

REPORT**on the annual accounts of the European Foundation for the Improvement of Living and Working Conditions for the financial year 2013, together with the Foundation's replies**

(2014/C 442/32)

INTRODUCTION

1. The European Foundation for the Improvement of Living and Working Conditions (hereinafter 'the Foundation', aka 'Eurofound'), which is located in Dublin, was established by Council Regulation (EEC) No 1365/75⁽¹⁾. The Foundation's task is to contribute to the planning and establishment of better living and working conditions in the Union by increasing and disseminating knowledge which is relevant to this subject⁽²⁾.

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 Foundation'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 Foundation, which comprise the financial statements⁽³⁾ and the reports on the implementation of the budget⁽⁴⁾ for the financial year ended 31 December 2013; and
- (b) the legality and regularity of the transactions underlying those accounts.

The management's responsibility

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Foundation and the legality and regularity of the underlying transactions⁽⁵⁾:

- (a) The management's responsibilities in respect of the Foundation'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⁽⁶⁾; making accounting estimates that are reasonable in the circumstances. The Director approves the annual accounts of the Foundation 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 Foundation 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.

⁽¹⁾ OJ L 139, 30.5.1975, p. 1.

⁽²⁾ *Annex I* summarises the Foundation's competences and activities. It is presented for information purposes.

⁽³⁾ 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.

⁽⁴⁾ These comprise the budgetary outturn account and the annex to the budgetary outturn account.

⁽⁵⁾ Articles 39 and 50 of Commission Delegated Regulation (EU) No 1271/2013 (OJ L 328, 7.12.2013, p. 42).

⁽⁶⁾ 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.

The auditor's responsibility

5. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council ⁽⁷⁾ with a statement of assurance as to the reliability of the annual accounts and the legality and regularity of the underlying 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 Foundation 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 Foundation's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 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 2013 are legal and regular in all material respects.

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

COMMENTS ON THE RELIABILITY OF THE ACCOUNTS

11. The Foundation carried out a comprehensive physical inventory exercise at the end of 2013 and the beginning of 2014. At the time of the Court's audit in February 2014, a physical inventory report had not yet been finalised. Tests carried out by the Court revealed that not all fixed assets were barcoded and recorded in the register and accounts. Equipment with a value of 209 843 euro ⁽⁸⁾ had been expensed instead of being capitalised, the error was corrected following the Court's audit. Some assets could not be traced to the suppliers' delivery notes in order to ensure the correct starting date for the calculation of the depreciation charge.

COMMENTS ON INTERNAL CONTROLS

12. The facts presented in paragraph 11 represent considerable internal control weaknesses in the area of fixed assets registration and accounting.

COMMENTS ON BUDGETARY MANAGEMENT

13. In 2013, the overall level of committed appropriations was 99 %, indicating that commitments were made in a timely manner. However, the level of committed appropriations carried over to 2014 however was high at some 662 831 euro (35,6 %) for title II (administrative expenditure) and some 3 375 781 euro (48,6 %) for title III (operating expenditure).

14. Carry-overs of committed title II appropriations mainly related to the procurement of IT hard- and software (281 934 euro, of which purchases amounting to 189 934 euro were originally planned for 2014), urgent and unforeseen repair works (69 000 euro) and refurbishment works to be contracted and planned for the beginning of 2014 (230 718 euro).

⁽⁷⁾ Article 107 of Regulation (EU) No 1271/2013.

⁽⁸⁾ Air conditioning system and other equipment in the Foundation's Conference Centre.

15. For title III, committed appropriations carried over amounting to 2 625 543 euro concerned multiannual projects for which activities were implemented and payments were made according to schedule. Unplanned carry-overs of 750 238 euro mainly related to an increase in the budget for several projects to enhance their scope and quality (65 %), translation services ordered in December 2013 but originally planned for 2014 (14 %), delays in procurement procedures (7 %), late invoicing by contractors (14 %) and other events beyond the Foundation's control.

OTHER COMMENTS

16. The Foundation became operational in 1975 and has, to date, worked on the basis of correspondence and exchanges with the host Member State. However, a comprehensive headquarters agreement between the Foundation and the Member State has not been signed. Such an agreement would further promote transparency in respect of the conditions under which the Foundation and its staff operate.

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 8 July 2014.

For the Court of Auditors

Vítor Manuel da SILVA CALDEIRA

President

ANNEX I

European Foundation for the Improvement of Living and Working Conditions (Dublin)**Competences and activities**

<p>Areas of Union competence deriving from the Treaty</p> <p><i>(Article 151 of the Treaty on the Functioning of the European Union)</i></p>	<p>The Union and the Member States, having in mind fundamental social rights such as those set out in the European Social Charter signed at Turin on 18 October 1961 and in the 1989 Community Charter of the Fundamental Social Rights of Workers, shall have as their objectives the promotion of employment, improved living and working conditions, so as to make possible their harmonisation while the improvement is being maintained, proper social protection, dialogue between management and labour, the development of human resources with a view to lasting high employment and the combating of exclusion. [...]</p>
<p>Competences of the Foundation</p> <p><i>(Council Regulation (EEC) No 1365/75, as amended by Regulation (EC) No 1111/2005)</i></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 experience 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 in the Member States and at international level.
<p>Governance</p>	<p>The Governing Board (GB)</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, — one regular meeting per year. <p>The Bureau of the GB</p> <ul style="list-style-type: none"> — consists of 11 members; three members from each of the social partners and the governments, two from the Commission, — it monitors the implementation of decisions of the GB and takes measures to ensure proper management between GB meetings, — six regular meetings per year.

