  - Assurance mission regarding the evaluation of the necessary activities for the organization and operation of markets, transactions settlement and results reporting;
- ✓ Other domains – (corruption prevention system):
  - Assurance mission regarding the evaluation of the corruption prevention system.

During the public internal audit missions carried out during the year 2023, no irregularities were found and nor were there any recommendations not adopted by the management of OPCOM.

Regarding the supervision of the recommendations implementation, this activity refers to the recommendations formulated by the public internal audit structure within the assurance missions, including those prior to the reference year, for which the public internal audit structure has the obligation to supervise the implementation method. In this context, we mention that in 2023 a

number of 6 recommendations were issued, all with the implementation due time in the reference year. The status of implementations issued during the reference time is as follows:

Domain	Number of implemented recommendations		Number of recommendations under implementation		Number of non-implemented recommendations	
	Within the established term	After the established term	That did not exceed the established term	That exceeded the established term	That did not exceed the established term	That exceeded the established term
Budgetary	-	-	-	-	-	-
Financial – accounting	-	-	-	-	-	-
Public procurements	-	-	-	-	-	-
Human resources	-	-	-	-	-	-
Information technology	-	-	-	-	-	-
Legal	-	-	-	-	-	-
Community funds	-	-	-	-	-	-
Entity specific functions	4	-	-	-	-	-
SCM/SCIM	-	-	-	-	-	-
Other domains	2	-	-	-	-	-
<b>TOTAL 1</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL 2</b>	<b>6</b>		<b>-</b>		<b>-</b>	

## 2. SMART

At SMART SA in the year 2023 a number of 4 assurance missions were carried out. Taking into account that during an assurance mission several domains can be dwelt with, the following were ascertained:

- ✓ 3 regularity missions approached the financial – accounting domain;
- ✓ 0 regularity missions approached the human resources domain;
- ✓ 0 regularity missions approached the legal domain;
- ✓ 1 ad-hoc mission approached other domains.

No irregularities were found during the public audit missions carried out during the year 2023. All recommendations have been adopted. Regarding the supervision of the implementation of the recommendations from the previous years, namely the year 2021:

- ✓ 7 implemented recommendation, of which:
  - 7 implemented recommendation within the established due time.
- ✓ 4 partially implemented recommendation (in progress of implementation), of which:
  - 0 recommendation that did not exceed the established term;
  - 4 recommendation for which the new agreed implementation term was not exceed.

During the year 2022 a number of 36 recommendations have been supervised, having the following results:

- ✓ 2 implemented recommendations, of which:
  - 2 implemented recommendations within the established due time;

- ✓ 34 partially implemented recommendations (under implementation), of which:
  - 0 recommendations for which the established due time was not exceeded;
  - 34 recommendations for which the established new agreed due time was not exceeded.

During the year 2023 a number of 19 recommendations have been supervised, having the following results:

- ✓ 3 implemented recommendations, of which:
  - 3 implemented recommendations within the established due time;
- ✓ 16 partially implemented recommendations (under implementation), of which:
  - 12 recommendations for which the established due time was not exceeded;
  - 4 recommendation for which the established new agreed due time was not exceeded.

Domain	Number of implemented recommendations		Number of partially implemented recommendations		Number of non-implemented recommendations	
	Within the established term	After the established term	That did not exceed the established term	That exceeded the established term	That did not exceed the established term	That exceeded the established term
Budgetary	-	-	-	-	-	*
Financial – accounting	12	-	54	-	-	-
Public procurements	-	-	-	-	-	-
Human resources	-	-	-	-	-	-
Information technology	-	-	-	-	-	-
Legal	-	-	-	-	-	-
Community funds	-	-	-	-	-	-
Entity specific functions	-	-	-	-	-	-
SCM/SCIM	-	-	-	-	-	-
Other domains	-	-	-	-	-	-
<b>TOTAL 1</b>	<b>12</b>	<b>-</b>	<b>54</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL 2</b>	<b>12</b>		<b>54</b>		<b>*</b>	

3. TELETRANS – in the year 2023 a number of 4 assurance missions were carried out. Taking into account that during an assurance mission several domains can be dwelt with, the following were ascertained:

- ✓ 0 assurance mission approached the budgetary domain;
- ✓ 0 assurance missions approached the financial - accounting domain;
- ✓ 1 assurance missions approached the public procurements domain;
- ✓ 0 assurance missions approached the human resources domain;
- ✓ 1 assurance missions approached the IT domain;
- ✓ 1 assurance mission approached the legal domain;
- ✓ None of the assurance missions approached the community fund domain;
- ✓ None of the assurance missions approached the specific entity domain;
- ✓ None of the assurance missions approached the SCM/SCIM;

- ✓ 1 assurance mission approached the corruption prevention domain;
- ✓ 0 assurance missions approached other domains.

