

## REPORT

**on the annual accounts of the European Centre for the Development of Vocational Training for the financial year 2012, together with the Centre's replies**

(2013/C 365/04)

## INTRODUCTION

1. The European Centre for the Development of Vocational Training (hereinafter 'the Centre', aka 'Cedefop'), which is located in Thessaloniki, was established by Council Regulation (EEC) No 337/75 <sup>(1)</sup>. Its core mandate is to serve the development of vocational training at Union level. In order to achieve this objective, it has the task of compiling and disseminating documentation on vocational training systems <sup>(2)</sup>.

## INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE

2. The audit approach taken by the Court comprises analytical audit procedures, direct testing of transactions and an assessment of key controls of the Centre's supervisory and control systems. This is supplemented by evidence provided by the work of other auditors (where relevant) and an analysis of management representations.

## STATEMENT OF ASSURANCE

3. Pursuant to the provisions of Article 287 of the Treaty on the Functioning of the European Union (TFEU), the Court has audited:

- (a) the annual accounts of the Centre, which comprise the financial statements <sup>(3)</sup> and the reports on the implementation of the budget <sup>(4)</sup> for the financial year ended 31 December 2012, and
- (b) the legality and regularity of the transactions underlying those accounts.

## The management's responsibility

4. In accordance with Articles 33 and 43 of Commission Regulation (EC, Euratom) No 2343/2002 <sup>(5)</sup>,

the management is responsible for the preparation and fair presentation of the annual accounts of the Centre and the legality and regularity of the underlying transactions:

- (a) The management's responsibilities in respect of the Centre's annual accounts include designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies on the basis of the accounting rules adopted by the Commission's accounting officer <sup>(6)</sup>; making accounting estimates that are reasonable in the circumstances. The Director approves the annual accounts of the Centre after its accounting officer has prepared them on the basis of all available information and established a note to accompany the accounts in which he declares, inter alia, that he has reasonable assurance that they present a true and fair view of the financial position of the Centre in all material respects.
- (b) The management's responsibilities in respect of the legality and regularity of the underlying transactions and compliance with the principle of sound financial management consist of designing, implementing and maintaining an effective and efficient internal control system comprising adequate supervision and appropriate measures to prevent irregularities and fraud and, if necessary, legal proceedings to recover funds wrongly paid or used.

## The auditor's responsibility

5. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council <sup>(7)</sup> with a statement of assurance as to the reliability of the annual accounts and the legality and regularity of the underlying

<sup>(1)</sup> OJ L 39, 13.2.1975, p. 1.

<sup>(2)</sup> *Annex II* summarises the Centre's competences and activities. It is presented for information purposes.

<sup>(3)</sup> These include the balance sheet and the economic outturn account, the cash flow table, the statement of changes in net assets and a summary of the significant accounting policies and other explanatory notes.

<sup>(4)</sup> These comprise the budgetary outturn account and the annex to the budgetary outturn account.

<sup>(5)</sup> OJ L 357, 31.12.2002, p. 72.

<sup>(6)</sup> The accounting rules adopted by the Commission's accounting officer are derived from the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants or, where relevant, the International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

<sup>(7)</sup> Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 (OJ L 248, 16.9.2002, p. 1).

transactions. The Court conducts its audit in accordance with the IFAC International Standards on Auditing and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions. These standards require the Court to plan and perform the audit to obtain reasonable assurance as to whether the annual accounts of the Centre are free from material misstatement and the transactions underlying them are legal and regular.

6. The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts and the legality and regularity of the underlying transactions. The procedures selected depend on the auditor's judgement, which is based on an assessment of the risks of material misstatement of the accounts and material non-compliance by the underlying transactions with the requirements in the legal framework of the European Union, whether due to fraud or error. In assessing these risks, the auditor considers any internal controls relevant to the preparation and fair presentation of the accounts, as well as the supervisory and control systems that are implemented to ensure the legality and regularity of underlying transactions, and designs audit procedures that are appropriate in the circumstances. The audit also entails evaluating the appropriateness of accounting policies, the reasonableness of accounting estimates and the overall presentation of the accounts.

7. The Court considers that the audit evidence obtained is sufficient and appropriate to provide a basis for its statement of assurance.

#### **Opinion on the reliability of the accounts**

8. In the Court's opinion, the Centre's annual accounts present fairly, in all material respects, its financial position as at 31 December 2012 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2012 are legal and regular in all material respects.

