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## COVER NOTE

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From:	Mr Vítor CALDEIRA, President of the European Court of Auditors
date of receipt:	27 October 2014
To:	Mr Linas LINKEVICIUS, President of the Council of the European Union
Subject:	Report on the annual accounts of the European Training Foundation for the financial year 2013 together with the Foundation's replies

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Delegations will find attached the European Court of Auditors' report on the annual accounts of the European Training Foundation for the financial year 2013.

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 Training Foundation for the financial year 2013 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  
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EURÓPSKY DVOR AUDÍTOROV  
EVROPSKO RAČUNSKO SODIŠČE  
EUROOPAN TILINTARKASTUSTUOMIOISTUIN  
EUROPEISKA REVISIONSRÄTTEN

Report on the annual accounts  
of the European Training Foundation  
for the financial year 2013  
  
together with the Foundation's replies

## **INTRODUCTION**

1. The European Training Foundation (hereinafter “the Foundation”, aka “ETF”), which is located in Turin, was established by Council Regulation (EEC) No 1360/90<sup>2</sup> (recast No 1339/2008). The Foundation’s task is to support the reform of vocational training in the European Union’s partner countries. To do this, it assists the Commission in the implementation of various programmes (e.g. IPA, FRAME, GEMM)<sup>3</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>4</sup> and the reports on the implementation of the budget<sup>5</sup> for the financial year ended 31 December 2013, and

<sup>2</sup> OJ L 131, 23.5.1990, p. 1.

<sup>3</sup> ***Annex II*** summarises the Foundation’s competences and activities. It is presented for information proposes.

<sup>4</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. 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<sup>6</sup>:

- (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>7</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.
- (b) The management's responsibilities in respect of the legality and regularity of the underlying transactions and compliance with the principle of sound

<sup>5</sup> These comprise the budgetary outturn account and the annex to the budgetary outturn account.

<sup>6</sup> Articles 39 and 50 of Commission Delegated Regulation (EU) No 1271/2013 (OJ L 328, 7.12.2013, p. 42).

<sup>7</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.

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>8</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 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,

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<sup>8</sup> Article 107 of Regulation (EU) No 1271/2013.

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.

**OTHER COMMENTS**

11. At the end of 2013, the Foundation had 7,5 million euro in accounts at a single bank with a low credit rating (F3, BBB).

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

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

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

Year	Court's comment	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
<b>2012</b>	<p>In 2012 the overall level of committed appropriations was 99,9 %, indicating that commitments were made in a timely manner. The level of committed appropriations carried over to 2013 however was high for title II (administrative expenditure) at 0,6 million euro (36,8 %). The main reasons were the late receipt of invoices for building-related services delivered in 2012 (0,3 million euro) and a number of IT hardware and software purchases ordered as planned during the last months of 2012 (0,3 million euro) but not delivered until 2013.</p>	<b>N/A</b>



**European Training Foundation (Turin)**  
**Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b></p> <p><i>(Article 166(3) of the Treaty on the Functioning of the European Union)</i></p>	<p>“The Union and the Member States shall foster cooperation with third countries and the competent international organisations in the sphere of vocational training.”</p>
<p><b>Competences of the Foundation</b></p> <p><i>(Council Regulation (EEC) No 1360/90)</i></p>	<p><b>Objective</b></p> <ul style="list-style-type: none"> <li>- To contribute, in the context of EU external relations policies, to improving human capital development in the following countries: the countries eligible for support under Council Regulation (EC) No 1085/2006 and Regulation No 1638/2006 of the European Parliament and of the Council and subsequent related legal acts; other countries designated by decision of the Governing Board on the basis of a proposal supported by two thirds of its members and a Commission opinion, and covered by a Union instrument or international agreement that includes an element of human capital development, and as far as available resources allow.</li> <li>- For the purposes of this Regulation, ‘human capital development’ is defined as work which contributes to the lifelong development of individuals’ skills and competences through the improvement of vocational education and training systems.</li> </ul> <p><b>Tasks</b></p> <p>For the purpose of achieving the objective, the Foundation, within the limits of the powers conferred on the Governing Board and following the general guidelines established at Union level, has the following functions:</p> <ul style="list-style-type: none"> <li>- providing information, policy analyses and advice on human capital development issues in the partner countries;</li> <li>- promoting knowledge and analysis of skills needs in national and local labour markets;</li> <li>- supporting relevant stakeholders in partner countries in building capacity in human capital development;</li> <li>- facilitating the exchange of information and experience among donors engaged in human capital development reform in partner countries;</li> <li>- supporting the delivery of Union assistance to partner countries in the field of human capital development;</li> <li>- disseminating information and encourage networking and the exchange of experience and good practice between the EU and partner countries and amongst partner countries in human capital development issues;</li> <li>- contributing, at the Commission’s request, to the analysis of the overall effectiveness of training assistance to the partner countries;</li> <li>- undertaking such other tasks as may be agreed between the Governing Board and the Commission, within the general framework of this Regulation.</li> </ul>
<p><b>Governance</b></p>	<p><b>Governing Board</b></p> <p>One representative of each Member State.</p> <p>Three representatives of the Commission.</p> <p>Three non-voting experts appointed by the European Parliament.</p> <p>In addition, three representatives of the partner countries may attend meetings of the Governing Board as observers.</p> <p><b>Director</b></p>