No irregularities were found during the public audit missions carried out during the year 2023. There were no recommendations formulated and non - adopted by the management of the subsidiary. During the year 2023 a number of 53 recommendations have been supervised, having the following results:

- ✓ 16 implemented recommendations, of which:
  - 16 implemented recommendations within the established due time;
  - 0 implemented recommendations after the established due time;
- ✓ 0 partially implemented recommendations (under implementation), of which:
  - 0 recommendations for which the established due time was not exceeded;
  - 0 recommendations for which the established due time exceeded;
- ✓ 37 non - implemented recommendations, of which:
  - 37 recommendations for which the established due time was not exceeded;
  - 0 recommendations for which the established due time exceeded.

The objective of the supervising of recommendations is both to ensure that the recommendations presented in the internal audit report are implemented exactly on time and in an effective manner, and to assess the consequences in case of non – implementation. After submitting the Action Plan for the implementation of the recommendations of the audited structure, the internal auditors verify the implementation of recommendations within the the established deadlines, updating the Monitoring Sheet for the implementation of recommendations, corresponding to informing of the audited structure or by the evaluations made. The delivering of this action implies the elaboration of a half – yearly report regarding the state of implementation of recommendations developed in the internal audit reports.

Domain	Number of implemented recommendations		Number of partially implemented recommendations		Number of non-implemented recommendations	
	Within the established term	After the established term	That did not exceed the established term	That exceeded the established term	That did not exceed the established term	That exceeded the established term
Budgetary	-	-	-	-	-	-
Financial – accounting	6	-	-	-	1	-
Public procurements	3	-	-	-	2	-
Human resources	-	-	-	-	1	-
Information technology	-	-	-	-	3	-
Legal	-	-	-	-	2	-
Community funds	-	-	-	-	-	-
Entity specific	2	-	-	-	8	-



functions						
SCM/SCIM	1	-	-	-	8	-
Other domains	4	-	-	-	12	-
TOTAL 1	16	0	0	0	37	0
TOTAL 2	16		0		37	

### **I.6.2. Performing the counseling missions in the year 2023**

#### **❖ In the NPG Co. Transelectrica S.A.**

In 2023 no formalized counseling missions were carried out. However, the Public Internal Audit structure provided advice throughout the year to those who requested it. Thus, during the missions performed, clarifications were provided on various legal provisions and/or the operational procedures in force. Also, various requests for clarification from subsidiaries or organizational entities within the Company were promptly responded to.

#### **❖ In the subsidiaries of NPG Co. Transelectrica S.A.**

1. OPCOM – no formalized counseling mission has been performed.
2. SMART – no formalized counseling mission has been performed.
3. TELETRANS - no formalized counseling mission has been performed.

### **I.6.3. Performing the evaluation missions of the internal audit activity**

#### **❖ In the NPG Co. Transelectrica S.A.**

During the year 2023 there have been performed two evaluation missions. The activities of public internal audit of the subsidiaries SMART and OPCOM have been submitted for evaluation.

#### **❖ In the subsidiaries of NPG Co Transelectrica S.A.**

There was not the case.

## **I.7. Conclusions**

### **I.7.1. Conclusions regarding the public audit activity carried out within NPG Co. Transelectrica S.A.**

The public internal audit by means of the conducted activities adds value both by assessing the internal control system and by analysing of risks associated to auditable activities, as well as by the recommendations included in the elaborated report and sent in order to reach the Company's objectives. These recommendations have determined the audited structures to improve their activities and their internal control system, so that significant progress could be noticed from one audit to another. The monitoring activities are oriented towards the plus value created by the public internal audit in giving support to the Company to achieve its objectives. Taking into consideration the involvement of the personnel of the audited structures and their leaders in implementing the issued recommendations, we can say that the public internal audit gave support to the personnel by revising the working manner and the application of legal provisions, better organization of activity and permanent collaboration in the effectiveness of the works done.

