

REPORT**on the financial statements of the European Foundation for the Improvement of
Living and Working Conditions for the 2003 financial year together with the
Foundation's replies**

(2004/C 324/11)

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INTRODUCTION

1. The European Foundation for the Improvement of Living and Working Conditions (hereinafter referred to as the Foundation) was set up by Council Regulation (EEC) No 1365/75 of 26 May 1975 ⁽¹⁾. Its aim is to contribute to the planning and establishment of better living and working conditions in the European Union by increasing and disseminating knowledge which is relevant to this subject. *Table 1* summarises the powers and activities of the Foundation on the basis of information supplied by it.

THE COURT'S OPINION

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

3. The Court has examined the Foundation's annual accounts for the financial year ended 31 December 2003. In accordance with Article 16 of Council Regulation (EEC) No 1365/75, the budget was implemented on the responsibility of its Director. This responsibility includes the drawing-up and presentation of the accounts ⁽³⁾, in accordance with the internal financial provisions provided for in the same article. The Court of Auditors is required under Article 248 of the Treaty establishing the European Community to examine these accounts.

4. The Court carried out its audit in accordance with its auditing policies and standards. These have been adapted from generally accepted international auditing standards to reflect the specific nature of the Community context. It examined the accounting documents and applied the audit procedures it considered necessary in this context.

5. The Court thus obtained reasonable assurance that the annual accounts for the financial year ended 31 December 2003 were reliable and that the underlying transactions were, taken as a whole, legal and regular. The content of the observations which follow does not call into question the audit opinion expressed by the Court in this report.

⁽¹⁾ OJ L 139, 30.5.1975, p. 1.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ As required under Article 83(3) of the Foundation's financial regulation, the final accounts for the financial year 2003 were drawn up on 3 September 2004 and forwarded to the Court of Auditors, which received them on 24 September 2004. A summarised version of the accounts is presented in the tables annexed to this report.

OBSERVATIONS

6. *Table 2* shows the implementation of appropriations for the financial year 2003 and the appropriations carried over from the previous financial year. The Foundation's revenue and expenditure account and the balance sheet for the financial year 2003 are summarised in *Tables 3 and 4*.

7. The Foundation signed an agreement with the Commission in the context of the Phare programme. Under this agreement, the Foundation received an allocation of one million euro, of which 639 000 euro were received in 2003. These funds were managed outside the budget. An amending budget should have been drawn up.

8. The revenue and expenditure account shows a loss which has accumulated over several financial years and which the Foundation has asked the Commission to reimburse. The Commission has regarded the corresponding payment as part of the subsidy for the financial year 2003, which means that the loss has not been discharged. Under the new provisions of the Foundation's financial regulation, if the balance of the outturn account for a particular year is negative, an amending budget ⁽⁴⁾ must be drawn up for the following year.

9. The Foundation's new financial regulation and its implementing rules were adopted by the Governing Board on 28 March 2003. These rules ⁽⁵⁾ provide for the introduction of a new internal control system (including internal audit), which was not finalised until the beginning of 2004.

10. Article 43(1)(e) of the Foundation's financial regulation provides that the accounting officer is to validate the systems laid down by the authorising officer to supply or justify accounting information. This validation did not take place during the financial year.

11. According to the basic regulation drawn up in 1975, the Foundation's principal aim is to contribute to the establishment of better living and working conditions by increasing and disseminating knowledge which is relevant to this subject. In particular, the Foundation is required to consider the following areas: man at work, organisation of work, problems peculiar to certain categories of workers, long-term aspects of the improvement of the environment and the distribution of human activities in space and in time. Certain aspects of these subjects have in practice been dealt with by other Agencies which have been set up since then (European Environment Agency, European Agency for Safety and Health at Work). The Foundation on the other hand has developed the analysis of other, more specific, aspects such as industrial relations.

⁽⁴⁾ Article 16 of the new financial regulation.

⁽⁵⁾ Article 38 of the Foundation's new financial regulation.

12. The Foundation's activities are governed by four-year rolling programmes, the most recent of which covers the period 2001 to 2004. While the main aim of the most recent programme was to achieve a greater concentration on certain key areas, in 2002 the Foundation added a further area to the three already selected. The planning of the Foundation's work programme ought to be reviewed in consultation with the other

Agencies that deal with subjects related to its area of activity so as to ensure that the basic priorities are well covered, to develop possible synergies and to avoid repeating work already carried out. The review of the Foundation's basic regulation which has been proposed by the Commission ought to be the occasion to do it.

This Report was adopted by the Court of Auditors in Luxembourg at its meeting of 29 and 30 September 2004.