	<p>Appointed by the Governing Board on a proposal from the Commission.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Internal audit</b></p> <p>European Commission's Internal Audit Service (IAS).</p> <p><b>Discharge authority</b></p> <p>European Parliament acting on a recommendation from the Council.</p>																	
<p><b>Resources made available to the Foundation in 2013 (2012)</b></p>	<p><b>Budget</b></p> <p>22,0 (20,1) million euro for commitments and 22,0 (20,1) million euro for payments, of which 19,9 million euro was funded by a Commission subsidy.</p> <p><b>Staff at 31 December 2013</b></p> <p>96 (96) temporary posts in the establishment plan, of which 92<sup>1</sup> (93) posts occupied.</p> <p>40 (37) other staff (local staff, contract staff, seconded national experts)</p> <p>Total staff: 132 (130), assigned to the following duties:</p> <p>operational tasks: 76,5 (73)</p> <p>administrative tasks: 28 (28) + two replacement pool in the ETF according to need</p> <p>– corporate coordination and communication tasks: 25,5 (29)</p>																	
<p><b>Products and services supplied during the financial year 2013 (2012)</b></p>	<p><b>Activities</b></p> <p>The Foundation contributes, in the context of EU external relations policies, to improving human capital development (HCD) in 30 partner countries designated by its establishing Regulation and the Governing Board. Its main activities involve supporting EU policies and projects, providing policy analyses, disseminating and exchanging information and experience and supporting partner-country capacity building.</p> <p>The Foundation's added value comes from its neutral, non-commercial and unique established knowledge base consisting of expertise in human capital development and its links to employers. This includes expertise in adapting the approaches to human capital development in the EU and its Member States to the context of the partner countries.</p> <p>In 2013, the Torino Process, implemented in 27 ETF partner countries as a participatory, evidence-based analysis of vocational education and training (VET) policies and systems, was validated in a corporate conference organised in May with a title "Torino Process: Moving Skills Forward" .</p> <p>The Foundation worked on its main functions, as defined in the Council Regulation, as follows:</p> <table border="1" data-bbox="496 1576 1433 2011"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">Outputs completed in</th> </tr> <tr> <th>2013</th> <th>2012</th> </tr> </thead> <tbody> <tr> <td>Supporting EU policies and project cycle of external relations instruments for the partner countries</td> <td>40</td> <td>36</td> </tr> <tr> <td>Capacity building of partner countries</td> <td>63</td> <td>66</td> </tr> <tr> <td>Policy analysis</td> <td>20</td> <td>31</td> </tr> <tr> <td>Dissemination and networking</td> <td>21</td> <td>28</td> </tr> </tbody> </table>		Outputs completed in		2013	2012	Supporting EU policies and project cycle of external relations instruments for the partner countries	40	36	Capacity building of partner countries	63	66	Policy analysis	20	31	Dissemination and networking	21	28
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	<b>Total</b>	<b>144</b>	<b>161</b>
Outputs measure the accomplishment of the results of a project, and put the budget in relation to the Foundation's functions and results.			
In addition to these functions carried out in the context of its work programme, the Foundation also responded to direct requests from the European Commission throughout the year.			
	<b>2013</b>	<b>2012</b>	
Ongoing Commission requests	78	107	
Requests addressed to countries in South Eastern Europe and Turkey	38 %	42 %	
Requests addressed to Southern Eastern Mediterranean countries	28 %	32 %	
Requests addressed to Eastern European countries	18 %	12 %	
Requests addressed to Central Asian countries	15 %	14 %	

<sup>1</sup>Including 1 job offer accepted, starting 1.3.2014

Source: Annex supplied by the Foundation.