

# 2005 discharge: European Foundation for the Improvement of Living and Working Conditions

2006/2154(DEC) - 19/12/2006

This report from the Court of Auditors concerns the results of the audit carried out by the Court on the annual accounts of the European Foundation for the Improvement of Living and Working Conditions for the financial year ended 31 December 2005.

The Foundation's accounts for the financial year ended 31 December 2005 are, in all material respects, reliable. The transactions underlying the Foundation's annual accounts, taken as a whole, are legal and regular.

The report shows that the appropriations entered in the final budget amount to **EUR 19 280 000** with EUR 19 275 000 committed and EUR 14 657 000 paid. EUR 4 618 000 was carried over to 2006 and EUR 5 000 cancelled.

The Court states that the utilisation rates for the commitment appropriations entered in the budget for the financial year are very high; in addition, the cancellation rate for appropriations carried over is very low. Nevertheless, carry-over rates in respect of commitments for administrative expenditure (Title II) and operating activities (Title III) remain high at 37 % and 44 % respectively.

The Court highlights that in 1998, the Foundation recorded a budgetary loss of EUR 2.4 million. Inasmuch as the Foundation did not need the appropriations carried over at that time, the Commission did not take these carry-overs into consideration when it paid over the grants. Over time, this loss has been partially offset by the Foundation's various revenues and came to EUR 1 million at the end of 2005. In the meantime, the Commission has challenged the necessity of covering a loss due to the non-cancellation of appropriations which, in the end, were not used. The Foundation and the Commission should continue their efforts to clarify this situation.

Achieving the Foundation's objectives should be seen as contributing to the goals laid down in the Foundation's basic regulation. The Foundation's work programme should express this contribution in operational and measurable terms. There is no comprehensive document analysing the risks arising from the financial and operational aspects of the Foundation's activities. Moreover, there was no validation of the procedures introduced by the Authorising Officers in order to ensure the accuracy and the exhaustivity of the financial information they send to the Accounting Officer, except as regards the data processing aspects.

The Foundation responds point by point to the Court's observations and states that it has undertaken considerable efforts in the past to reduce the number of carry-overs. Given the very nature of the Foundation's work, it is, however, a challenge to keep it in balance with the principle of sound financial management, which requires that suppliers not be paid before agreed milestones of the work have been reached.

In 2006, the Foundation and the Commission came to an agreement on the nature and solution of the problem. It is acknowledged by all parties that the Foundation did not at any time spend more money than the amount approved by the Budgetary Authority. The Foundation will gradually reduce the accumulated imbalance to zero within four years.

The Foundation states that it is currently developing two tools in order to set goals that are measurable and to subsequently monitor its performance: a project-management system linked to a financial forecasting software system and a performance-monitoring system, using a balanced scorecard, both to be introduced in 2007.

The Foundation does carry out a risk analysis at both project and unit level, documented in the project plans and annual management plans. It is currently developing a comprehensive risk-management approach at Foundation level.