For the Court of Auditors
Juan Manuel FABRA VALLÉS
President

Table 1
European Foundation for the Improvement of Living and Working Conditions (Dublin)

Areas of Community competence deriving from the Treaty	Competence of the Foundation as defined in Council Regulation (EEC) No 1365/75 of 26 May 1975	Governance	Resources available to the Foundation (data for 2002)	Products and services
<p>The Community and the Member States, having in mind fundamental social rights... shall have as their objectives... improved living and working conditions... The Community shall support and complement the activities of the Member States in the following fields... (b) working conditions; (c) social security and the social protection of workers; (d) protection of workers where their employment contract is terminated; (e) the information and consultation of workers; (f) representation and the collective defence of the interests of workers and employers, including co-determination; (g) conditions of employment for third-country nationals; (h) the integration of persons excluded from the labour market; (i) equality between men and women...</p> <p>(Extracts from Articles 136 and 137 of the Treaty)</p>	<p>Objectives</p> <p>The aim of the Foundation shall be to contribute to the establishment of better living and working conditions by increasing and disseminating knowledge which is relevant to this subject. In particular, it is required to consider the following areas:</p> <ul style="list-style-type: none"> — man at work — organisation of work and particularly job design — problems peculiar to certain categories of workers — long-term aspects of the improvement of the environment — the distribution of human activities in space and in time <p>Tasks</p> <ul style="list-style-type: none"> — To foster the exchange of information and expertise in these fields — To facilitate contact between universities, study and research institutes, economic and social administrations and organisations — To carry out studies or to conclude study contracts and to provide assistance for pilot projects — To cooperate as closely as possible with existing specialised institutes. 	<p>1. Administrative Board</p> <ul style="list-style-type: none"> — from each Member State: one government representative, one representative from employers' organisations and one workers' representative, — Three representatives from the Commission. <p>2. Director</p> <ul style="list-style-type: none"> — appointed by the Commission from a list of candidates submitted by the Administrative Board, he implements the decisions of the Administrative Board and directs the Foundation. <p>3. The Committee of Experts is composed of 15 members appointed by the Council on a proposal from the Commission, gives opinions in particular on the work programme.</p> <p>4. External audit:</p> <p>Court of Auditors</p> <p>5. Discharge given by the Parliament on a recommendation by the Council.</p>	<p>Final budget</p> <p>16,8 million euro (17,39 million euro) including Community contribution: 98,2 % (98,3 %)</p> <p>Staff numbers at 31 December 2003:</p> <p>88 (88) posts in the establishment plan</p> <p>Posts occupied: 76 (77)</p> <p>+ 16 (20) other posts (auxiliary contracts, national experts on secondment, local staff, employment agency staff)</p> <p>Total staff: 92 (97)</p> <p>Assigned to the following duties:</p> <ul style="list-style-type: none"> — operational: 60 (61) — administrative: 28 (32) — mixed: 4 (4) 	<p>Living conditions</p> <ul style="list-style-type: none"> — Survey of the quality of life in Europe (28 countries covered, 26 000 interviews) — Maintenance and extension of a base of comparable data (Member States and candidate countries) — Study of employment in health care services — Study relating to a new organisation of time over working life. <p>Working conditions</p> <ul style="list-style-type: none"> — Report on working conditions in the acceding and candidate countries — Creation of a network of experts for the new European Working Conditions Observatory (EWCO) — Studies relating to the hotel and catering and road transport sectors — Inventory of existing surveys of living and working conditions. <p>Industrial relations</p> <ul style="list-style-type: none"> — Development of indicators in the field of financial participation — Study relating to migration and employment — Expansion of the 'European Industrial Relations Observatory' network (EIRO) — Joint report with the Commission: 'Development of industrial relations in 2002' — Case studies of European Company Committees in 37 multinational companies. <p>European Monitoring Centre on Change (EMCC)</p> <ul style="list-style-type: none"> — Development of electronic publications — Organisation of four seminars and two workshops. <p>Transversal projects</p> <ul style="list-style-type: none"> — Report on corporate social responsibility (CSR). <p>Information and communication</p> <ul style="list-style-type: none"> — Communication activities in the Member States and candidate countries — Establishment of seven national liaison centres — 91 publications (this figure does not include translations).

Source: Information supplied by the Foundation.

Table 2
European Foundation for the Improvement of Living and Working Conditions — Implementation of the budget for the 2003 financial year

(million euro)

Revenue			Expenditure													
Origin of revenue	Revenue entered in the final budget for the financial year	Revenue collected	Expenditure allocation	Appropriations in the final budget					Appropriations carried over from the previous financial year			Available appropriations (appropriations for the current financial year and appropriations carried over from the previous financial year)				
				entered	com-mitted	paid	carried over	can-celled	out-stand-ing com-mit-ments	paid	can-celled	appro-pria-tions	com-mitted	paid	carried over	cancelled
Community subsidies	16,5	17,1	Title I Staff	9,0	9,0	8,9	0,1	0,0	0,2	0,2	0,0	9,2	9,2	9,1	0,1	0,0
Other subsidies	—	—	Title II Administration	1,2	1,2	1,0	0,2	0,0	0,7	0,7	0,0	1,9	1,9	1,7	0,2	0,0
Other revenue	0,3	0,1	Title III Operating activities	6,6	6,6	3,8	2,8	0,0	3,1	3,0	0,1	9,7	9,7	6,8	2,8	0,1
Total	16,8	17,2	Total	16,8	16,8	13,7	3,1	0,0	4,0	3,9	0,1	20,8	20,8	17,6	3,1	0,1

Source: The Foundation's data. This table summarises the data provided by the Foundation in its accounts.

