



European Schools

Office of the Secretary-General

Ref. : 2012-09-D-47-en-2

## **Report of the European Court of Auditors for 2011**

---

**Board of Governors**

Brussels, 16, 17 & 18 April 2013

---

---

## 1. Issue

Article 93.1 of the Financial Regulation of 24 October 2006 Applicable to the Budget of the European Schools (Financial Regulation) states:

*“The Court of Auditors transmits to the Secretary-General and to the Heads of the Schools, by 15 July, any comments which are, in its opinion, of such a nature that they should appear in the annual report. The comments must remain confidential.*

*The replies of the Secretary-General and of the Heads of the Schools shall be forwarded to the court of Auditors by 31 October at the latest”.*

Paragraph 2 of article 93 of the Financial Regulation stipulates that:

*“The comments of the Court of Auditors and the replies that have been sent to it shall be drawn to the attention of the Administrative Boards and to the Board of Governors which at its meeting of the first quarter of the calendar year shall examine them and make its own comments and recommendations”.*

The report of the European Court of Auditors on the annual accounts of the European Schools for the financial year 2011 and the replies of the Secretary-General are attached at Annex A.

## 2. Background

For the financial year 2011, the Court of Auditors carried out on-site audits at the schools of Brussels II, Alicante and at the Office of the Secretary-General. The Court of Auditors conducted also a review on the follow-up of its recommendations made for the 2010 financial year on the spot for the Brussels IV School and by correspondence for the Culham School. The observations arising from these audits, at various levels of detail, were recorded in:

- (a) the Annual Report of the Court of Auditors on the implementation of the EU budget (see below);
- (b) a specific report on the European Schools submitted to the Board of Governors as the discharge authority (Annex A);
- (c) preliminary findings detailing the main results of the audits in the individual schools and the Office.

With regard to the Annual Report of the Court of Auditors on the Implementation of the EU budget at (a), a change has occurred since 2011. The Court of Auditors, having considered the overall structure of the Annual Report and the production of a specific annual report on the European Schools, has decided to discontinue including specific observations about the European Schools from its Annual Report for 2010 accounts.

In order to inform readers about the work performed on the Schools, the Court has included the following reference in Chapter 7 on Administrative and other expenditure:

*“The Court reports separately [...] on the European Schools.” (reference to the following footnote, which reads): “The Court’s Specific Annual Report on the European Schools is submitted to the Board of Governors of the European Schools, and is copied to the European Parliament, the Council and the Commission”.*

With regard to the specific report to the Board of Governors referred to at (b) above, it is attached at Annex A together with the Secretary-General's response. This year, this specific report was only written in English, French and German, the three working languages.

According to the above-mentioned report, the Court found no material errors that might call into question the reliability of the accounts that it audited (the Schools of Brussels II and Alicante, and the Central Office), which were drawn up under the provisions of the Financial Regulation of 24 October 2006 applicable to the budget of the European Schools, and the legality and regularity of the transactions underlying these accounts.

In the same sense, based on its review of the consolidated accounts, nothing came to the Court's attention that causes it to believe that the accounts are not presented fairly, in all material respects, in accordance with the Financial Regulation of the European Schools.

In addition, the report sets out the follow up of the recommendations of last year's report and makes observations and recommendations on a number of issues, in particular with regard to the accruals accounting, inventory, consolidated financial statements, procurement and school management software.

The Secretary-General's response is also attached at Annex A. The response of the Secretary-General set out how the various recommendations would be followed up.

### **3. Opinion of the Budgetary Committee**

The Budgetary Committee examined the preliminary observations of the Court of Auditors and the recommendations referred to above at its meeting of November 2012 (document of the European Court of Auditors "Preliminary observations with a view to a report on the annual accounts of the European Schools for the financial year 2011").

The Committee recommended that the Board of Governors should take formal note of the report of the Court of Auditors referred to at point (b) above and should approve the Secretary-General's response.

