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THE EUROPEAN UNION**

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**COVER NOTE**

From:	Mr Vítor CALDEIRA, President of the European Court of Auditors
date of receipt:	24 October 2013
To:	Mr Linas LINKEVICIUS, President of the Council of the European Union
Subject:	Report on the annual accounts of the European Foundation for the Improvement of Living and Working Conditions for the financial year 2012 together with the Foundation's replies

Delegations will find attached the European Court of Auditors' report on the annual accounts of the European Foundation for the Improvement of Living and Working Conditions for the financial year 2012.

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

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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 2012 together with the Foundation's replies.<sup>1</sup>

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<sup>1</sup> In English only. The other languages of this report are available on the European Court of Auditors' website: <http://eca.europa.eu/>.

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



EUROPSKI REVIZORSKI SUD  
CORTE DEI CONTI EUROPEA  
EIROPAS REVĪZIJAS PALĀTA  
EUROPOS AUDITO RŪMAI

EURÓPAI SZÁMVEVŐSZÉK  
IL-QORTI EWROPEA TAL-AWDITURI  
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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 2012

together with the Foundation's replies

## **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<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 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<sup>3</sup> and the reports on the implementation of the budget<sup>4</sup> for the financial year ended 31 December 2012, and

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

<sup>2</sup> **Annex II** summarises the Foundation’s competences and activities. It is presented for information purposes.

<sup>3</sup> 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.

- (b) the legality and regularity of the transactions underlying those accounts.

*The management's responsibility*

4. In accordance with Articles 33 and 43 of Commission Regulation (EC, Euratom) No 2343/2002<sup>5</sup>, 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:

- (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<sup>6</sup>; 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.

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<sup>4</sup> These comprise budgetary outturn account and the annex to the budgetary outturn account.

<sup>5</sup> OJ L 357, 31.12.2002, p. 72.

<sup>6</sup> 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.

- (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.

*The auditor's responsibility*

5. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council<sup>7</sup> 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

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<sup>7</sup> Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 (OJ L 248, 16.9.2002, p. 1).

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 2012 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 2012 are legal and regular in all material respects.

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

**COMMENTS ON BUDGETARY AND FINANCIAL MANAGEMENT**

11. Budget implementation rates for titles I and II were high at 98 % and 82 %, respectively. While the carry-over of committed appropriations for title III is high at 50 % (3 688 996 euro), this corresponds to payment schedules and reflects the multi-annual nature of the Foundation's operations. A large part of the

carry-overs for title III (71 %) concern two projects<sup>8</sup> for which the activities were implemented as planned and as set out in the Annual Work Programme.

### **FOLLOW-UP OF PREVIOUS YEAR'S COMMENTS**

12. An overview of the corrective actions taken in response to the Court's previous year's comments is provided in **Annex I**.

This Report was adopted by Chamber IV, headed by Dr Louis GALEA, Member of the Court of Auditors, in Luxembourg at its meeting of 10 September 2013.

*For the Court of Auditors*

Vítor Manuel da SILVA CALDEIRA  
*President*

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<sup>8</sup> Network of European Observatories (NEO) project and the European Company Survey project.

***Follow-up of previous year's comments***

<b>Year</b>	<b>Court's comment</b>	<b>Status of corrective action (Completed / Ongoing / Outstanding / N/A)</b>
<b>2011</b>	The Foundation carried over 47 % of title III appropriations (operational expenditure). This situation is at odds with the budgetary principle of annuality.	<b>Completed</b>
<b>2011</b>	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.	<b>Completed</b>



**ANNEX II**

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

**Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b></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><b>Competences of the Foundation</b></p> <p><i>(Council Regulation (EEC) No 1365/75, as amended by Regulation (EC) No 1111/2005)</i></p>	<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>
<p><b>Governance</b></p>	<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 to ensure proper management between GB meetings,</li> <li>– six 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>European Commission's Internal Audit Service (IAS).</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>
<p><b>Resources available to the Foundation in 2012 (2011)</b></p>	<p><b>Budget</b></p> <p>21,4 (20,6) million euro</p> <p><b>Staff at 31 December 2012</b></p> <p><i>Officials and temporary staff:</i></p> <p>101 posts provided for in the establishment plan, of which 98 (97) were occupied at 31 December 2012</p> <p><i>Other staff:</i></p> <p>Seconded National Experts: 0 (0)</p> <p>Contract staff: 12 (9)</p> <p><i>Total staff employed: 110 (106)</i></p> <p><i>Allocated to:</i></p> <p>Operating activities: 77 (72)</p> <p>Administrative tasks: 28 (29)</p> <p>Mixed: 5 (5)</p>
<p><b>Activities and services provided in 2012</b></p>	<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): 279 information updates added; six representativeness studies; two annual updates on pay and working time; Industrial relations and working conditions developments in Europe 2011; four comparative analytical reports; two survey reports.</li> <li>- European Working Conditions Observatory (EWCO): 90 information updates added; four comparative analytical reports; Industrial relations and working conditions developments in Europe 2011; seven survey reports.</li> <li>- European Restructuring Monitor (ERM) 1 566 restructuring fact sheets added; two comparative analytical reports.</li> </ul> <p>Surveys:</p> <ul style="list-style-type: none"> <li>- 5th European Working Conditions Survey: Overview report published; two secondary analysis reports published: Trends in job quality in Europe; Sustainable work and the ageing workforce.</li> <li>- 3rd European Quality of Life Survey: fieldwork in 34 countries completed, Overview report published.</li> <li>- 2nd European Company Survey: three reports: Policy relevance and implications for future surveys; Workplace social dialogue in Europe; HRM practices and establishment performance; preparation of third edition of the European Company Survey (2013).</li> </ul> <p><b>Employment and competitiveness</b></p> <ul style="list-style-type: none"> <li>- European Restructuring Monitor: ERM report 2012 – After restructuring: labour markets, working conditions and life satisfaction.</li> <li>- Reports on NEETs – Young people not in employment, education or training: Characteristics, costs and policy responses in Europe and on Effectiveness of policy measures to increase the employment participation of young people.</li> <li>- Report on “Employment trends and policies for older workers in the recession” and case studies.</li> <li>- Report: the second phase of flexicurity: an analysis of practices and policies in the member states.</li> <li>- Restructuring legislation data base.</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 2011.</li> <li>- Work organisation and innovation.</li> <li>- Organisation of working time: Implications for productivity and working conditions – Overview Report.</li> <li>- Working conditions in the retail sector.</li> <li>- Social dialogue in times of global economic crisis.</li> <li>- Flexicurity: Actions at Company Level.</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>- Income from work after retirement in the EU.</li> <li>- Parenting support in Europe.</li> <li>- Labour mobility within the EU: The impact of return migration.</li> <li>- Household debt advisory services in the European Union.</li> </ul> <p><b>Communication and sharing ideas and experience</b></p> <ul style="list-style-type: none"> <li>- 94 238 downloads of reports from Eurofound website. 2 118 666 user visits.</li> <li>- 86 163 print publications disseminated; 932 new web and print publications.</li> <li>- 21 media activities reached over 92 million European citizens and resulted in 269 enquiries from journalists and more than 1 460 quotations in European media.</li> <li>- 1 178 contacts and briefing meetings with European level policy makers.</li> <li>- 204 EU policy documents quoting references to Eurofound findings and expertise.</li> <li>- 39 exhibitions and 32 visits to Eurofound, which consisted of 99 visitors.</li> </ul>
	<p><i>Source:</i> Information supplied by the Foundation.</p>