2001 discharge: European Foundation for the Improvement of Living and Working Conditions EFILWC, Dublin

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PURPOSE : to present the report from the Court of Auditors on the financial statements on the European Foundation for the Improvement of living and Working Conditions for the financial year 2001. CONTENT : in general, the Court states that this examination has allowed it to obtain reasonable assurance that the accounts for the financial year ended 31 December 2001 are reliable and that the underlying operations are, taken as a whole, legal and regular. The report shows that the appropriations available for the financial year amounted to EUR 18,9 million, of which EUR 15,3 million had been granted for the financial year 2001 and EUR 3,5 million had been carried over from the previous financial year. The appropriations for the financial year 2001, EUR 15,2 million were committed and disbursed in payments amounting to EUR 11,6 million. The balance of the appropriations was either carried over (3,5 million) or cancelled (0,2 million). According to the Court, the carry-over rate for operating appropriations remains very high and demonstrates the need for the Foundation to improve the quality and monitoring of its programming of activities. The Foundation should do everything possible to reduce the carry-over rate in respect of its appropriations in order to improve its compliance with the budgetary principle of annuality. As regards the presentation of these financial statements in the Foundation's activity report for 2001 deviates from the norms set out in the regulations. Although these problems have no impact on the reliability of the financial statements, the Foundation should make sure it returns to the usual practices. The Court founds that the Foundation makes no attempt to depreciate its fixed assets. It ought to take depreciation into account when evaluating the fixed assets entered in its balance sheet and follow the instructions concerning inventories in the Commission Regulation. It should improve its inventory system by developing a system of identification for its assets and defining the particular responsibilities of the departments involved. A sample of 34 payments which were received or were to be received by the Foundation during the financial year 2001 was examined. In several instances, most notably one concerning the purchase of a vehicle, one and the same person was able to approve the commitments and payments, using the electronic approval system, thus discharging the duties of the manager, the authorising officer, the financial controller and the accounting officer. This practice should be strictly prohibited as it is incompatible with the principle of the separation of duties. Lastly, the Court states that the Foundation concluded a contract with a travel agency in 1997 for a trial period of one year. This contract has been renewed by tacit agreement until now. It would be preferable if market-testing were carried out to see if more favourable conditions could be obtained. The Foundation has responded point by point on the criticisms made by the Court. It states in particular that : - with regard to the level of carryovers : this is affected by the relation of the Foundation's annual budgeting cycle to its operational cycle (which involves programme design, programme initiation, outline project design, tendering, detailed projectdesign and implementation). However, particularly in those cases where contracts are repetitive in nature, the timing of contracting procedures has, where possible, been brought forward. This measure will facilitate a reduction in carryovers; - concerning its inventory procedures : the Foundation has now made arrangements to adapt its inventory procedures to bring them into line with the revised procedures of the Commission as set out in Regulation 2909/2000 of 29.12.2000, which provides for depreciation of inventory items. Responsibility will be allocated as appropriate for all inventory items. The Foundation accepts the criticisms made concerning the remaining issues and states that steps have already been taken in relation to a tender procedure and introduction of a new contract as regards the travel agency services.