2002 Discharge: European Training Foundation

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PURPOSE : to present the report from the Court of Auditors on the financial statements of the European Training Foundation for the financial year 2002. CONTENT : the Court has examined the financial statements of the European Training Foundation for the financial year ended 31 December 2002. This examination has enabled the Court to obtain reasonable assurance that the annual accounts for the financial year ended 31 December 2002 are reliable and that the underlying transactions, taken as a whole, are legal and regular. The main observations made by the Court are as follows. The 2002 appropriations were committed up to the level of EUR 16,6 million; they were disbursed in payments amounting to EUR 13,2 million. The balance of the appropriations was either carried over (EUR 3,4 million) or cancelled (EUR 0,2 million). The volume of carryovers remains high as regards the operating appropriations where they represent more than 50 % of the year's commitments. The extent of these carryovers shows that the Foundation needs to improve the quality and monitoring of its work programme with the aim of observing the principle of annuality more faithfully. It should be noted that the Foundation has entered into an agreement to set up a support project for small and medium-sized businesses in Albania. In 2002 the Foundation managed EUR 0,5 million under this agreement. This activity is not mentioned in the budget and appears only at balance sheet level. To recall, on the basis of agreements concluded with the Commission, the Foundation manages Phare and Tacis programmes, including technical assistance for the implementation of the Tempus programme. These programmes amount to a sum total of EUR 244,7 million. In 2002, the Foundation made payments of EUR 31 million for these programmes and, on 31 December 2002, the balance of the corresponding bank accounts amounted to EUR 26,5 million. More than 20 of the 123 people employed by the Foundation work full time on these programmes, which are outside the budget. As the Court has pointed out in earlier reports, no data relating to these programmes appear in the budgetary implementation statement, the balance sheet or the budget outturn. Instead, the Foundation presents the relevant financial information in an annex to its financial statements. This way of accounting for them raises the question of whether the principle of budgetary unity is being observed and, on the accounting level, whether such a procedure is compatible with the principle of 'reality over appearance'. Furthermore, it makes the task of auditing the use of these funds more complex. During the financial year, the Commission only paid the Foundation EUR 13,2 million out of the subsidies of EUR 16,8 million entered in the budget. This situation explains the deficit for the financial year. Certain payment procedures used by the Foundation ought to be revised or amended with a view to reducing the risks associated with them, particularly as regards the transfer of funds to third countries. In addition, every month the Commission sends a list of the former employees of the Foundation who are entitled to the unemployment allowance. None of them has forwarded the monthlycertificate required in order to receive this allowance and the Foundation does not carry out any checks in order to verify their true situation. The following section concerns the European Training Foundation's replies to the criticisms made by the Court: - As regards budget implementation, it states that the high rate of payments (90 % average over the past four years) on carried forward amounts demonstrates that behind commitments there has always been a well-planned activity. The introduction of multiannual payment appropriations, as a result of the new Financial Regulation, will solve this problem. - To comply with the principle of unity of the budget, starting from the year 2003 the Foundation will include Title IV and other earmarked funds in the statement of expenditure and budget implementation table, under headings clearly distinct from those used for the annual subsidy. To comply with the accounting principle of 'reality over appearance' of the new Financial regulation, the Foundation is ready to show the convention funds in its financial statements for the year 2003 as recommended by the Court. In order to ensure that these convention funds will not be double-accounted in the final consolidated accounts of the Commission, the Foundation will need to consult the Commission for the modalities of the presentation. - Concerning the legality and regularity of underlying transactions, the secondment of one temporary agent employed by the Foundation to Cedefop has been the first attempt at mobility and exchange of staff between the two agencies. The agent was selected by Cedefop, following an official procedure for the recruitment of a national expert (END).

Accordingly, the Foundation applied the rules for the END's remuneration. However, the Foundation agrees with the Court's observation that the approach taken was not the most appropriate.