



**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: | 7 November 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 Centre for the Development of Vocational Training for the financial year 2011 together with the Centre'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 Centre for the Development of Vocational Training for the financial year 2011.

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

(Complimentary close).

(s.) Vítor CALDEIRA

Encl.: Report on the annual accounts of the European Centre for the Development of Vocational Training for the financial year 2011 together with the Centre'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
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EUROPEISKA REVISIONSRÄTTEN

Report on the annual accounts
of the European Centre for the Development of Vocational Training
for the financial year 2011

together with the Centre's replies

INTRODUCTION

1. The European Centre for the Development of Vocational Training (hereinafter "the Centre"), which is located in Thessaloniki, was established by Council Regulation (EEC) No 337/75¹. 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 systems².

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, the Court has audited the annual accounts³ of the Centre, which comprise the "financial statements"⁴ and the "reports on the

¹ OJ L 39, 13.2.1975, p. 1.

² The ***Annex*** summarises the Centre's competences and activities. It is presented for information purposes.

³ 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.

⁴ 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”⁵ 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 Centre, under his own responsibility and within the limits of the authorised appropriations⁶. The Director is responsible for putting in place⁷ the organisational structure and the internal management and control systems and procedures relevant for drawing up final accounts⁸ 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 Council⁹ with a statement of assurance as to the reliability of the annual accounts of the Centre 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

⁵ The budget implementation reports comprise the budget outturn account and its annex.

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

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

⁸ 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 Centre.

⁹ 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 Centre 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 Centre's Annual Accounts¹⁰ 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 accordance with

¹⁰ The Final Annual Accounts were drawn up on 13 June 2012 and received by the Court on 29 June 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.cedefop.europa.eu/>.

the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer¹¹.

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 Centre 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 Centre's 2011 budget amounted to 18,9 million euro, out of which 0,9 million euro (5 %) were carried over to 2012¹². The carryovers include 0,6 million euro appropriations for Title II "administrative expenditure" (37 % of total Title II appropriations). Only 0,075 million euro (13 %) of this amount related to services received in 2011 and were accrued as charges. The low level of accruals is due to contracts being signed close to the year end, for which most of the goods and services will be provided in 2012. The excessive level of carryovers for Title II is at odds with the budgetary principle of annuality.

13. A significant number of budgetary transfers was made which were mostly concentrated at the year end¹³. An amount of 0,7 million euro was transferred

¹¹ 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.

¹² The carried over appropriations refer to Title I "staff expenditure" and Title II "administrative expenditure" (there are no automatic carry overs for Title III "operating expenditure", as they are managed as dissociated appropriations).

¹³ 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.

from Title I “staff expenditure” to Title II “administrative expenditure” (0,2 million euro) and Title III “operational expenditure” (0,5 million euro). 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.

COMMENTS ON KEY CONTROLS OF THE CENTRE’S SUPERVISORY AND CONTROL SYSTEMS

14. Annually, the Centre’s financing of grants for vocational education and training (VET)¹⁴ amounts to about 1 million euro¹⁵. 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 payments¹⁶.

This Report was adopted by Chamber IV, headed by Dr Louis GALEA, Member of the Court of Auditors, in Luxembourg at its meeting of 11 September 2012.

For the Court of Auditors

Vítor Manuel da SILVA CALDEIRA
President

¹⁴ 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.

¹⁵ 2011 and 2010: 0,9 million euro

¹⁶ On average, final payments were late by about 50 days.

European Centre for the Development of Vocational Training (Thessaloniki)**Competences and activities**

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| Areas of Union competence deriving from the Treaty <i>(Article 166(1) of the Treaty on the Functioning of the European Union)</i> | Collection of information 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. |
| Competences of the Centre <i>(Articles 2 and 3 of Council Regulation (EEC) No 337/75)</i> | Objectives In its capacity as the European Union reference centre for vocational education and, training, the Centre provides policy-makers, researchers and professionals with evidence on current trends to enable them to reach soundly based decisions and actions. The Centre assists the European Commission in promoting and developing vocational education and training at Union level. Tasks <ul style="list-style-type: none"> - To compile selected documentation and produce data analysis, - To contribute to research development and coordination, - To utilise and disseminate relevant information, - To encourage and support a concerted approach to matters relating to the development of vocational training, - To provide a forum for a broad and diverse public. |
| Governance | Governing Board <i>Composition</i> For each Member State: a) One member representing the Government, b) One member representing the employers' organisations, c) One member representing the employees' organisations. Three members representing the European Commission. The members referred to in a), b) and c) are appointed by the Council. The Commission appoints the members who are to represent it. Coordinators from the Employers' organisations and Employees' organisations at European level and observers of the EEA countries also attend Governing Board and Bureau meetings. <i>Duties</i> To adopt the budget, medium term priorities (the Centre'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. Bureau Composition The chairman and the three vice-chairmen of the Governing Board, one coordinator per group and one additional representative of the Commission. Director appointed by the Commission from a list of candidates submitted by the Governing Board; he/she is responsible for the management of the Centre and implements the decisions of the Governing Board and the Bureau. Internal audit Internal Audit Service of the European Commission. External audit European Court of Auditors. Discharge authority Parliament, acting on a recommendation from the Council. |

