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COVER NOTE

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| From: | Mr Vítor CALDEIRA, President of the European Court of Auditors |
| date of receipt: | 16 October 2014 |
| To: | Mr Linas LINKEVICIUS, President of the Council of the European Union |
| Subject: | Report on the annual accounts of the European Centre for the Development of Vocational Training for the financial year 2013 together with the Centre's replies |

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

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

Encl.: Report on the annual accounts of the European Centre for the Development of Vocational Training for the financial year 2013 together with the Centre's replies.¹

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

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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



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Report on the annual accounts
of the European Centre for the Development of Vocational Training
for the financial year 2013

together with the Centre's replies

INTRODUCTION

1. The European Centre for the Development of Vocational Training (hereinafter “the Centre”, aka “Cedefop”), which is located in Thessaloniki, was established by Council Regulation (EEC) No 337/75². 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 systems³.

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 (TFEU), the Court has audited:

(a) the annual accounts of the Centre, which comprise the financial statements⁴ and the reports on the implementation of the budget⁵ for the financial year ended 31 December 2013, and

² OJ L 39, 13.2.1975, p. 1.

³ ***Annex II*** summarises the Centre’s competences and activities. It is presented for information purposes.

⁴ 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.

⁵ These comprise the budgetary outturn account and the annex to the budgetary outturn account.

(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 Centre and the legality and regularity of the underlying transactions⁶:

(a) The management's responsibilities in respect of the Centre'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 officer⁷; making accounting estimates that are reasonable in the circumstances. The Director approves the annual accounts of the Centre 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 Centre 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

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

⁷ 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.

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 Council⁸ 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 Centre 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.

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

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 Centre'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.

FOLLOW-UP OF PREVIOUS YEARS' COMMENTS

11. An overview of the corrective actions taken in response to the Court's comments from previous years 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 years' comments*

| Year | Court's comment | Status of corrective action (Completed / Ongoing / Outstanding / N/A) |
|-------------|---|--|
| 2011 | The excessive level of carry-overs for title II is at odds with the budgetary principle of annuality. | Completed |
| 2011 | A significant number of budgetary transfers was made which were mostly concentrated at the year-end ¹ . 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. | Completed |

| Year | Court's comment | Status of corrective action (Completed / Ongoing / Outstanding / N/A) |
|-------------|---|--|
| 2012 | <p>The Centre awards grants on an annual basis to a network of national partners² (grants per agreement range between 23 615 euro and 43 620 euro). Grant expenditure (which mainly relates to beneficiaries' staff costs) in 2012 amounted to 695 337 euro³, or 4 % of total operating expenditure. The Centre's ex ante verifications of grants consist of a comprehensive desk-analysis of cost claims submitted by grant beneficiaries, as well as a review of certificates obtained from external auditors which were contracted by the beneficiaries or of certificates from independent public officers. However, the Centre does not usually verify the staff costs claimed by beneficiaries on the basis of original supporting documentation. Related ex post verifications were last carried out in 2009. As a result, ex ante verifications provide only limited assurance.</p> | Completed |
| 2012 | <p>Budget implementation rates were high at 100 % for titles I and III and 98 % for title II. While carry-overs of committed appropriations were high for title II at 39 % (673 392 euro), this mainly resulted from reasons beyond the Centre's control, such as delays in the repair works carried out by the Greek authorities on the Centre's premises. These led to a postponement of the related maintenance, repair and fitting-out of premises (some 124 000 euro), as well as delays in procuring equipment for the Centre's conference rooms (some 242 000 euro). Part of the carry-overs is attributable to delays in procuring IT equipment (some 172 000 euro).</p> | N/A |

| Year | Court's comment | Status of corrective action (Completed / Ongoing / Outstanding / N/A) |
|------|--|--|
| 2012 | Two recruitment procedures for the post of the Centre's future Director had been launched in 2010 and 2011 and both of them were declared unsuccessful ⁴ . A third recruitment procedure was launched at the end of 2012 and is still ongoing. The Court found that in the first two recruitment procedures members of the Pre-selection Committee did not sign a declaration of absence of conflict of interests and that questions for interviews and their weightings, as well as the threshold scores for being included in the list of suitable candidates were set after the screening of candidates. | Completed |

¹ 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.