10. The comments which follow do not call the Court's opinions into question.

#### **COMMENT ON INTERNAL CONTROLS**

11. The Centre awards grants on an annual basis to a network of national partners<sup>(8)</sup> (grants per agreement range between 23 615 euro and 43 620 euro). Grant expenditure (which mainly relates to beneficiaries' staff costs) in 2012 amounted to 695 337 euro<sup>(9)</sup>, or 4 % of total operating expenditure. The Centre's *ex ante* verifications of grants consist of a comprehensive desk-analysis of cost claims submitted by grant beneficiaries, as well as a review of certificates obtained from external auditors which were contracted by the beneficiaries or of certificates from independent public officers. However, the Centre does not usually verify the staff costs claimed by beneficiaries on the basis of original supporting documentation. Related *ex post* verifications were last carried out in 2009. As a result, *ex ante* verifications provide only limited assurance.

#### **COMMENTS ON BUDGETARY MANAGEMENT**

12. Budget implementation rates were high at 100 % for titles I and III and 98 % for title II. While carry-overs of committed appropriations were high for title II at 39 % (673 392 euro), this mainly resulted from reasons beyond the Centre's control, such as delays in the repair works carried out by the Greek authorities on the Centre's premises. These led to a postponement of the related maintenance, repair and fitting-out of premises (some 124 000 euro), as well as delays in procuring equipment for the Centre's conference rooms (some 242 000 euro). Part of the carry-overs is attributable to delays in procuring IT equipment (some 172 000 euro).

#### **OTHER COMMENTS**

13. Two recruitment procedures for the post of the Centre's future Director had been launched in 2010 and 2011 and both of them were declared unsuccessful<sup>(10)</sup>. A third recruitment procedure was launched at the end of 2012 and is still ongoing. The Court found that in the first two recruitment procedures members of the Pre-selection Committee did not sign a declaration of absence of conflict of interests and that questions for interviews and their weightings, as well as the threshold scores for being included in the list of suitable candidates were set after the screening of candidates.

#### **FOLLOW-UP OF PREVIOUS YEAR'S COMMENTS**

14. An overview of the corrective actions taken in response to the Court's previous year's comments is provided in *Annex I*.

<sup>(8)</sup> National agencies and research institutes mainly.

<sup>(9)</sup> Resulting from final payments and clearings of pre-financings related to grant agreements from previous years. For 2012 grant agreements, only pre-financings were made in 2012 which had not yet led to expenditure.

<sup>(10)</sup> In the first recruitment procedure, none of the candidates short-listed by the Centre's Governing Board was appointed by the European Commission. In the second recruitment procedure, the Pre-selection Committee considered that none of the proposed candidates met the requirements for being shortlisted and did not submit a list of suitable candidates to the Governing Board.

This Report was adopted by Chamber IV, headed by Dr Louis GALEA, Member of the Court of Auditors, in Luxembourg at its meeting of 9 July 2013.

*For the Court of Auditors*  
Vitor Manuel da SILVA CALDEIRA  
*President*

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## ANNEX I

**Follow-up of previous year's comments**

Year	Court's comment	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
2011	The excessive level of carry-overs for title II is at odds with the budgetary principle of annuality.	Ongoing
2011	A significant number of budgetary transfers was made which were mostly concentrated at the year-end <sup>(1)</sup> . The justification for these budgetary transfers was insufficient, as no estimate of needs was made. This situation indicates weaknesses in budget planning and programming and is at odds with the principle of specification.	Ongoing (completed as regards justification of transfers)
2011	Annually, the Centre's financing of grants for vocational education and training (VET) <sup>(2)</sup> amounts to about 1 million euro <sup>(3)</sup> . There were significant delays in the closing of grants for the year 2010, because beneficiaries submitted their final reports on activities late. The Centre itself was late in the verification of these reports and the processing of final payments <sup>(4)</sup> .	Completed

<sup>(1)</sup> In total, 77 budget transfers were made, totalling 1,5 million euro, of which 67 transfers (1,3 million euro) were made in November and December 2011.

<sup>(2)</sup> The Centre provides grants to a European network of reference and expertise ('ReferNet'), for providing information on the national vocational education and training systems and policies in the Member States, Norway and Iceland.

<sup>(3)</sup> 2011 and 2010: 0,9 million euro.

<sup>(4)</sup> On average, final payments were late by about 50 days.