The implementation of recommendations made within the public internal audit missions throughout the year 2023 were aimed at and led to:

- ❖ A more efficient knowledge and application of the legislation, of the procedures and instructions related to audited activities;
- ❖ The identification and correction of sanctionable deficiencies by external control bodies;

- ❖ Eliminating the negative aspects from the audited activities in order to reduce the conditions of occurrence of risks;
- ❖ A greater attention in applying the regulations in force related to the administration and management of the assets existing in the patrimony of the audited entities;
- ❖ Improving the way of working regarding the initiation and performance of public procurements procedures within the Company;
- ❖ Improving the way of working regarding the justification of expenses for the employees traveling in the country or abroad;
- ❖ A greater attention to compliance with the regulations in force regarding the performance of the annual inventory of the Company's assets;
- ❖ Improving the way of working regarding the follow – up of the contractual clauses by the contract managers and their attitude in case of non – compliance with these clauses by the contractual partners;
- ❖ Increasing the communication between the Company's entities;
- ❖ Improving the internal control system related to the audited entities and audited activities.

### **I.7.2. Conclusions related to the public internal audit activity performed within the subsidiaries of the Company**

#### **OPCOM**

The internal audit structure was functional; in accordance with the legal provisions in force there are 2 people hired full –time. The activities carried out in the audit structure are procedural and comply with the public internal audit methodology. Also, the Specific Activity Rules and the Internal Audit Charter are applied and they are approved by the hierarchically superior entity and the Chief Executive Officer of the OPCOM. The Quality Improvement and Insurance Programme (PAIC) is implemented. The activity carried out in 2023 within the public internal audit structure was planned in accordance with the legal provisions. The annual public internal audit plan for 2023 was fully accomplished. The public internal audit missions planned were completed on the established due time, in accordance with the annual activity plan approved by the management of the company. Within the internal audit activity, the staff of the audit structure took into consideration the alignment between the main risks the audited structure encountered and the level of effort made by the internal audit towards the possible vulnerabilities that can influence the achievement of their objectives. A minimum number of training days was set within the audit structure, foreseen by the regulation framework and this number is of 15 days of self – training. This form of professional training was formalized by issuing training sheets that can be found within the framework of the structure.

#### **SMART**

The internal audit activity added value within the company through the recommendations made throughout the performed missions. These recommendations determined the audited structures to improve their activities, their internal communication and the internal managerial control system. Thus, from one audit to another, progress and increases in the internal procedures revision and rules have been noted in the latest legislative changes with adaptation and practical applicability. The quality improvement of the internal control was appreciated by both the auditor and the management of the company, promoting the achievement of its objectives, intensifying the control, protecting the company's assets and

## TELETRANS

recommending improvement based on risk analysis and systematic approach.

The internal audit missions aimed to formulate recommendations for removing malfunctions and improving the activities of the audited structures, so that their efficiency and effectiveness shall increase and this will ultimately contribute to the achievement of the objectives set by the Company. The management's awareness regarding the need to strengthen the internal audit was achieved by the approval without objection of the reports for internal audit mission carried out during the year 2023.

### I.8. Suggestions to improve the public internal audit activity

#### Transelectrica



- ensuring a high qualified personnel in order to audit all the activities carried out by the Company as imposed by Law no. 672/2002 related to public internal audit;
- ensuring a level of remuneration of internal auditors corresponding to the hierarchy of this position within the remuneration system of the Company;
- Conducting regular meetings or discussions of internal auditors with the Company's top management in order to operatively clarify certain issues as well as the expectations of the top management regarding the public internal audit activity;
- the permanent increase in the professional quality of the human resources. Consequently, the professional training of the API staff will be taken into consideration, both by attending professional development courses and by self - training through studying appropriate topics to the professional level;
- Reasserting, in the work meetings of the line management within the Company, the role and function of the internal audit in achieving the objectives of the top management. .

#### OPCOM



- as mentioned in the previous chapters, the main action to improve the activity of public internal audit within the company refers to the increasing of professional quality of human resources.
- Consequently, in the year 2024, the professional training for the Internal Audit Office personnel will be taken into consideration, both by attending accredited courses in the field of public internal audit and by self training, by completing topics appropriate to the professional level, approved by the Head of the Internal Audit Office, in accordance with the Quality Insurance and Improvement Programme (PAIC).

