

**REPORT****on the annual accounts of the European Training Foundation for the financial year 2008, together with the Foundation's replies**

(2009/C 304/25)

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## INTRODUCTION

1. The European Training Foundation (hereinafter 'the Foundation'), located in Turin, was created by Council Regulation (EEC) No 1360/90 <sup>(1)</sup>. 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) <sup>(2)</sup>.

2. The Foundation's 2008 budget amounted to 22,4 million euro compared with 21,1 million euro the previous year. The number of staff employed by the Foundation at the end of the year was 124 as compared with 131 the previous year.

### STATEMENT OF ASSURANCE

3. Pursuant to the provisions of Article 248 of the Treaty the Court has audited the annual accounts <sup>(3)</sup> of the Foundation, which comprise the 'financial statements' <sup>(4)</sup> and the 'reports on implementation of the budget' <sup>(5)</sup> for the financial year ended 31 December 2008 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 <sup>(6)</sup>.

#### 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 her own responsibility and within the limits of authorised appropriations <sup>(7)</sup>. The Director is responsible for putting in place <sup>(8)</sup> the

organisational structure and the internal management and control systems and procedures relevant for drawing up final accounts <sup>(9)</sup> 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 <sup>(10)</sup> International Auditing Standards and Codes of Ethics. Those standards require that the Court complies with ethical requirements and plans and performs the audit to obtain reasonable assurance about whether the accounts are free from material misstatement and whether the underlying transactions are legal and regular.

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

9. The Court believes that the audit evidence obtained is sufficient and appropriate to provide a basis for the opinions set out below.

<sup>(1)</sup> OJ L 131, 23.5.1990, p. 1.

<sup>(2)</sup> The *Table* summarises the Foundation's competences and activities. It is presented for information purposes.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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 the description of the significant accounting policies and other explanatory information.

<sup>(5)</sup> The budget implementation reports comprise the budget outturn account and its annex.

<sup>(6)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(7)</sup> Article 33 of Commission Regulation (EC, Euratom) No 2343/2002 of 23 December 2002 (OJ L 357, 31.12.2002, p. 72).

<sup>(8)</sup> Article 38 of Regulation (EC, Euratom) No 2343/2002.

<sup>(9)</sup> The rules concerning the presentation of the accounts and accounting by the Agencies are laid down in chapter 1 of Title VII of Regulation (EC, Euratom) No 2343/2002 as last amended by Commission Regulation (EC, Euratom) No 652/2008 of 9 July 2008 (OJ L 181, 10.7.2008, p. 23) and are integrated as such in the Financial Regulation of the Foundation.

<sup>(10)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

**Opinion on the reliability of the accounts**

10. In the Court's opinion, the Foundation's Annual Accounts<sup>(1)</sup> present fairly, in all material respects, its financial position as of 31 December 2008 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 2008 are, in all material respects, legal and regular.

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

**COMMENTS ON THE BUDGETARY AND FINANCIAL MANAGEMENT**

13. The audited recruitment procedures showed various shortcomings. The overall reports prepared by the Recruitment Assessment Boards do not provide sufficient information on the procedures followed. Justifications for decisions and the dates of the same were omitted, rendering it difficult to assess the regularity of these procedures and hampering the transparency of the procedures.

14. In at least two cases, agents entitled to receive the expatriation allowance<sup>(12)</sup> were denied this allowance on the basis of an incorrect interpretation of the rules in force. The Foundation should correct these cases and perform the necessary verifications in order to be fully assured that other agents are not in a similar situation.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 8 October 2009.

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

<sup>(1)</sup> The Final Annual Accounts were drawn up on 15 June 2009 and received by the Court on 30 June 2009. The Final Annual Accounts, consolidated with those of the Commission are published in the *Official Journal of the European Union* by 15 November of the following year. These can be found on the following website <http://eca.europa.eu> or <http://www.etf.europa.eu/Archive>

<sup>(12)</sup> They are non-Italian nationals and arrived in Italy during the period of reference defined to determine the right to the expatriation allowance.