## ANNEX II

## European Centre for the Development of Vocational Training (Thessaloniki)

## Competences and activities

<p><b>Areas of Union competence deriving from the Treaty</b></p> <p><i>(Article 166(1) of the Treaty on the Functioning of the European Union)</i></p>	<p><b>Collection of information</b></p> <p>The Union shall implement a vocational training policy which shall support and supplement the action of the Member States, while fully respecting the responsibility of the Member States for the content and organisation of vocational training.</p>
<p><b>Competences of Cedefop</b></p> <p><i>(Articles 2 and 3 of Council Regulation (EEC) No 337/75)</i></p>	<p><b>Objectives</b></p> <p>In its capacity as the European Union reference centre for vocational education and training, the Cedefop provides policy-makers, researchers and professionals with evidence on current trends to enable them to reach soundly based decisions and actions. Cedefop assists the European Commission in promoting and developing vocational education and training at Union level.</p> <p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>— To compile selected documentation and produce data analysis,</li> <li>— to contribute to research development and coordination,</li> <li>— to utilise and disseminate relevant information,</li> <li>— to encourage and support a concerted approach to matters relating to the development of vocational training,</li> <li>— to provide a forum for a broad and diverse public.</li> </ul>
<p><b>Governance</b></p>	<p><b>Governing Board</b></p> <p><i>Composition</i></p> <p>For each Member State:</p> <ul style="list-style-type: none"> <li>(a) One member representing the Government.</li> <li>(b) One member representing the employers' organisations.</li> <li>(c) One member representing the employees' organisations.</li> </ul> <p>For the European Commission: three members.</p> <p>The members referred to in (a), (b) and (c) are appointed by the Council. The Commission appoints the members who are to represent it.</p> <p>Coordinators from the Employers' organisations and Employees' organisations at European level and observers from the EEA countries also attend Governing Board and Bureau meetings.</p> <p><i>Duties</i></p> <p>To adopt the budget, medium term priorities (Cedefop's multiannual planning), work programme and assess and analyse the annual activity report and the annual accounts. To adopt the final budget and the establishment plan.</p> <p><b>Bureau</b></p> <p><i>Composition</i></p> <p>The chairman and the three vice-chairmen of the Governing Board, one coordinator per group and one additional representative of the Commission.</p>

	<p><b>Director</b></p> <p>Appointed by the Commission from a list of candidates submitted by the Governing Board; he/she is responsible for the management of Cedefop and implements the decisions of the Governing Board and the Bureau.</p> <p><b>Internal audit</b></p> <p>European Commission's Internal Audit Service (IAS).</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>European Parliament, acting on a recommendation from the Council.</p>
<p><b>Resources made available to the Centre in 2012 (2011)</b></p>	<p><b>Final Budget</b></p> <p>19,22 (18,83) million euro</p> <p>Union contribution <sup>(1)</sup>: 97,6 % (97,5 %)</p> <p><b>Staff as at 31 December 2012</b></p> <p>Number of posts in establishment plan: 101 (101)</p> <p>Posts occupied: 98 <sup>(2)</sup> (97)</p> <p>Other staff:</p> <ul style="list-style-type: none"> <li>— contract staff: 23 <sup>(3)</sup> (25)</li> <li>— seconded national experts: 3 (3)</li> </ul> <p>Total staff: 124 (125)</p> <ul style="list-style-type: none"> <li>— operational staff: 90 (90)</li> <li>— administrative: 34 (35)</li> </ul>
<p><b>Products and services in 2012 (2011)</b></p>	<p><b>Policy analysis and reporting</b></p> <p>Cedefop's report <i>Trends in VET policy in Europe 2010-12: Progress towards the Bruges Communiqué</i> was published and presented to the Directors General for Vocational Training (DGVTS) in Cyprus. Cedefop provided up-to-date information on VET systems, along with news on initiatives and policy developments in the Member States. Several 'Statistics of the month' with data across Europe focused on assessing the impact of the crisis. To meet the European Commission's demand for systematic country-based analysis of VET developments for the 'European semester', Cedefop refocused its work and introduced Spotlights on VET for all countries. For the DGVT meetings under the Danish and Cypriot Presidencies it prepared an overview of developments in VET-business cooperation and a briefing note on <i>Permeable education and training systems: reducing barriers and increasing opportunity</i>.</p> <p><b>Common European tools, qualifications and learning outcomes</b></p> <p>Cedefop coordinated the EQF (European Qualifications Framework) Advisory Group jointly with the European Commission and (co) drafted 23 background papers that informed policy debates. The briefing note <i>Qualifications frameworks in Europe: an instrument for transparency and change</i> issued for the DGVT meeting in Cyprus summarised the results of Cedefop's fourth annual report on NQF developments. Cedefop also analysed the reports by 10 countries explaining how they link their national qualifications to the EQF. The results of the third ECVET monitoring report were presented at the DGVTS meeting in Cyprus. Support to EQAVET continued. The</p>

