



EUROPEAN  
COURT  
OF AUDITORS

# **Report on the annual accounts of the European Centre for the Development of Vocational Training (Cedefop) for the financial year 2019,**

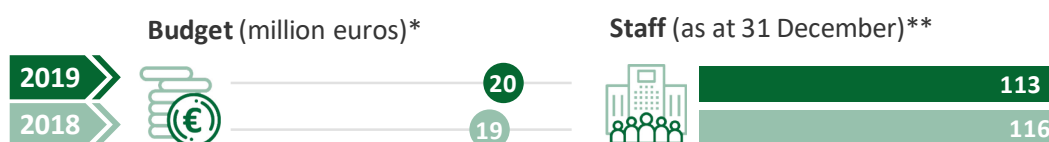
together with the Centre's reply

# Introduction

**01** The European Centre for the Development of Vocational Training (“the Centre”, or “Cedefop”), which is located in Thessaloniki, was established by Council Regulation (EEC) No 337/75<sup>1</sup>, which was repealed by Regulation (EU) 2019/128 of the European Parliament and of the Council of 16 January 2019<sup>2</sup>. 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 systems.

**02** *Graph 1* presents key figures for the Centre<sup>3</sup>.

## Graph 1: Key figures for the Centre



\* Budget figures are based on the total payment appropriations available during the financial year.

\*\* “Staff” includes EU officials, EU temporary agents, EU contract staff and seconded national experts, but excludes interim workers and consultants.

*Source:* Consolidated annual accounts of the European Union for the financial year 2018 and Provisional consolidated annual accounts of the European Union Financial year 2019; Staff figures provided by the Centre.

## Information in support of the statement of assurance

**03** 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

<sup>1</sup> OJ L 39, 13.2.1975, p. 1.

<sup>2</sup> OJ L 30, 31.1.2019, p. 90.

<sup>3</sup> More information on the Centre’s competences and activities is available on its website: [www.cedefop.europa.eu](http://www.cedefop.europa.eu).

work of other auditors and an analysis of information provided by the Agency's management.

## The Court's statement of assurance provided to the European Parliament and the Council – Independent auditor's report

### Opinion

**04** We have audited:

- (a) the accounts of the Centre 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 2019 and
- (b) the legality and regularity of the transactions underlying those accounts

as required by Article 287 of the Treaty on the Functioning of the European Union (TFEU).

### Reliability of the accounts

#### Opinion on the reliability of the accounts

**05** In our opinion, the accounts of the Centre for the year ended 31 December 2019 present fairly, in all material respects, the financial position of the Centre at 31 December 2019, the results of its operations, its cash flows, and the changes in net assets for the year then ended, in accordance with its Financial Regulation and with accounting rules adopted by the Commission's accounting officer. These are based on internationally accepted accounting standards for the public sector.

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<sup>4</sup> The financial statements comprise the balance sheet, the statement of financial performance, the cash flow statement, the statement of changes in net assets and a summary of significant accounting policies and other explanatory notes.

<sup>5</sup> The reports on implementation of the budget comprise the reports which aggregate all budgetary operations and the explanatory notes.

## Legality and regularity of the transactions underlying the accounts

### Revenue

#### Opinion on the legality and regularity of revenue underlying the accounts

**06** In our opinion, revenue underlying the accounts for the year ended 31 December 2019 is legal and regular in all material respects.

### Payments

#### Opinion on the legality and regularity of payments underlying the accounts

**07** In our opinion, payments underlying the accounts for the year ended 31 December 2019 are legal and regular in all material respects.

## Basis for opinions

**08** We conducted our audit in accordance with the IFAC International Standards on Auditing (ISAs) and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the 'Auditor's responsibilities' section of our report. We are independent, in accordance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) and with the ethical requirements that are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of management and those charged with governance

**09** In accordance with Articles 310 to 325 of the TFEU and the Centre's Financial Regulation, the Centre's management is responsible for preparing and presenting the Centre's accounts on the basis of internationally accepted accounting standards for the public sector and for the legality and regularity of the transactions underlying them. This includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of

financial statements that are free from material misstatement, whether due to fraud or error. The Centre's management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the official requirements which govern those statements. The Centre's management bears the ultimate responsibility for the legality and regularity of the transactions underlying the Centre's accounts.

**10** In preparing the accounts, the Centre's management is responsible for assessing the Centre's ability to continue as a going concern. It must disclose, as applicable, any matters affecting the Centre's status as a going concern, and use the going concern basis of accounting, unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

**11** Those charged with governance are responsible for overseeing the Centre's financial reporting process.

### **The auditor's responsibilities for the audit of the accounts and underlying transactions**

**12** Our objectives are to obtain reasonable assurance about whether the accounts of the Centre are free from material misstatement and the transactions underlying them are legal and regular, and to provide, on the basis of our audit, the European Parliament and the Council or the other respective discharge authorities with statements of assurance as to the reliability of the Centre's accounts and the legality and regularity of the transactions underlying them. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit will always detect a material misstatement or non-compliance when it exists. These can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounts.

**13** For revenue, we verify subsidies received from the Commission or cooperating countries and assess the Centre's procedures for collecting fees and other income, if any.

**14** For expenditure, we examine payment transactions when expenditure has been incurred, recorded and accepted. This examination covers all categories of payments (including those made for the purchase of assets) other than advances at the point they are made. Advance payments are examined when the recipient of funds provides justification for their proper use and the Centre accepts the justification by clearing the advance payment, whether in the same year or later.