### **4. Proposal**

The Board of Governors is invited to take formal note of the report of the Court of Auditors on the annual accounts of the European schools for the financial year 2011 and endorse the Secretary-General's response.

ЕВРОПЕЙСКА СМЕТНА ПАЛАТА  
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



CORTE DEI CONTI EUROPEA  
EIROPAS REVĪZIJAS PALĀTA  
EUROPOS AUDITO RŪMAI

EURÓPAI SZÁMVEVŐSZÉK  
IL-QORTI EWROPEA TAL-AWDITURI  
EUROPESE REKENKAMER  
EUROPEJSKI TRYBUNAŁ OBRACHUNKOWY  
TRIBUNAL DE CONTAS EUROPEU  
CURTEA DE CONTURI EUROPEANĂ  
EURÓPSKY DVOR AUDÍTOROV  
EVROPSKO RAČUNSKO SODIŠČE  
EUROOPAN TILINTARKASTUOMIOISTUIN  
EUROPEISKA REVISIONSRÄTTEN

**Report on the annual accounts  
of the European Schools for the financial year 2011**

**together with the Schools' replies**

## TABLE OF CONTENTS

	Paragraph
Introduction	1-10
Background	1-3
Other relevant information	4-5
Audit scope and approach	6-10
Consolidation of accounts	11-12
Accounts	13-17
Inventory	18-20
Debtors and Creditors	21-22
Payroll Expenses	23-24
Staff issues	25-30
Classification of staff	25
Recruitment	26-27
Personal files	28-30
Procurement	31-35
Brussels II School	31-34
Alicante School	35
Payments	36-39
Ex-ante verification	36-37
Translation expenditure	38
Execution of payments	39
IT business continuity	40-43
Recommendations	44

**Annex 1 – Consolidated revenue and expenditure account for the financial years 2011 and 2010**

**Annex 2 – Consolidated balance sheets as at 31 December 2011 and 31 December 2010**

**Annex 3 – Information on the samples of transactions audited**

**Annex 4 – Follow-up of Court's recommendations raised in the Annual Report 2010**

## **INTRODUCTION**

### ***Background***

1. The Schools' consolidated annual accounts for the financial year ended 31 December 2011<sup>1</sup> were drawn up by the Office of the Secretary-General of the European Schools (hereinafter "the Central Office") and forwarded to the Court of Auditors in accordance with Articles 90 to 92 of the Financial Regulation of the Schools.
2. The appropriations available in the 2011 budget amounted to 279,6 million euro<sup>2</sup> (274,5 million euro in 2010). Revenue received was 274,9 million euro whilst committed expenditure was 273,8 million euro. The contribution of the European Commission in 2011 was 163,9 million euro (155,4 million euro in 2010).
3. The annual accounts are the responsibility of the European Schools' Management.

### ***Other relevant information***

4. At its meeting of 16 September 2011, the Board of Governors appointed the former Deputy Secretary General of the European Schools as Secretary General, as of 1 January 2012. The post of Deputy Secretary-General, that became vacant, was also filled.
5. The Assistant financial controller acted as Financial controller between 1 September 2011 and 15 February 2012, when the newly recruited Financial controller took up his duties. The post of Head of Information and

---

<sup>1</sup> See ***Annex 1*** and ***Annex 2*** which summarise for information purposes the data contained in the Schools' consolidated accounts drawn up by the Central Office.

<sup>2</sup> *Source:* European Schools, Closure of accounts 2011, Volume I.

Communication Technology, that became vacant in August 2011, was filled shortly afterwards.

### ***Audit scope and approach***

6. The Court's responsibility is to issue an annual report on the consolidated annual accounts.

7. The Court conducted its review in accordance with the International Standard on Review Engagements. This Standard requires planning and performing the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of European Schools' personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. The Court has not performed an audit of the consolidated accounts, and, accordingly, it does not express an audit opinion on the consolidated accounts.