	<p>The Director and Deputy Director are appointed by the Commission from a list of candidates submitted by the GB. The Director implements the decisions of the GB and its Bureau and manages the Foundation.</p> <p>Internal audit</p> <p>European Commission's Internal Audit Service (IAS).</p> <p>External audit</p> <p>European Court of Auditors.</p> <p>Discharge authority</p> <p>European Parliament acting on recommendation of the Council.</p>
<p>Resources available to the Foundation in 2013 (2012)</p>	<p>Budget</p> <p>20,6 (21,4) million euro</p> <p>Staff at 31 December 2013</p> <p><i>Officials and temporary staff:</i></p> <p>101 posts provided for in the establishment plan, of which 99 (98) were occupied at 31 December 2013</p> <p><i>Other staff:</i></p> <p>Seconded National Experts: 0 (0)</p> <p>Contract staff: 13 (12)</p> <p><i>Total staff employed:</i> 112 (110)</p> <p><i>Allocated to:</i></p> <p>Operating activities: 78 (77)</p> <p>Administrative tasks: 29 (28)</p> <p>Mixed: 5 (5)</p>
<p>Activities and services provided in 2013</p>	<p>Increasing labour market participation and combating unemployment by creating jobs, improving labour market functioning and promoting integration</p> <ul style="list-style-type: none"> — European Restructuring Monitor (ERM): 1 489 restructuring fact sheets added; two comparative analytical reports. — European Restructuring Monitor: ERM Annual Report 2013 — Monitoring and managing restructuring in the 21st century. — Other reports: Restructuring in SMEs in Europe; Born global: The potential of job creation in new international businesses; Employment polarisation and job quality in the crisis: European Jobs Monitor 2013. — 'Restructuring legislation' database and 'Restructuring support instruments' database verified and updated. <p>Improving working conditions and making work sustainable throughout the life course</p> <ul style="list-style-type: none"> — European Working Conditions Observatory (EWCO): 100 information updates added; four comparative analytical reports; Annual Report: Industrial relations and working conditions developments in Europe 2012; six survey reports.

— 5th European Working Conditions Survey — five secondary analysis reports published: Working time and work–life balance in a life course perspective; Health and well-being at work; Work organisation and employee involvement in Europe; Women, men and working conditions in Europe; Quality of employment conditions and employment relations in Europe.

— 3rd European Company Survey: fieldwork in 32 countries completed; summary of first findings published.

— Report: Impact of the crisis on working conditions in Europe.

Developing industrial relations to ensure equitable and productive solutions in a changing policy context

— European Industrial Relations Observatory (EIRO): 247 information updates added; four representativeness studies; two annual updates on pay and working time; Annual Report: Industrial relations and working conditions developments in Europe 2012; four comparative analytical reports; two survey reports.

— Other reports: Social partners' involvement in pension reform in the EU; National practices of information and consultation in Europe; Role of governments and social partners in keeping older workers in the labour market.

Improving standards of living and promoting social cohesion in the face of economic disparities and social inequalities

— 3rd European Quality of Life Survey:

— three secondary analysis reports published: Quality of life in Europe — Quality of society and public services; Third European Quality of Life Survey — Quality of life in Europe: Social inequalities; Third European Quality of Life Survey — Quality of life in Europe: Subjective well-being,

— two policy papers published: Household over-indebtedness in the EU: The role of informal debts; Political trust and civic engagement during the crisis,

— reports on quality of life in enlargement countries published.

— Report and country case studies: More and better jobs in home-care services.

— Report: Mobility and migration of healthcare workers in central and eastern Europe.

Communication and sharing ideas and experience

— 113 760 downloads of reports from Eurofound website. 2 060 195 user visits.

— 172 publications in PDF (671 linguistic versions).

— 220 EU policy documents quoting references to Eurofound findings and expertise.

— 202 on-request contributions to events.

THE FOUNDATION'S REPLIES

11. The physical inventory report was in the meantime finalised and published. Mistakes in relation to barcoding and registration have been rectified. Due to the low value of the items involved they are not considered assets and, therefore, the impact of these mistakes on the financial accounts was zero.

In all cases there is now a copy of the delivery note attached to the invoice which ensures proper tracing of the correct starting date for calculation of the depreciation.

12. The weaknesses in the area of fixed assets registration and accounting were largely due to the transition period towards a new assets accounting system. This is now remedied by the full implementation of ABAC Assets and substantial changes in the internal workflows.

13.-15. The figures and analysis are accepted and confirmed. The high level of carry-overs relating to services originally planned for 2014 (43 % of all unplanned carry-overs) are due to the decisions on staff salaries for 2011 and 2012 which were taken late in 2013 and led to some available budget left. To ensure a high level of budget execution it was decided to use up the available funds according to the advice received from the Commission. Carry-overs (excl. those related to activities planned for 2014 and brought forward) show that less than 20 % were unplanned and partly outside Eurofound's control.

16. For over 30 years Eurofound had quite detailed arrangements with the Irish government on the application of the Protocol on Privileges and Immunities.

Nevertheless, in early February Eurofound started negotiations on this topic with a view to come to an agreement with the Irish government by the end of 2014.