Europass website – managed by Cedefop – has been increasingly used by Europe's young people. Since its launch, almost 60 million visits have been recorded (2012: 14,8 million; 2011: 12,9 million) and users have generated 25 million CVs online (2012: 8,3 million; 2011: 5,8 million). The study *Curriculum reform in Europe: the impact of learning outcomes* was published and discussed at an international workshop. In 2011/12, Cedefop coordinated 215 study visits for 2 448 specialists from 33 countries. Impact studies underline a high satisfaction rate (96 %).

#### **Adult learning and transitions**

The study *Adult learning in the workplace: skill development to promote innovation in enterprises* was issued for a workshop on this issue. To contribute to the European year of active ageing, Cedefop organised a workshop on sustaining employability through learning within DG EAC's conference 'One Step Up in later life'. It also issued its publication *Working and ageing – the benefits of investing in an ageing workforce*. Three publications focused on financing and other incentives for CVET. To support integration of young people in the labour market, Cedefop contributed to the event held at Germany's initiative to conclude cooperation agreements with several countries as part of the 'European alliance for apprenticeship'. The contribution also drew on the evidence in the report *From education to working life – The labour market outcomes of VET*.

#### **Skills analysis**

Cedefop presented its latest EU skill demand and supply forecast for 2010-2020 in the briefing note *Europe's skill challenge – Lagging skill demand increases risks of skill mismatch* and the publication *Future skills supply and demand in Europe – Forecast 2012*. Cedefop contributed to the EU Skills Panorama and issued two publications on green skills. For the Commission's report on *Employment and Social Developments in Europe 2012*, Cedefop drafted a chapter on skill mismatch. The report *Skill mismatch: the role of the enterprise* was debated at a workshop. A briefing note on *Preventing skill obsolescence* was also issued. For its initiative to create a regional skills anticipation monitoring tool, Cedefop provided expertise to the municipality of Thessaloniki.

#### **Organisational impact**

Key performance indicators show high organisational impact: citations in 169 EU and 68 international policy documents, some drawing substantially on Cedefop's work; contributions to 26 EU policy documents, 158 Presidency and other EU-level events; 150 events organised by Cedefop; 120 publications; 525 media articles on Cedefop's work recorded (+ 38 %); 636 000 publications downloaded (+ 33 %); 415 citations in scientific literature; significant growth in social media (+ 127 % Facebook; + 170 % Twitter). For cost savings, emphasis was placed on videoconferences and Skype has experimentally been used in recruitment procedures for interviews.

*For more information see [www.cedefop.europa.eu](http://www.cedefop.europa.eu) (Annual Report and Annual Activity Report 2012).*

<sup>(1)</sup> Note: the Union contribution includes a Union subsidy as well as BRS.

<sup>(2)</sup> This includes posts actually filled (92) and job offers made (6) for vacant posts (in line with the Multi Annual Staff Policy Plan approach).

<sup>(3)</sup> This includes 22 contract staff and 1 job offer made.

Source: Information supplied by the Centre.

### THE CENTRE'S REPLIES

11. The Centre scrutinises in detail proposals and cost estimates when assessing the grant applications. In the verification process the quality and completeness of deliverables are checked in detail.

To address the Court's concerns, as of this year, Cedefop will introduce, in addition to the audit certificates, detailed checks of personnel costs and time sheets for 3 randomly selected cases out of the 26 to 29 grant payments.

12. We take note of the observation on carry-overs in title II and confirm our continued commitment to lower these carry-overs.

13. The Centre points out that even though it provides assistance to the pre-selection committee it has no control over the procedure and the decisions of the pre-selection committee or Commission.

Evidence indicates that panel members have been aware of the necessity of absence of conflict of interest, nevertheless, members of the pre-selection committee have in the meantime signed formal declarations following the Court's suggestion.

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