8. In addition to the review of the consolidated accounts, the Court performed the annual audit of the Central Office, and the cyclical audit of two out of the fourteen European Schools. For the year 2011, the schools selected were Brussels II and Alicante<sup>3</sup>. In this context, procedures for staff recruitment, procurement, payments<sup>4</sup>, inventory and application of Internal Control Standards were also examined.

9. The follow up of the recommendations made for the 2010 financial year was performed on the spot for the Brussels IV School and by correspondence for the Culham School. A detailed analysis of the results of the follow up is included in **Annex 4** - Follow-up of the Court's recommendations raised in the Annual Report 2010.

---

<sup>3</sup> The budget appropriations in 2011 were: Brussels II – 33,6 million euro, Alicante – 13,5 million euro, Central Office - 9 million euro (*Source*: European Schools, Closure of accounts 2010, Volume I, III and VII).

<sup>4</sup> See **Annex 3** - Information on the samples of transactions audited.

10. The Court transmits its comments to the Secretary-General and to the Heads of the Schools in accordance with Article 93 of the Financial Regulation of the Schools.

### **CONSOLIDATION OF ACCOUNTS**

11. According to Article 87 of the Schools' Financial Regulation "Each School, after discussion and approval by its Administrative Board, shall, not later than 1 April, transmit to the Office of the Secretary-General the information required for drawing up the revenue and expenditure account and the balance sheet". In 2011 as in 2010, six out of fourteen schools approved their financial statements after the 1 April deadline.

12. There is no software tool to perform the consolidation process. Each School completes Excel spread sheets which are independent from the accounting software. The Accounting Officer of the Central Office confirms interschool receivables and payables via e-mail. This leads to errors and omissions, which were corrected during the audit:

- in 2010, the consolidation wrongly showed a surplus carried over from 2009 of 3 355 000 euro instead of 2 897 000 euro. This resulted from the computation as a surplus of the deficit of the Luxembourg II School;
- in 2011, the consolidation included the Bergen School accounts twice and omitted the Brussels III School data. As a consequence, the assets and liabilities in the consolidated balance sheet were understated by 1,7 million euro.

### **ACCOUNTS**

13. The Court found no material errors that might call into question the reliability of the accounts that it audited (the Schools of Brussels II and Alicante and the Central Office), which were drawn up under the provisions of the

Financial Regulation of 24 October 2006<sup>5</sup>, applicable to the budget of the European Schools, and the legality and regularity of the transactions underlying these accounts.

14. Based on its review of the consolidated accounts, nothing came to the Court's attention that causes it to believe that the accounts are not presented fairly, in all material respects, in accordance with the Financial Regulation of the European Schools.

15. As in previous years, the 2011 accounts of the Schools are prepared on a modified cash basis and are not fully compliant with the accruals based accounting principle. However, the Financial Regulation of the European Schools does not prohibit the adoption of accruals accounting.

16. In the Court's 2010 Annual Report on the European Schools and in its Opinion No 3/2011<sup>6</sup> on a proposal for an amendment to the Financial Regulation of the European Schools, the Court encouraged the European Schools to develop a roadmap and a timetable for the full implementation of accruals based accounting.

17. No steps have been taken in this direction. In fact, the Schools' new accounting software ("New Cobee"), that is currently under development and is foreseen to go live as of 1 January 2013, would have to be substantially modified to support accruals accounting.

---

<sup>5</sup> Amended by Decision of the Board of Governors of 12-14 April 2011.

<sup>6</sup> <http://eca.europa.eu>.

## INVENTORY

18. The provisions of the Memorandum “Administrative and Financial Procedures for the Inventory”<sup>7</sup> were only partially respected by the Central Office and the two Schools visited (Brussels II and Alicante).

19. The Central Office has not carried out a full inventory since 2006. Both Schools carried out one in 2012. The Directors of the Schools did not formally nominate the persons to carry out the physical check and the written results of the check were neither kept nor sent to the Financial Controller, as provided for in the Memorandum.