**15** In accordance with the ISAs and ISSAIs, we exercise our professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the accounts and of material non-compliance of the underlying transactions with the requirements of the legal framework of the European Union, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement or non-compliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Centre's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the accounts, including the disclosures, and whether the accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Centre to express an opinion on the accounts and transactions underlying them. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.
- Considered the audit work of the independent external auditor performed on the Centre's accounts as stipulated in Article 70(6) of the EU Financial Regulation, where applicable.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit. From the matters on which we communicated with the Centre, we determine those matters that were of most significance in the audit of the accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**16** The observations which follow do not call the Court's opinion into question.

### Observations on the legality and regularity of transactions

**17** In a procurement procedure for cleaning services for a maximum value of 400 000 euros, Cedefop had allowed one tenderer flexibility in fulfilling the terms of one significant award criterion after signature of the contract. Even though the alternative proposed by the contractor appears to be comparable with the one proposed in its offer, Cedefop accepted the change in the execution of the contract without properly documenting whether the alternative proposed by the contractor was at least equivalent to the solution proposed in the tender. Furthermore, it did not amend the framework contract concluded with that contractor in order to include such change.

**18** In future contracts, the Centre should pay particular attention when accepting modifications to the technical offers during the execution of the contract. Before agreeing to such modifications, the Centre should properly verify and document that the new solution is at least equivalent to the one proposed in the initial offer. Otherwise, such modifications may lead to unequal treatment between tenderers and significant changes in the award or technical criteria.

### Observations on budgetary management

**19** The method for calculating contributions set out in the Statement on Cedefop-EFTA cooperation was not applied correctly. First, Norway and Iceland did not contribute 33 906 euros to the increase in revenue/payment appropriations in the amended budget (1 424 636 euros).

Second, although the Statement on Cedefop/ EFTA cooperation states that “the payment of EFTA cooperation partners is assessed according to their GNP contribution to the total GNP of the EEA”, Norway’s and Iceland’s contributions in the initial budget were calculated according to their GNP share (2,24 % for Norway and 0,14 % for Iceland) of the GNP of the EU Members of the EEA, and not according to the total GNP of the EEA. As a result, Norway and Iceland contributed 9 668 euros less, and the EU contributed 9 668 euros more, to the 2019 Cedefop budget.

Third, although Norway and Iceland contribute to the Cedefop budget, no part of the budget surplus is returned to Norway and Iceland. In addition, there are no plans to reduce Norway’s and Iceland’s future contributions. Consequently, Norway and Iceland contributed 4 650 euros more than they should have done.

**20** Overall, taking into account the three items mentioned in the paragraphs above, Norway and Iceland’s contributions to the 2019 Cedefop budget were 38 924 euros lower than they should have been, and the EU’s contribution was 38 924 euros higher than it should have been.

### Follow-up of previous years’ observations

**21** An overview of the action taken in response to the Court's observations from previous years is provided in the **Annex**

This Report was adopted by Chamber IV, headed by Mr Alex Brenninkmeijer, Member of the Court of Auditors, in Luxembourg on 22 September 2020.

*For the Court of Auditors*



Klaus-Heiner Lehne  
*President*



## Annex - Follow-up of previous years' observations

Year	Court's observations	Action taken to respond to Court's observations (Completed / Ongoing / Outstanding / N/A)
2017	The management of two recruitment procedures for management positions was weak and the procedures are considered irregular.	<b>Completed</b>
2017	The Centre publishes vacancy notices on its own website and on social media, but not usually on the website of the European Personnel Selection Office (EPSO).	<b>Completed</b>
2017	E-procurement: by the end of 2017 the Centre had not introduced any of the IT tools developed by the Commission.	<b>Completed</b>
2018	There were serious weaknesses in the recruitment process that undermined the principles of transparency and equal treatment of applications.	<b>Completed</b>
2018	Due to the lack of an internal legal officer, all legal issues were outsourced and created a risk to the consistent treatment of cases, the principle of sound financial management (efficiency), created a significant risk to transparency in dealing with legal cases.	<b>Completed</b>

Year	Court's observations	Action taken to respond to Court's observations (Completed / Ongoing / Outstanding / N/A)
<b>2018</b>	The price and quality award criteria in the procurement procedure for the Centre's travel agency services was not detailed enough and does not ensure the best value for money contract. The Centre's methodology and documentation of potentially abnormally low offers was insufficient.	<b>Ongoing</b>

## The Agency's reply

**17-18.** The Agency acknowledges the observations from the Court. To address them, the Agency will formalise its guidelines on contract management to complement the training given to contract managers, the workflow and the controls in place. This will include ways to document modifications during implementation and the signature of relevant contract amendments where necessary. The guidelines will be communicated to relevant staff through dedicated training sessions, in order to raise awareness and ensure proper and timely communication between staff managing contracts and the Procurement Service of the Agency.

**19-20.** The additional appropriations Cedefop received by means of the Amending Budget 01/2019 were Payment Appropriations intended to cover the obligations deriving from commitments (on Commitment Appropriations) the Agency had already made in previous years. The share of Norway and Iceland contributions to the annual budget surplus has never been reimbursed to the respective States. Hence, Norway and Iceland have already paid their share to those original Commitment Appropriations in previous years and should not re-pay to Cedefop in 2019 in the form of fresh Payment Appropriations in order to meet the same obligations, deriving from past financial years. Regarding the return of budget surpluses, the Commission is aware of all Agencies' budget surpluses and any mechanism to reimburse EFTA partners would be more proportionally and efficiently enacted on a global figure rather than each Agency taking it upon itself to refund amounts with all the necessary controls and administration this would entail. Regarding the calculation method of the Norway and Iceland contributions to Cedefop annual budget (commitment appropriations), the Agency has been consistently applying the 'proportionality factor', as calculated by DG Budget and communicated to Agencies every year in April/May for such purpose. Hence, for the year 2019 the proportionality factor for Norway (2.24%) and for Iceland (0.14%) were consistently applied by Cedefop.

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