#### SMART



- the improvement of the internal audit activities will be based on the improvement of the activity through complex professional training programs on concrete fields of the economic activity and forms of organization, as well as a close collaboration with the Internal Audit structure within Transelectrica.

#### TELETRANS



- Maintaining an adequate professional training of the internal auditors by attending professional training courses given by specialists in the field.
- the improvement of the public internal audit activity aims at the content of the procedural framework, as well as the development of a permanent professional collaboration from a methodological point of view and guidance, between the internal auditors within Teletrans and Transelectrica.

## II. Report on risk management process and performance monitoring within NPG Co. Transelectrica in the year 2023

### II.1. Organizational framework of risk management

In accordance with applicable legislation - *SGG Order 600/2018 approving the Code of internal managerial control of public entities*, in 2023 the Company's organisation and operation framework was consolidated as necessary to implement and develop the internal managerial control system, based on:

- ✓ Internal procedure: Risk Management, Edition 1, Revision 1;
- ✓ The structure, attributions and responsibilities of the Company's Risk Management Team (EMRC); within the team is constituted the Risk Management and Control Group (GMCR); the Risk Management Team's chairman Company-wide is the Risk Management deputy chief inspector within the Department of Critical Infrastructures. To provide efficient risk management in all Company structures, the leaders of the Company's organisational entities (units, divisions, departments, territorial transmission units) designated each a risk responsible person who is a member in the Company-wide Risk Management Team (EMRC);
- ✓ *Organisation and operation regulation of the Monitoring commission for the Company's internal / managerial control;*
- ✓ *The structure of the Technical Secretariat of the Monitoring commission to implement the Internal /Managerial control system (CM SCIM).*

The Monitoring Committee of the managerial control coordinates the updating of the general and specific objectives of the procedural activities, of the risk management process, the performance monitoring system, the status of the procedures and of the monitoring and of reporting system to the Company's management. The risks related to activities are identified and evaluated within each organizational entity of the Company (unit, department, direction, territorial unit of transmission) in accordance with the elements of the Risk Register, significant risks being centralized by the Critical Infrastructure – Risk Management Department in the Risk Register of the Company. The Monitoring Committee analysis and prioritizes the significant risks that may affect the achievement of the Company's objectives, by establishing annually the risk profile and the risk tolerance limit.

Based on the Risk Register within the Company, the Chairman of the Risk Management Team suggests the risk profile<sup>7</sup> and the risk tolerance limit<sup>8</sup>, which are analyzed and checked by the Monitoring Committee and approved by the Directorate of the Company. The managers of the organizational entities<sup>9</sup> within the Company send together with the Risk Register, the control measures for significant risks to the Chairman of the Risk Management Team within the Company who annually elaborates the Plan for the implementation of control measures for significant risks on the Company's level. The Plan is analyzed by the Monitoring Committee and approved by the Directorate of the Company.

The Technical Secretariat of the Monitoring Committee shall submit to the departments responsible for significant risk management the Action Plan approved, in order for it to be implemented. Based

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<sup>7</sup> un tablou cuprinzând evaluarea generală documentată și prioritarizată a gamei de riscuri specifice identificate, cu care se confruntă entitatea organizatorică

<sup>8</sup> cantitatea de risc pe care entitatea organizatorică este pregătită să o tolereze la un moment dat

<sup>9</sup> direcții, departamente, sucursale teritoriale de transport

on annual reporting process related to the development of the risk management process and the monitoring of performances within the organizational entities of the Company (reports sent by the managers of the organizational entities), the Chairman of the Risk Management Team forwards an information to the executive management of the Company regarding the conducting of the risk management process and the performance monitoring within the Company and this information includes an analysis of identified and managed risks within Transelectrica.

Within Transelectrica the risks that may have a substantial impact on the achievement/fulfillment of the Company's objectives are managed in accordance with the operational procedures specific to the current activities as well as with the specific procedure of *Risk Management*. Thus, the continuous improvement of the manner in which the risk management steps are carried on is ensured, namely the identification, evaluation, setting the management strategy, monitoring the implementation of control measures and the periodic reporting, as follows:

- ✚ Identifying risks in close connection with the activities associated to the specific objectives whose achievement might be influenced by risk occurrence; detecting the threats/vulnerabilities existent in current activities that might lead to unachieved objectives;
- ✚ Risk assessment by estimating the occurrence likelihood, the impact over activities associated to objectives achievement in case it occurs; risk hierarchy and priority depending on risk tolerance;
- ✚ Establishing the risk management strategy (risk response) by identifying the best risk treatment methods, including the control measures; risk analysis and management depending on the risk tolerance limit approved;
- ✚ Monitoring the application of control measures and reviewing them according to the effectiveness of their results;
- ✚ Periodical reporting on risks is submitted whenever necessary or at least once a year and in case risks persist, depending on the occurrence of new risks, the efficiency of the approved control measures, reevaluation of the existing risks, etc.