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| Resources made available to the Centre in 2011 (2010) | <p>Final Budget</p> <p>18,83 (18,25) million euro Union contribution¹: 97,5 % (97,7 %)</p> <p>Staff as at 31 December 2011</p> <p>Number of posts in establishment plan: 101 (101) Posts occupied: 97 (96)</p> <p>Other staff: contract staff, 25 (24) Seconded national experts 3 (5)</p> <p>Total staff: 125 (125) Operational: 90 (90) Administrative: 35 (35)</p> |
| Products and services in 2011 (2010) | <p>Analysing and reporting on policy developments</p> <p>The Centre's mandate to review progress achieved in implementing joint priorities for VET was confirmed and broadened in 2010. The Centre developed a new approach to: (i) take stock every year of policy developments in countries since 2010; (ii) prepare a comprehensive policy report on progress towards strategic policy objectives in 2014. A new framework for ReferNet - the Centre's European network on VET - to collect systematic information on VET systems and policy developments was implemented. The Commissioners for Education and Culture and of Employment contributed to the Centre's Agora conference A bridge to the future - European vocational education and training policy 2002-10. Outcomes of a comparative analysis of most effective and efficient cost-sharing mechanisms for financing VET were debated at a DG EAC-Hungarian presidency conference on Adult learning and at the ILO Skills Development Academy.</p> <p>Supporting development and implementation of common European tools</p> <p>The Centre coordinated the EQF (European Qualifications Framework) Advisory Group jointly with the European Commission (DG EAC). A report Development of national qualifications frameworks in Europe. October 2011 was published. The Centre analysed "referencing reports" by 14 countries. 24 background papers and 24 presentations at 16 EQF related meetings informed policy debates (for example: Hungarian EQF Presidency conference). The second ECVET monitoring report focusing on strategies for implementing ECVET was finalised. Support to EQAVET continued; a publication <i>Assuring quality in VET – the role of accrediting VET providers</i> was released. The Europass website – managed by the Centre - has been increasingly used by Europe's citizens. Since its launch, 16,6 million CVs have been generated on-line (2011: 5,8 million (3,8 million). To stimulate greater coherence between the European tools the Centre organised a joint workshop in the European Parliament and a Conference with the social partners on their role in implementing EU tools. Two briefing notes: Qualifications frameworks in Europe: modernising education and training; and Shaping lifelong learning: making the most of European tools and principles summarised the most important messages for policy makers. 243 Study Visits were coordinated in the year 2010/11 for 2 723 specialists from 31 countries. Impact studies underline high satisfaction rate 96 % (100 %) of social partners and quality.</p> <p>Skills and competence analysis</p> <p>An updated skills forecast was released. A conference was held on comparing methods for forecasting skill needs. The approach and methods for a European survey of employers on skill needs in enterprises were agreed upon. An international seminar on skills anticipation and matching brought together main international and national players in the field. The synthesis report Skills for green jobs: a global view was published with the ILO. Research on skill mismatch focused on migration issues. The study report "Migrants, minorities, mismatch?" was released.</p> <p>Qualifications for lifelong learning</p> <p>Research findings on curriculum and assessment policies and the implications of learning outcomes for individuals were presented at the Polish Presidency Conference on youth competence development. An international workshop on curriculum innovation and reform was organised. The study Learning while working - Success stories on workplace learning in Europe was presented at a Hungarian Presidency conference and discussed at the meeting of Directors General for VET under the Polish Presidency. A report on Lifelong guidance reviewed countries' progress in implementing the lifelong guidance Council resolution. An update of the European inventory on validation in 32 countries was completed. A briefing note and four research papers have been published on the socio-economic benefits of VET.</p> <p>Organisational impact</p> <p>Key-indicators show high organisational impact: citations in 105 EU policy documents, 16 EU-level mandates; direct contributions to 13 EU policy documents. Increase of website traffic; contribution to over 100 conferences; 108 conferences/events organised by the Centre; 130 publications; 380 media articles relating the Centre's work recorded. More than 496 000 publications of the Centre downloaded in 2011 (+40% compared to 2010). For more information see www.cedefop.europa.eu (Annual Report and Annual Activity Report 2011).</p> |

Source: Information supplied by the Centre.

1 Note: Union contribution includes Union subvention as well as BRS.

THE CENTRE'S REPLY

12. The 2011 and 2012 ABB reports show that over 57 % (and 53 % respectively) of the Title II budget was committed by June 2011 (and by May 2012).

By nature some projects often last more than one year and for operational reasons commitments have to be done during the last quarter of the year. In 2011, 50 % of commitments were made during the last quarter as projects had to be postponed to the end of the year because of delays in the building repair works which were outside the Centre's control. Over 75 % of the value of the automatic carryovers in Title II were completed and invoiced during the first quarter of 2012.

The financial rules foresee automatic carryovers in full consideration of the principle of annuality. The Centre has developed a comprehensive process to monitor budget implementation and will continue its efforts to lower the percentage of automatic carryovers in Title II.

13. Cedefop was aware by October 2010 of lower budgetary needs in Title I and planned its work programme accordingly. The Centre was advised not to change the draft budget at this point in the budgetary procedure but to foresee a substantial transfer from Title 1 to cover expenditures in Titles II and III for projects included in the annual work programme. The remaining transfers amounted to less than 4 % of the budget. Adjustments in this magnitude are necessary if budget implementation is high (99,18 % for the EU subsidy).

Transfers are only implemented when actual needs for these funds arise. In consequence, it is unavoidable that they are mainly made by the end of the year.

The Centre makes transfers based on assessment of needs but will document their justification more extensively in future taking note of the Court's observation.

14. Payments of grants are dealt with in the same way as any other payments. The Centre introduced in 2009 an efficient payment automation method (PAME) and has substantially reduced the delay between receipt of invoices/reports and payment during the past years.

The 2011 delay in payment of grants was a mistake and management has already taken all necessary steps to avoid its recurrence.