

**COUNCIL OF  
THE EUROPEAN UNION**

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**COVER NOTE**

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from:	Mr Vítor CALDEIRA, President of the Court of Auditors
date of receipt:	30 October 2012
to:	Mrs Erato KOZAKOU-MARCOULLIS, President of the Council of the European Union

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Subject:	Report on the annual accounts of the European Foundation for the Improvement of Living and Working Conditions for the financial year 2011 together with the Foundation's replies
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Sir,

I enclose in all the official languages of the European Union a copy of the Court of Auditors' report on the annual accounts of the European Foundation for the Improvement of Living and Working Conditions for the financial year 2011.

This report is accompanied by the Foundation's replies and will shortly be published in the Official Journal of the European Union.

(Complimentary close).

(s.) Vítor CALDEIRA

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Encl.: Report on the annual accounts of the European Foundation for the Improvement of Living and Working Conditions for the financial year 2011 together with the Foundation's replies.

ЕВРОПЕЙСКА СМЕТНА ПАЛАТА  
TRIBUNAL DE CUENTAS EUROPEO  
EVROPSKÝ ÚČETNÍ DVŮR  
DEN EUROPÆISKE REVISIONSRET  
EUROPÄISCHER RECHNUNGSHOF  
EUROOPA KONTROLLIKODA  
ΕΥΡΩΠΑΪΚΟ ΕΛΕΓΚΤΙΚΟ ΣΥΝΕΔΡΙΟ  
EUROPEAN COURT OF AUDITORS  
COUR DES COMPTES EUROPÉENNE  
CÚIRT INIÚCHÓIRÍ NA HEORPA



CORTE DEI CONTI EUROPEA  
EIROPAS REVĪZIJAS PALĀTA  
EUROPOS AUDITO RŪMAI

EURÓPAI SZÁMVEVŐSZÉK  
IL-QORTI EWROPEA TAL-AWDITURI  
EUROPESE REKENKAMER  
EUROPEJSKI TRYBUNAŁ OBRACHUNKOWY  
TRIBUNAL DE CONTAS EUROPEU  
CURTEA DE CONTURI EUROPEANĂ  
EURÓPSKY DVOR AUDÍTOROV  
EVROPSKO RAČUNSKO SODIŠČE  
EUROOPAN TILINTARKASTUSTUOMIOISTUIN  
EUROPEISKA REVISIONSRÄTTEN

Report on the annual accounts  
of the European Foundation for the Improvement of Living and Working Conditions  
for the financial year 2011

together with the Foundation's replies

## **INTRODUCTION**

1. The European Foundation for the Improvement of Living and Working Conditions (hereinafter "the Foundation"), which is located in Dublin, was established by Council Regulation (EEC) No 1365/75 of 26 May 1975<sup>1</sup>. 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<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 Foundation's supervisory and control systems. This is supplemented by an analysis of management representations. In preparation for the proposed modifications to the EU Financial Regulation, the Court engaged an audit firm to carry out the audit, applying the Court's audit approach and procedures. The Court reviewed the work performed and has used it in support of its opinion.

## **STATEMENT OF ASSURANCE**

3. Pursuant to the provisions of Article 287 of the Treaty on the Functioning of the European Union, 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 the

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<sup>1</sup> OJ L 139, 30.5.1975, p. 1.

<sup>2</sup> The **Annex** 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 further information on budget implementation and management.

<sup>4</sup> The financial statements 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.

implementation of the budget”<sup>5</sup> for the financial year ended 31 December 2011, and the legality and regularity of the transactions underlying those accounts.

#### The Management’s responsibility

4. 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<sup>6</sup>. The Director is responsible for putting in place<sup>7</sup> the organisational structure and the internal management and control systems and procedures relevant for drawing up final accounts<sup>8</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 Auditor’s responsibility

5. The Court’s responsibility is to provide, on the basis of its audit, the European Parliament and the Council<sup>9</sup> with 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.

6. The Court conducted its audit in accordance with the IFAC International Standards on Auditing and Codes of Ethics and the INTOSAI International

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

<sup>6</sup> Article 33 of Commission Regulation (EC, Euratom) No 2343/2002 (OJ L 357, 31.12.2002, p. 72).

<sup>7</sup> Article 38 of Regulation (EC, Euratom) No 2343/2002.

<sup>8</sup> The rules concerning the presentation of the accounts and accounting by the Agencies are laid down in Chapters 1 and 2 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.

<sup>9</sup> Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002.