The procedure offers a working instrument to the personnel of NPG Co. Transelectrica, instrument that facilitates the management of risks in a methodical and efficient way in order to fulfill the Company's objectives. Under the procedure that contains the manner in which the measures of control for limiting the possible threats and consequences on risks occurrence are established, implemented and monitored, the documents regarding the management of risks that can affect the activity of Transelectrica are elaborated annually. The procedure foresees that every organizational entity within the Company has the obligation to systematically analyze at least once a year the risks related to the development of its activity and to elaborate the corresponding plans for limiting the possible consequences of risks occurrence. The management of each organizational entity nominates a person responsible for risks who ensures the annual elaboration of documents of Risk Register, Plan of Measures, Annual Report, the sheets of following up risks when necessary, the elaboration of risk alert forms, when a new risk occurs.

In 2023, the main documents regarding the risk management activity, elaborated within the Company, in order to facilitate the achievement of the Company's objectives, in conditions of economy, efficiency, effectiveness and fulfillment of the requirements, were:

- ✓ *Risk Register of 2023 for significant risks identified in the NPG. Co. Transelectrica;*
- ✓ *INFORMATION NOTE on the development of the risk management process and performance monitoring on NPG Co. Transelectrica in 2022;*
- ✓ *Prioritization of significant risks within the Company;*
- ✓ *The implementation Plan for Control Measures 2023 for significant risks within the Company;*

- ✓ *Internal Reports necessary to elaborate the periodical annual report, drawn up under the requirements of the capital market legislation and the A.N.R.E. regulations.*

Under the internal regulations, The Chairman of the Risk Management Team within the Company initiated the elaboration of the annual report requesting from the managers of the organizational entities the elaborated and approved documents within the organizational entity. Based on the information received, the following were elaborated:

- ❖ *Risk Register 2024 for significant risks identified in the NPG. Co. Transelectrica;*
- ❖ *The implementation Plan for Control Measures 2024 for significant risks within the Company.*

## **II.2. The analysis of the risks related to the activities – during the year 2023**

Within the updating process of Risk Register on the Company it was found that the risk exposure was maintained at the level of the previous year, the residual risks<sup>10</sup>, compared to the previous assessment remaining in general at the same level.

The risks identified in previous years are kept under proper control; however, the risk exposure related to investment and public procurement activities remain high.

Some risks have been reformulated in order to correlate better with Transelectrica's objectives and with the documents approved in the Company.

### **II.2.1. The risks that occurred in the year 2023:**

- Difficult procurement process of works from RET Maintenance Program, which may lead to its incomplete achievement;
- Difficult procurement process of works from Annual Investment Program, which can lead to performing it at a quality and quantity level below the levels approved;
- Deficiencies in staff recruitment, training and motivation;
  - Non –application of legal provisions in field of corporate governance at Company's level can have consequences on its activity – provisional mandates of members of governing bodies (Supervisory Board and Directorate) instead of those taken into consideration under law – mandates for four years with administration plan and objectives/indicators applicable to performing mandates – there are premises now of a process that shall remove the risk in near future, namely mandates for four years with administration plan and objectives/indicators applicable to performing mandates.
  - Malfunction of TEL's website for transparency/publication information for investors.
  - Non-providing of information/non – compliance with the due dates reported, as the case, as soon as possible, not later than 24 hours from producing that event/48h/3 days/5 days that directly refers to TEL, in order to fulfill the continuous information duties in accordance with the capital market legislation and the operational procedure of TEL.

