REPORT
on the annual accounts of the European Training Foundation for the financial year 2010, together with the Foundation’s reply
(2011/C 366/26)

INTRODUCTION

1. The European Training Foundation (hereinafter 'the Foundation'), which is located in Turin, was created by Council Regulation (EEC) No 1360/90 (1). The Foundation's purpose is to support the reform of vocational training in the European Union's partner countries. As such, it assists the Commission in the implementation of various programmes (Phare, Tacis, CARDS and MEDA) (2).

2. The Foundation's 2010 budget was 19.3 million euro, compared with 20.2 million euro the previous year. The number of staff employed by the Foundation at the end of the year was 128, compared with 124 the previous year.

STATEMENT OF ASSURANCE

3. Pursuant to the provisions of Article 287(1), second subparagraph, of the Treaty on the Functioning of the European Union, the Court has audited the annual accounts (3) of the Foundation, which comprise the 'financial statements' (4) and the 'reports on the implementation of the budget' (5) for the financial year ended 31 December 2010, and the legality and regularity of the transactions underlying those accounts.

4. This Statement of Assurance is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 (6).

The Director's responsibility

5. As authorising officer, the Director implements the revenue and expenditure of the budget in accordance with the financial rules of the Foundation, under his own responsibility and within the limits of the authorised appropriations (7). The Director is responsible for putting in place (8) the organisational structure and the internal management and control systems and procedures relevant for drawing up final accounts (9) that are free from material misstatement, whether due to fraud or error, and for ensuring that the transactions underlying those accounts are legal and regular.

The Court’s responsibility

6. The Court’s responsibility is to provide, on the basis of its audit, a statement of assurance as to the reliability of the annual accounts of the Foundation and the legality and regularity of the transactions underlying them.

7. The Court conducted its audit in accordance with the IFAC and ISSAI (10) International Auditing Standards and Codes of Ethics. Those standards require the Court to comply with ethical requirements and to plan and perform the audit so as to obtain reasonable assurance as to whether the accounts are free of material misstatement and whether the underlying transactions are legal and regular.

8. The Court’s audit involves performing procedures to obtain audit evidence of the amounts and disclosures in the accounts and of the legality and regularity of the transactions underlying them. The procedures selected, including its assessment of the risks of material misstatement of the accounts or of illegal or irregular transactions, whether due to fraud or error, depend on its audit judgement. In making those risk assessments, internal controls relevant to the entity’s preparation and presentation of accounts are considered in order to design audit procedures that are appropriate in the circumstances. The Court’s audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the accounts.

(2) The Annex summarises the Foundation’s competences and activities. It is presented for information purposes.
(3) These accounts are accompanied by a report on the budgetary and financial management during the year which gives inter alia an account of the rate of implementation of the appropriations, with summary information on the transfers of appropriations among the various budget items.
(4) The financial statements include the balance sheet and the economic outturn account, the cash-flow table, the statement of changes in capital and the annex to the financial statements, which includes a description of the main accounting policies and other explanatory information.
(5) The budget implementation reports comprise the budget outturn account and its annex.
(8) The rules concerning the presentation of the accounts and accounting by the Agencies are laid down in Chapter I of Title VII of Regulation (EC, Euratom) No 2343/2002 as last amended by Regulation (EC, Euratom) No 652/2008 (OJ L 181, 10.7.2008, p. 23) and are integrated as such in the Financial Regulation of the Foundation.
(10) International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).
9. The Court believes that the audit evidence obtained is sufficient and appropriate to provide a basis for the opinions set out below.

**Opinion on the reliability of the accounts**

10. In the Court’s opinion, the Foundation’s Annual Accounts (11) fairly present, in all material respects, its financial position as of 31 December 2010 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation.

**Opinion on the legality and the regularity of the transactions underlying the accounts**

11. In the Court’s opinion, the transactions underlying the annual accounts of the Foundation for the financial year ended 31 December 2010 are, in all material respects, legal and regular.

This Report was adopted by Chamber IV, headed by Mr Igors LUDBORŽS, Member of the Court of Auditors, in Luxembourg at its meeting of 6 September 2011.