Standards of Supreme Audit Institutions. These standards require that the Court plans and performs the audit to obtain reasonable assurance as to whether the annual accounts of the Foundation are free of material misstatement and the transactions underlying them are legal and regular.

7. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts and the legality and regularity of the transactions underlying them. The procedures are selected based on the auditor's judgment, including an assessment of the risks of material misstatement of the accounts and of material non-compliance of the underlying transactions with the requirement of the legal framework of the European Union, whether due to fraud or error. In assessing those risks, the auditor considers internal controls relevant to the preparation and fair presentation of the accounts and supervisory and control systems implemented to ensure legality and regularity of underlying transactions, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made, as well as evaluating the overall presentation of the accounts.

8. The Court considers 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***

9. In the Court's opinion, the Foundation's Annual Accounts<sup>10</sup> present fairly, in all material respects, its financial position as of 31 December 2011 and the results of its operations and its cash flows for the year then ended, in

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<sup>10</sup> The Final Annual Accounts were drawn up on 20/06/2012 and received by the Court on 29/06/2012. 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.eurofound.europa.eu>.

accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer<sup>11</sup>.

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

10. In the Court's opinion, the transactions underlying the annual accounts of the Foundation for the financial year ended 31 December 2011 are legal and regular in all material respects.

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

**COMMENTS ON BUDGETARY AND FINANCIAL MANAGEMENT**

12. The Foundation carried over 47 % of Title III appropriations (operational expenditure) amounting to 3,4 million euro, of which 1,6 million euro was unplanned (22 % of Title III). This situation is at odds with the budgetary principle of annuality.

**OTHER COMMENTS**

13. The Court identified a need to improve the transparency of recruitment procedures: selection board meetings were not always sufficiently documented and there is no evidence that questions for interviews or written tests were set before the examinations.

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<sup>11</sup> The accounting rules adopted by the Commission's accounting officer are derived from International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants or, in their absence, International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

This report was adopted by Chamber IV, headed by Mr. Louis GALEA, Member of the Court of Auditors, in Luxembourg at its meeting of 5 September 2012.

*For the Court of Auditors*

*Vítor Manuel da SILVA CALDEIRA*

*President*

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

**Competences and activities**

<b>Areas of Union competence deriving from the Treaty</b>  <i>(Article 151 of the Treaty on the Functioning of the European Union)</i>	<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>
<b>Competences of the Foundation</b>  <i>(Council Regulation (EEC) No 1365/75 as amended by Regulation (EC) No 1111/2005)</i>	<p><b>Objectives</b></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"> <li>- man at work,</li> <li>- organisation of work and particularly job design,</li> <li>- problems peculiar to certain categories of workers,</li> <li>- long-term aspects of the improvement of the environment,</li> <li>- the distribution of human activities in space and in time.</li> </ul> <p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>- to foster the exchange of information and experience in these fields,</li> <li>- to facilitate contact between universities, study and research institutes, economic and social administrations and organisations,</li> <li>- to carry out studies or to conclude study contracts and to provide assistance for pilot projects,</li> <li>- to cooperate as closely as possible with existing specialised institutes in the Member States and at international level.</li> </ul>
<b>Governance</b>	<p><b>The Governing Board (GB)</b></p> <ul style="list-style-type: none"> <li>- from each Member State: one government representative, one representative from employers' organisations and one workers' representative,</li> <li>- three representatives from the Commission,</li> <li>- one regular meeting per year.</li> </ul> <p><b>The Bureau of the GB</b></p> <ul style="list-style-type: none"> <li>- consists of 11 members; three members from each of the social partners and the governments, two from the Commission,</li> <li>- it monitors the implementation of decisions of the GB and takes measures for the proper management between GB meetings,</li> <li>- 6 regular meetings per year.</li> </ul> <p><b>The Director and Deputy Director</b> 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><b>Internal audit</b></p> <p>Internal Audit Service (IAS) of the Commission.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>European Parliament acting on recommendation of the Council.</p>
<b>Resources available to the Foundation in 2011 (2010)</b>	<p><b>Budget</b></p> <p>20,6 million euro (20,85 million euro)</p> <p><b>Staff at 31 December 2011</b></p> <p>Temporary Agents: 101 posts provided for in the establishment plan, of which 97 (91) were occupied at 31 December 2011.</p> <p>Other Staff:</p>