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Table 3

European Foundation for the Improvement of Living and Working Conditions — Revenue and expenditure accounts for the financial years 2003 and 2002

	(1 000 euro)	
	2003	2002
Revenue		
Commission subsidies	17 090	16 500
Miscellaneous revenue	47	62
Financial revenue	35	57
Total revenue (a)	17 172	16 619
Expenditure		
<i>Staff — Title I of the budget</i>		
Payments	8 927	9 111
Appropriations carried over	109	216
<i>Administration — Title II of the budget</i>		
Payments	968	938
Appropriations carried over	224	683
<i>Operating activities — Title III of the budget</i>		
Payments	3 733	3 290
Appropriations carried over	2 817	3 105
Total expenditure (b)	16 778	17 343
Outturn for the financial year (a – b)	394	– 724
Balance carried over from the previous financial year	– 1 836	– 1 209
Appropriations carried over and cancelled	118	81
Sums from the previous financial year for re-use that were not used	19	13
PHARE revenue collected	639	0
PHARE revenue to be collected	361	0
PHARE expenditure	– 1 000	0
Exchange-rate differences	9	3
Balance for the financial year	– 1 296	– 1 836

Source: The Foundation's data. This table summarises the data provided by the Foundation in its own accounts.

Table 4

**European Foundation for the Improvement of Living and Working Conditions — Balance sheet as at 31 December 2003
and 31 December 2002**

(1 000 euro)

Assets	2003	2002	Liabilities	2003	2002
Fixed assets ⁽¹⁾			Fixed capital		
Intangible fixed assets	27	31	Own capital	4 389	4 294
Buildings ⁽²⁾	15 682	3 826	Revaluation reserve	12 094	0
Furniture and vehicle transportation material	142	139	Balance for the financial year	– 1 296	– 1 836
Computer equipment	107	149	<i>Subtotal</i>	15 187	2 458
Technical and other equipment	518	105	Current liabilities		
Fixed assets under construction	0	31	Automatic carry-overs of appropriations	3 150	3 940
<i>Subtotal</i>	16 476	4 281	Non-automatic carry-overs of appropriations	0	64
Stocks			Phare liabilities	329	0
Office supplies	7	13	Salary deductions	0	139
<i>Subtotal</i>	7	13	<i>Subtotal</i>	3 479	4 143
Current assets			Suspense accounts		
Commission Phare receivables	361	0	Sums to be re-used	22	150
Advances	2	11	Deferred revenue	2	1 840
VAT to be recovered	281	274	Payments in progress	0	30
Recovery orders to be collected	5	1 840	<i>Subtotal</i>	24	2 020
Sundry accounts receivable	41	13			
<i>Subtotal</i>	690	2 138			
Cash accounts					
Banks	1 331	1 960			
Cash	3	1			
Imprest account	183	228			
<i>Subtotal</i>	1 517	2 189			
Total	18 690	8 621	Total	18 690	8 621

⁽¹⁾ The net value of the fixed assets is shown. The data for 2002 have been reprocessed for the purposes of comparison.

⁽²⁾ The Foundation has decided to revalue its fixed assets (12,1 million euro).

Source: The Foundation's data. This table summarises the data provided by the Foundation in its own accounts.

THE FOUNDATION'S REPLIES

7. The Phare activity, not being explicitly covered by the Foundations establishing regulation, was not judged appropriate for integration in its budget. The Foundation takes note of the observation of the Court and will include Phare financing in its future budgets.

8. The Foundation is in contact with the Commission's services to clarify the issue of the accumulated deficit and the treatment of future deficits or surpluses.

9. Provision for the internal control function was finalised with the introduction of a financial and operational verification function in November 2003. This function and other control work is carried out by a specialised unit. The function of internal audit is provided by the Commission's Internal Audit Service.

10. The Accounting Officer relies on the validations performed by the Commission's services, which have provided the accounting systems in use by the Foundation.

12. In developing its programmes the Foundation has achieved synergies with other agencies to the effect that each deals with complementary aspects within common thematic competences in order to avoid duplication of work. This has been formalised in joint declarations e.g. with the European Agency for Safety and Health at Work in Bilbao.