For the Court of Auditors

Vítor Manuel da SILVA CALDEIRA

President

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(11) The Final Annual Accounts were drawn up on 15 June 2011 and received by the Court on 16 June 2011. The Final Annual Accounts can be found on the following website http://eca.europa.eu or http://www.etf.europa.eu/Archive
ANNEX

**European Training Foundation (Turin)**

**Competences and activities**

<table>
<thead>
<tr>
<th>Areas of Union competence deriving from the Treaty</th>
<th>Competences of the Foundation</th>
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<tr>
<td>(Art. 166(3) of the Treaty on the Functioning of the European Union)</td>
<td>(Council Regulation (EEC) No 1360/90)</td>
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</tbody>
</table>

The Union and the Member States shall foster cooperation with third countries and the competent international organisations in the sphere of vocational training.

### Objectives

- To contribute, in the context of EU external relations policies, to improving human capital development in the following countries: the countries eligible for support under Regulations (EC) No 1085/2006 and No 1638/2006 and subsequent related legal acts; other countries designated by decision of the Governing Board on the basis of a proposal supported by two thirds of its members and a Commission opinion, and covered by a Union instrument or international agreement that includes an element of human capital development, and as far as available resources allow.

- For the purpose of this Regulation, 'human capital development' shall be defined as work which contributes to the lifelong development of individuals' skills and competences through the improvement of vocational education and training systems.

### Tasks

For the purpose of achieving the objective, the Foundation, within the limits of the powers conferred on the Governing Board and following the general guidelines established at Union level, shall have the following functions:

- to provide information, policy analyses and advice on human capital development issues in the partner countries,
- to promote knowledge and analysis of skills needs in national and local labour markets,
- to support relevant stakeholders in partner countries in building capacity in human capital development,
- to facilitate the exchange of information and experience among donors engaged in human capital development reform in partner countries,
- to support the delivery of Union assistance to partner countries in the field of human capital development,
- to disseminate information and encourage networking and the exchange of experience and good practice between the EU and partner countries and amongst partner countries in human capital development issues,
- to contribute, at the Commission's request, to the analysis of the overall effectiveness of training assistance to the partner countries,
- to undertake such other tasks as may be agreed between the Governing Board and the Commission, within the general framework of this Regulation.

### Governance

1. **Governing Board**

- One representative of each Member State.
- Three representatives of the Commission.
- Three non-voting experts appointed by the European Parliament.
- In addition, three representatives of the partner countries may attend meetings of the Governing Board as observers.
2 — Director
Appointed by the Governing Board on a proposal from the Commission.

3 — External Audit
Court of Auditors.

Resources made available to the Foundation in 2010 (2009)

<table>
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<th>Budget</th>
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<td>19.3 (20,2) million euro.</td>
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Staff at 31 December 2010

- 96 (96) temporary posts in the establishment plan, of which 92 (86) posts occupied,
- 36 (38) other staff (local agents, contract agents, seconded national experts).

Total staff: 128 (124), assigned to the following duties:

- operational tasks: 70 (64),
- administrative tasks: 31 (40),
- corporate coordination and communication tasks: 27 (20).

Products and services supplied during the financial year 2010 (2009)

The Foundation contributes, in the context of the EU external relations policies, to improving human capital development (HCD) in 29 partner countries designated by its regulation and the Governing Board. The main activities are supporting the EU policies and projects, providing policy analyses, disseminating and exchanging information and experience and supporting partner-country capacity building.

The Foundation's added value comes from its neutral, non-commercial and unique established knowledge base consisting of expertise in human capital development and its links to employment. This includes expertise in adapting the approaches to human capital development in the EU and its Member States to the context of the partner countries.

In 2010, the Foundation successfully completed a first year of the Turin Process (24 partner countries Vocational Education Training policy assessments) contributing to developing strategic policies, promoting development best practices, and facilitating coordination and harmonisation, as well as in the external dimension of internal European Union Policies.

It also worked on its main functions as follows:

- supporting the Union's policies and project cycle of External Relations instruments for the partner countries: 30 (30) outputs,
- capacity building of partner countries: 30 (67) outputs,
- policy analysis: 29 (23) outputs,
- dissemination and networking: 30 (22) outputs.

Outputs measure the accomplishment of the results of a project, and relate the budget to the Foundation's functions.

In addition to these functions carried out in the context of its work programme, the Foundation also responded to direct requests from the European Commission throughout the year. In 2010, the Foundation reported 105 (101) ongoing Commission requests, 62 % (56 %) were addressed to IPA countries, 30 % (40 %) to ENPI and 7 % (4 %) to DCI. One technical request was not linked to any of the three instruments.

IPA: Instrument for Pre-Accession Assistance.
DCI: Development Cooperation Instrument.

Source: Information provided by the Foundation.
1. The Foundation has taken note of the Court’s report.