² National agencies and research institutes mainly.

³ Resulting from final payments and clearings of pre-financings related to grant agreements from previous years. For 2012 grant agreements, only pre-financings were made in 2012 which had not yet led to expenditure.

⁴ In the first recruitment procedure, none of the candidates shortlisted by the Centre's Governing Board was appointed by the European Commission. In the second recruitment procedure, the Pre-selection Committee considered that none of the proposed candidates met the requirements for being shortlisted and did not submit a list of suitable candidates to the Governing Board.

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

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| <p>Areas of Union competence deriving from the Treaty</p> <p><i>(Article 166(1) of the Treaty on the Functioning of the European Union)</i></p> | <p>Collection of information</p> <p>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.</p> |
| <p>Competences of CEDEFOP</p> <p><i>(Articles 2 and 3 of Regulation (EEC) No 337/75)</i></p> | <p>Objectives</p> <p>In its capacity as the European Union reference centre for vocational education and training, Cedefop provides policy-makers, researchers and professionals with evidence on current trends to enable them to reach soundly based decisions and actions. Cedefop assists the European Commission in promoting and developing vocational education and training at Union level.</p> <p>Tasks</p> <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. |
| <p>Governance</p> | <p>Governing Board</p> <p><i>Composition</i></p> <p>For each Member State:</p> <ul style="list-style-type: none"> (a) One member representing the Government. (b) One member representing the employers' organisations. (c) One member representing the employees' organisations. <p>For the European Commission: three members.</p> <p>The members referred to in (a), (b) and (c) are appointed by the Council. The Commission appoints the members who are to represent it.</p> <p>Coordinators from the Employers' and Employees' organisations at European level and observers from the EEA countries also attend Governing Board and Bureau meetings.</p> <p><i>Duties</i></p> <p>To adopt the budget, medium term priorities (Cedefop's multiannual planning) and the work programme and to assess and analyse the annual activity report and the annual accounts. To adopt the final budget and the establishment plan.</p> <p>Bureau</p> <p><i>Composition</i></p> <p>The chairman and the three vice-chairmen of the Governing Board, one coordinator per group and one additional representative of the Commission.</p> |

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|---|--|
| | <p>Director</p> <p>Appointed by the Commission from a list of candidates submitted by the Governing Board; he/she is responsible for the management of Cedefop and implements the decisions of the Governing Board and the Bureau.</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 a recommendation from the Council.</p> |
| <p>Resources made available to the Centre in 2013 (2012)</p> | <p>Final Budget</p> <p>18,53 (19,22) million euro</p> <p>Union contribution¹: 97,4 % (97,6 %)</p> <p>Staff as at 31 December 2013</p> <p>Number of posts in establishment plan: 100 (101)</p> <p>Posts occupied: 98² (98)</p> <p>Other staff:</p> <ul style="list-style-type: none"> - contract staff: 23 (23) - seconded national experts: 4 (3) <p>Total staff: 125 (124)</p> <ul style="list-style-type: none"> - operational staff: 91 (90) - administrative: 34 (34) |
| <p>Products and services in 2013 (2012)</p> | <p>Policy analysis and reporting</p> <p>Cedefop monitors countries' progress towards the short-term deliverables agreed in the Bruges Communiqué. Country fiches summarising policy progress were finalised for all EU Member States, Norway and Iceland and were made available to the European Commission, which proposes country specific recommendations for the European semester. To prepare for Cedefop's 2014 <i>VET policy monitoring report</i>, focus groups with members of the Advisory Committee on Vocational Training (ACVT) discussed the effectiveness of policies. <i>Descriptions of national VET systems</i> prepared by ReferNet partners were published online for 29 countries. <i>Spotlight on VET in Ireland</i> was prepared for the March meeting of the DGVTs. <i>Vocational education and training in Lithuania - Short description</i> and <i>Spotlight on VET in Lithuania</i> were released for the DGVTs' meeting in November and the Presidency Conference on VET. Cedefop's <i>On the way to 2020: data for vocational education and training</i> was published.</p> <p>Common European tools, qualifications and learning outcomes</p> <p>Cedefop provided policy advice and expertise to EU-level working groups to support the implementation of EU tools. Cedefop's study on qualifications at EQF level 5 and its <i>Analysis and overview of NQF level descriptors in European countries</i> contributed directly to EQF/NQF implementation. Cedefop's study <i>The role of qualifications in governing professions and occupations</i> was published. A briefing note on ECVET opportunities and challenges was released. Europass registered 20,85 million visits (14,8 million) and 10,16 million (8,3 million) CVs generated online. A working dinner with the European Parliament discussed achievements and challenges in relation to European tools. Cedefop's study <i>Renewing VET provision: Understanding feedback mechanisms between initial VET and the labour market</i> was published. The briefing note <i>Keeping young people in (vocational) education: what works?</i> was drafted for the Lithuanian Presidency Conference on VET.</p> <p>Adult learning and transitions</p> |