	<p>Seconded National Experts: 0 (0)  Contract Agents: 9 (10)  Total Staff employed: 106 (101)  <i>Allocated to:</i>  Operating activities: 72 (66)  Administrative tasks: 29 (31)  Mixed: 5 (4)</p>
<b>Activities and services provided in 2011 (2010)</b>	<p><b>Monitoring and surveys</b></p> <p>Network of European Observatories (NEO):</p> <ul style="list-style-type: none"> <li>- European Industrial Relations Observatory (EIRO): 326 information updates added; 4 representativeness studies; 2 annual updates on pay and working time; Industrial relations and working conditions developments in Europe 2010; 4 comparative analytical reports; 1 survey report</li> <li>- European Working Conditions Observatory (EWCO): 99 information updates added; 3 comparative analytical reports; Industrial relations and working conditions developments in Europe 2010; 9 survey reports</li> <li>- European Restructuring Monitor (ERM) 1,350 restructuring fact sheets added; 3 comparative analytical reports</li> </ul> <p>Surveys:</p> <ul style="list-style-type: none"> <li>- 5<sup>th</sup> European Working Conditions Survey: first findings published and preparation of overview report and secondary analysis</li> <li>- 2<sup>nd</sup> European Quality of Life Survey: secondary analysis on Quality of life in Croatia, the former Yugoslav Republic of Macedonia and Turkey; Quality of life in ethnically diverse neighbourhoods; Participation in volunteering and unpaid work</li> <li>- 2<sup>nd</sup> European Company Survey: secondary analysis on Performance-related pay and employment relations in European companies; Employee representation at establishment level in Europe; Management practices and sustainable organisational performance</li> </ul> <p><b>Employment and competitiveness</b></p> <ul style="list-style-type: none"> <li>- European Restructuring Monitor - ERM Report 2011: Public instruments to support restructuring in Europe</li> <li>- European Jobs Monitor – EJM report: Shifts in the job structure in Europe during the Great Recession</li> <li>- Young people and NEETs ('Not in Employment, Education or Training'): Challenges and solutions for higher participation of young people in the labour market</li> <li>- Report on Emerging forms of entrepreneurship</li> <li>- Joint public-private local partnerships for employment to cope with the recession</li> <li>- Public measures to support self-employment and job creation in one-person and micro enterprises</li> <li>- Impact of inter-firm relationships – employment and working conditions</li> </ul> <p><b>Industrial relations and workplace development</b></p> <ul style="list-style-type: none"> <li>- Industrial relations and working conditions developments in Europe 2010</li> <li>- Social dialogue and working conditions</li> <li>- SMEs (Small and Medium sized Enterprises) in the crisis: Employment, industrial relations and local partnership</li> <li>- Helping young workers during the crisis: contributions by social partners and public authorities</li> <li>- Employment and industrial relations in the health care sector</li> <li>- Social dialogue in the banking sector</li> </ul> <p><b>Social cohesion and quality of life</b></p> <ul style="list-style-type: none"> <li>- Active inclusion of young people with disabilities or health problems</li> <li>- Managing household debts</li> <li>- Promoting ethnic entrepreneurship in European cities</li> <li>- Company initiatives for workers with care responsibilities for disabled children or adults</li> <li>- Volunteering by older people in the EU</li> </ul> <p><b>Communication and sharing ideas and experience</b></p> <p>73 952 print publications disseminated; 4 e-alerts totalling 18 440 emails; 895 new web and print publications; 873 contacts and briefing meetings with European level policy makers; over 2 million user sessions; 20 media activities resulted in reaching 178 million European citizens; 228 enquiries from journalists; more than 3 300 quotations in European media, over 450 quotations of The Foundation research in scientific journals in Europe.  Over 170 EU policy documents quoting references to the Foundation findings and expertise.</p>

	<ul style="list-style-type: none"><li>- 15 exhibitions and 33 visits to The Foundation, which consisted of 328 visitors.</li><li>- Cooperation with other EU agencies in a joint European Parliament/EU agencies seminar on Youth and Employment</li></ul>
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*Source:* Information supplied by the Foundation.

## **THE FOUNDATION'S REPLY**

12. Eurofound is highly committed to continue and even increase efforts to reduce the amount of unplanned carry-forward through closer budget monitoring.

13. The audited procedures took place before the improvements initiated following previous audits became fully evident. The shortlisting and interview criteria are exactly as used in the vacancy notice. The questions are linked directly to these criteria. Therefore the areas of questioning, and by extension the questions, are set from the moment that the vacancy notice is agreed and published. The written tests are always set before the shortlisting of candidates.