Table

## European Training Foundation (Turin)

Areas of Community competence deriving from the Treaty	Competences of the Foundation as defined in Council Regulation (EEC) No 1360/90		Governance	Resources made available to the Foundation in 2008 (Data for 2007)	Product and services supplied in 2008
<p>The Community shall carry out, within its spheres of competence, economic, financial and technical cooperation measures with third countries. Such measures shall be complementary to those carried out by the Member States and consistent with the development policy of the Community.</p> <p>(Article 181A of the Treaty)</p>	<p><b>Objectives</b></p> <ul style="list-style-type: none"> <li>— To contribute to the development of the professional training systems of central and eastern Europe, the independent States of the former Soviet Union benefiting from the economic reform and recovery assistance programme, and the territories and Mediterranean third countries benefiting from financial and technical accompanying measures for the reform of their economic and social structures.</li> <li>— To promote the coordination of the assistance provided to eligible countries.</li> </ul>	<p><b>Tasks</b></p> <p>In accordance with the general guidelines laid down by the Community, the ETF operates in the field of training, covering professional, initial and lifelong training and the retraining of young people and adults via the following tasks:</p> <ul style="list-style-type: none"> <li>— assistance in defining training needs and priorities through the implementation of technical assistance measures in the training field and cooperation with the appropriate designated bodies in the eligible countries,</li> <li>— acts as a clearing house to provide the Community, its Member States and interested third countries with information on current initiatives and future needs in the training field and provides a framework for channelling offers of assistance.</li> </ul>	<p><b>Governing Board</b></p> <ul style="list-style-type: none"> <li>— One representative of each Member State,</li> <li>— three representatives of the Commission,</li> <li>— chaired by the Commission.</li> </ul> <p><b>Director</b></p> <ul style="list-style-type: none"> <li>— Appointed by the Governing Board on a proposal from the Commission.</li> </ul> <p><b>Advisory Forum</b></p> <ul style="list-style-type: none"> <li>— Appointed by the Governing Board,</li> <li>— two experts from each Member State,</li> <li>— two experts from each eligible country,</li> <li>— two experts from the social partners at European level.</li> </ul> <p><b>External Audit</b></p> <p>European Court of Auditors.</p> <p><b>Internal Audit</b></p> <p>Commission's internal audit department.</p> <p><b>Discharge authority</b></p> <p>European Parliament on a recommendation from the Council.</p>	<p><b>Budget</b></p> <p>19,2 (21,1) million euro of which 18 (19,7) million euro funded by a Commission subsidy and 1,2 (1,4) million euro funded by other bodies as assigned revenue.</p> <p><b>Staff at 31 December 2008</b></p> <ul style="list-style-type: none"> <li>— 96 (100) temporary posts in the establishment plan, of which 86 (91) posts occupied,</li> <li>— 38 (40) other staff (auxiliaries, local agents, contract agents),</li> <li>— total staff: 124 (131), assigned to the following duties: <ul style="list-style-type: none"> <li>— operational tasks: 64 (72),</li> <li>— administrative tasks: 38,5 (40),</li> <li>— mixed tasks: 21,5 (19).</li> </ul> </li> </ul>	<p><b>Activities</b></p> <p>The assistance provided by the ETF covers a large range of technical fields including: initial vocational training, lifelong learning, continuing (adult) education, human resources development in companies, employment policies, training of the unemployed, poverty alleviation and social inclusion, and training to encourage local development.</p> <p><b>Support to the Commission</b></p> <p>In 2008, 111 new direct requests for support were received from the Commission. Most came from the delegations (49 %). The Commission's satisfaction rate with the ETF's response was 97 %.</p> <p>The most frequent applications were those in the field of policies and contributions in the preparation of European Neighbourhood Instruments (32 %), followed by formulation (21 %), programming (11 %), the identification of projects (10 %) and follow-up.</p> <p>Operational activities are classified in outputs (2008 figures) according to the following categories:</p> <p><i>Policy reviews and analysis:</i> 73 outputs 37 (IPA), 20 (ENPI), 8 (DCI), 8 (ILP)</p> <p><i>Capacity building actions:</i> 83 outputs 35 (IPA), 32 (ENPI), 16 (DCI)</p> <p><i>Support to programming cycle:</i> 25 outputs 11 (IPA), 9 (ENPI), 5 (DCI)</p> <p><i>Dissemination and networking:</i> 32 outputs 13 (IPA), 9 (ENPI), 7 (DCI), 3 (ILP)</p> <p><i>Effectiveness analysis:</i> 10 outputs 6 (IPA), 1 (ENPI), 2 (DCI), 1 (ILP)</p> <p><b>Total</b> 102 (IPA), 71 (ENPI), 38 (DCI), 12 (ILP) <b>223 outputs</b></p>

Areas of Community competence deriving from the Treaty	Competences of the Foundation as defined in Council Regulation (EEC) No 1360/90		Governance	Resources made available to the Foundation in 2008 <i>(Data for 2007)</i>	Product and services supplied in 2008
					<p><b>Instruments used</b></p> <p>IPA: Instrument for Pre-Accession Assistance  ENPI: European Neighbourhood and Partnership Instrument  DCI: Development Cooperation Instrument  ILP: Innovation and Learning Programmes</p>

Source: Information supplied by the Foundation.

**THE FOUNDATION'S REPLIES**

13. The Foundation has undertaken a thorough review of its recruitment procedures in response to the findings of an internal audit carried out by the Internal Audit Service (IAS) in 2008 and has implemented a series of actions, including enhancing documentation and transparency in selection processes.

14. The Foundation acknowledges the Court's opinion on expatriation allowance and has reviewed the individual cases concerned and made the appropriate adaptations.

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