Cedefop's study *Return to Work - work-based learning and the reintegration of unemployed adults into the labour market* was debated at the VET conference of the Lithuanian Presidency. Cedefop's studies *Benefits of vocational education and training in Europe for people, organisations and countries* and *Labour market outcomes of vocational education in Europe* were published. Cedefop's study on Validation of non-formal and informal learning in European enterprises was finalised and a synthesis disseminated at the Cedefop/DG EAC joint seminar marking the start of the follow-up to the 2012 Council Recommendation on validation. To support the European alliance for apprenticeship, Cedefop organised a high-level conference on 'Renewing vocational education and training to tackle skill mismatch – work-based learning and apprenticeship for all?'

Skills analysis

Cedefop supported the development of the EU Skills Panorama (EUSP) for which it will take full responsibility as of 2014. Cedefop's 2013 projections for skill supply and demand in the European Union were released. *Roads to recovery: three skill and labour market scenarios for 2025* summarised the key findings. Cedefop's research paper *Quantifying skill needs in Europe - Occupational skills profiles: methodology and application* was published. A briefing note and publication *Skills for a low carbon Europe* were released. Cedefop's data and analyses on skill mismatch contributed to the work of the Global Agenda Council (GAC) on Employment of the World Economic Forum (WEF) and were presented at the Summit on the Global Agenda 2013 in Abu Dhabi.

Organisational impact

The (external) evaluation of Cedefop for the 2007–2012 period examined whether its work was consistent with European policies and looked at its efficiency and impact and its synergies with four other EU agencies. It highlighted that: Cedefop was highly successful in implementing the objectives in its Founding Regulation and is recognised as a leading centre of expertise worldwide on qualifications frameworks and skills; Cedefop's work did not duplicate the activities of any other actors at European, national or international level; the popularity of its outputs and downloads had increased significantly; its events were of high quality and participant satisfaction very high; operations were cost-effective. Cedefop uses a performance measurement system (PMS) to help manage and evaluate its impact, efficiency and effectiveness. 173 EU-level policy documents (169) cited Cedefop's findings. Cedefop's administration continued to support operations in an effective and efficient way. A staff survey in 2013 confirmed the staff's satisfaction with administrative and support services.

For more information see www.cedefop.europa.eu (Annual Report and Annual Activity Report 2013).

¹ Note: Included are the assigned revenues from the DG EMPL Delegation Agreements amounting to 0,6 million euro in 2013 (1,32 million euro in 2012).

² This includes posts actually filled (96) and job offers made (2) for vacant posts (in line with the Multiannual Staff Policy Plan approach).

Source: Annex supplied by the Centre.