### **II.2.2. The main risks identified within the Company**

#### **❖ Operational/strategic and technical risks**

- ✓ The loss of stability of the National Power System;
- ✓ Failures of installations and equipment; failures/unavailability of installations and equipment:
  - 220 kV and 400 kV OHL,
  - primary equipment in transformation stations,
  - protection and automation system,
  - transformation units and/or compensation coil,

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<sup>10</sup> The risk that is left after establishing and implementing the response to risk



- control and monitoring control system,
  - internal direct current and alternating current service installations
  - fire prevention and extinguishing installations,
  - communication/ telecommunications systems.
  - ✓ Malfunctions of the systems and platforms used by the operative management, communications and telecommunications;
  - ✓ The incomplete fulfillment of the RET Maintenance Program
  - ✓ The fulfillment below the established qualitatives and quantitative levels of the Annual Investment Program
  - ✓ Non - compliance with the legal conditions;
- ❖ **Financial risks related to energy markets**
- ✓ Interest risk
  - ✓ Foreign currency risk
  - ✓ Risk regarding the provisions of the financing agreements
  - ✓ Liquidity risk
  - ✓ Counterparty risk
  - ✓ Financial risks associated to energy markets
  - ✓ Price risk
  - ✓ The risk of non – payment.
- ❖ **Risks regarding the non – compliance with the legal conditions/non – compliance with the EU regulations** – licences, contractual risks, including fees from the authorities of compensating payments.
- ❖ **Security risks**
- ✓ Breaches in ensuring the security and critical infrastructures ICN/ICE protection and in ensuring the activity continuity during emergency situations,
  - ✓ The non – ensuring of the security of classified information,
  - ✓ The non – ensuring of the security and protection of cyber infrastructures.
- ❖ **Risks related to the personnel and the environment**
- ✓ Deficiencies/difficulties in staff recruitment, professional motivation, shortage of personnel with quality specialized professional training,
  - ✓ Not ensuring the environment protection,
  - ✓ Impact on the personnel's health and security
  - ✓ Releases/spills of substances harmful to the environment (smoke, SF6, oil, fuels, etc).

As the core activity of the NPG Co. Transelectrica, through the territorial transmission subsidiaries and Uno- DEN, is to ensure the continuous operation and operational management of the National Power System (SEN), in accordance with the quality, safety and efficiency norms provided by the Technical Code of RET and the European and national regulations in force, special priority and attention had been given to the criteria of health and safety of employees, as well as to the continuity of strategic functions for SEN, as system operator and electric energy carrier. From the technical point of view, taking into consideration the uncertainties regarding the evolution of the system and of the economic/climate frame, we are looking for robust and flexible solutions that can cope with several possible scenarios, thus reducing the risks.

### II.2.3. The resulted risk profile and the suggestion to prioritize the risks and the tolerance limits

Within the organizational entity (units, divisions, departments, territorial transmission units), the exposure was evaluated for each risk, both in terms of INHERENT risk<sup>11</sup>, as well as RESIDUAL <sup>12</sup> risk, evaluations included in the Risk Register in every organizational entity.

- ✓ The synthesis of Risk containing 127 identified risks in the EXECUTIVE, having the value of inherent and residual exposures, as follows:
  - Inherent risks: 61 low and 66 significant; within the significant ones, 37 are average and 29 high.
  - Residual risks: 84 low and 43 significant, of which 37 average and 6 high.
- ✓ The synthesis of Risks, containing 15 similar risks identified in the territorial transmission subsidiaries with the inherent and residual values.
  - Inherent risks: 38 low and 82 significant; within the significant ones, 81 are average and 1 high.
  - Residual risks: 115 low and 5 significant, of which 5 average and 0 high.

### II.3. Holding risks under control. Actions

The actions implemented to hold the risks under control in 2023 were included in the document the *Plan for the implementation of control measures for significant risks*, drawn up at the level of each organizational entity within the Company.

At the level of the Company, the *Plan for the implementation of control measures* was elaborated. The stage of its fulfillment is being observed within the guidance and control actions of the Risk Management and Control Group.

The actions taken in order to keep the risks under control in the year 2023, mainly, have decreased the probability of materialization and impact of the risk, as compared to the level of inherent risks.

The materialized risks were treated in accordance with the adopted strategy, imposed by the circumstances that favored the risk occurrence.

Establishing the risk management strategy involves:

1. The acceptance of the risk,
2. Risk monitoring,
3. Addressing the risk to eliminate/diminish it on an acceptable level through measures,
4. The outsourcing of the risk through: insurance, outsourcing of activity, other contracts with third parties.

For the risks with a minor impact, special measures have not been taken to monitor, treat or outsource, the results of their materialization being eliminated in the current maintenance and remediation processes. Each organizational entity (division, department, territorial transmission subsidiary) identified the most appropriate and feasible risk treatment/monitoring actions, in accordance with their responsibilities to manage, so as to record values as low as possible of risk exposure, in the given internal and external context.

Outsourcing measures of externalizing the risk have been taken, for example, measures to conclude insurance contracts at the Company's level, like:

- ✓ Insurance services for buildings, goods and equipment;
- ✓ RCA and CASCO insurance services for vehicles owned by the Company;
- ✓ Professional liability insurance services for the members of the Supervisory Board and of the Directorate.

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<sup>11</sup> Exposure to the risk related to the objectives fulfillment, in the absence of any action that could be performed, in order to reduce the probability and/or its impact.

<sup>12</sup> Exposure to the risk related to the objectives fulfillment, that remains after establishing and implementing the measures to treat the risk

Mainly, the strategies consisted in:

1. Addressing the significant risks for reduction to an acceptable level through measures and
2. Monitoring the significant risks.

The strategies are described in the Risk Register of Transelectrica for significant risks.

Among the internal control/implementation tools used, we mention:

- ✓ Measures within the procurement/maintenance/investment/personnel professional training programmes;
- ✓ Dedicated measures regarding the identification, monitoring, treating and outsourcing of risks;
- ✓ Insurance contracts that are carried on by the Company;
- ✓ Contractual provisions (regarding performance bond – GBE, penalties);
- ✓ Elaboration or revision of procedures;
- ✓ Change in the procedural and structural organization;
- ✓ Performance indicator attached to the objective;
- ✓ Redistribution of personnel;
- ✓ Establishing or updating data base.

The measures of control are fully implemented or are about to be implemented.

For the year 2024, the actions established to keep the risks under control are included in the document *Plan for the implementation of control measures 2024 for significant risks*, at the level of the Company, approved by the Directorate. This contains for each risk: causes, estimation of inherent risk (probability and impact), measures of control – to prevent, with deadlines and responsible persons, consequences, control measures to limit the consequences, with deadlines and responsible persons, residual risk estimation (probability and impact), entities that manage the risk.

During the year 2023, the risk management activity has been carried out properly within the entire Company, complying entirely and in time with the legal requirements and internal regulations.

However, for the major risks related to delays in achieving the Annual Sectorial Procurement Program, it is necessary to identify and implement drastic measures and the use of all legal tools that can raise the achievement degree of these programmes.

In order to maximize the management process of risks, it is recommended:

- ✚ The substantiation of projects/activities suggested to be included in the annual investment, procurement and maintenance programmes, should also contain elements related to risk management – which Company's risks are diminishing and the estimation of effects – regarding the changing of impact and of the occurrence probability of those risks; these aspects will also be included in the reports related to the performance of the annual programmes;
- ✚ Identifying the significant risks that can not be managed through procurement, investment and maintenance activities, risks that need to have measures plans regarding their monitorization, treating or outsourcing (together with the related financial suggestions, dedicated to these activities);
- ✚ Reports (synthesis) regarding the manner in which the achieved annual investment, procurement and maintenance programmes should be as well transmitted for information to the Chairman of the Risk Management Team from the Company, in order to supervise the manner in which risks are kept under control;
- ✚ Identification of interdependences – what other organizational entities can induce risks into the activity of another organizational entity; what other organizational entities might be impacted in the case of occurrence of some risks in the activity of an organizational entity;

- ✚ Correlation of the operational procedure to the other internal regulations and the use of a unitary terminology, in order for the current working manner to be in accordance with the legislation in force.

Developed by **Audit Committee and the Risk Management Committee of the Supervisory Board**

**Audit Committee of the Supervisory Board**, consisting of:

Chairman of the Audit Committee:	Luminița ZEZEANU	_____
Member of the Audit Committee	Teodor ATANASIU	_____
Member of the Audit Committee	RUSU Rareș Stelian	_____
Member of the Audit Committee	VASILESCU Alexandru-Cristian	_____
Member of the Audit Committee	Costin-Mihai PĂUN	_____

**Risk Management Committee** consisting of:

Chairman for risk management	ATANASIU Teodor	_____
Member for risk management	VASILESCU Alexandru-Cristian	_____
Member for risk management	DASCĂL Cătălin-Andrei	_____
Member for risk management	RUSU Rareș Stelian	_____
Member for risk management	ORLANDEA Dumitru Virgil	_____