20. The following problems concerning the inventory system have been identified<sup>8</sup>:

- the initial valuation of certain assets was incorrectly calculated. At the Brussels II School, the installation costs needed to make the asset operational were excluded. At the Central Office, the cost of a four year maintenance contract was added to the value of the asset;
- some assets were included in the wrong class (e.g. at the Central Office, computer hardware assets were wrongly classified as computer software);
- assets were not labelled upon reception (Brussels II).

---

<sup>7</sup> According to the Memorandum “Administrative and Financial Procedures for the Inventory” approved in 2006, at least every 3 years (i.e. for the first time due by 2009), a physical check of assets must be carried out to verify that the inventory is complete and accurate, and the assets recorded in the inventory are in fact present in the school.

<sup>8</sup> Issues raised in prior audits and applicable to the 2011 accounts are mentioned in **Annex 4** - Follow-up of the Court’s recommendations raised in the Annual Report 2010 (Recommendation 3).

## **DEBTORS AND CREDITORS**

21. There is no designated account for doubtful debtors in the accounting plan of the Schools. As a consequence, debtors and doubtful debtor balances are not differentiated in the balance sheet. For example, at the Brussels II School, of the total debtor balance of 137 697 euro, 100 358 euro can be considered as doubtful and at the Alicante School, out of the total debtor balance of 672 987 euro, 26 646 euro can be considered as doubtful. The doubtful debts consist mainly of outstanding school fees from previous school years.

22. The Brussels II School balance sheet account for suppliers is not correctly stated. The amount is composed of three main account balances, among which the account 'leave payments to be regularised with teachers', with a balance of approximately 150 000 euro. The balance contains suppliers (teachers) with a debit balance (approximately 100 000 euro), from whom the School needs to recover money and teachers with a credit balance (approximately 250 000 euro), to whom the School owes money.

## **PAYROLL EXPENSES**

23. At the Alicante School, in one case out of nine audited, the input of the financial data into the salary software for a newly recruited staff member led to the erroneous award of a higher salary than decided by the selection board and approved by the Director and the Financial Controller. The salary of the staff member was thus incorrectly increased by 7,7 %, for the period between the beginning of the employment and the audit (i.e. 4,5 months).

24. The School did not have a control system in place to systematically verify and correct the standing data of staff.

## **STAFF ISSUES**

### ***Classification of staff***

25. The grid on the occupational categories and posts for the administrative and ancillary staff of the Brussels II School, included in the Service Regulations for the Administrative and Ancillary staff (AAS) of the European Schools has not been updated since 2007. As a consequence, the salary scales and steps as well as the number of posts occupied are out-dated and no longer reflect the current situation of the Brussels II School.

### ***Recruitment***

26. The recruitment process of AAS staff at the Brussels II and Alicante Schools was insufficiently documented to support the decisions taken by the Schools' management, resulting in a lack of transparency.

27. The main weaknesses of the recruitment process of AAS staff, common to both Schools, were:

- the analysis and grading of the applications was either not or insufficiently documented;
- the evaluation reports of candidates contained no or very little information on how the evaluation was carried out;
- in the case of one recruitment procedure at the Alicante School, no supporting documents proving past professional experience were requested from the applicants.

### ***Personal files***

28. At the Brussels II School, the job descriptions of staff have not been updated since 1999 and no longer reflect the tasks that staff should perform.

29. For two staff members recruited by the Alicante School, key documents (e.g. university degree, signed contract) were not included in their personal files.

30. The personal files of staff at both Schools were not clearly structured and organised: the documents included in the files were not numbered and there was no index sheet with a chronological overview of all the additions to and removals from the files. The integrity of files was thus not ensured.

## **PROCUREMENT**

### ***Brussels II School***

31. The School uses mainly the 'lowest price' award criterion in its procurement procedures. However, the examination of the reports of the evaluation committees showed that in four out of six procurement procedures examined, the offers received were not checked to verify if they met the requirements of the tender specifications. Thus, incomplete offers as regards the items proposed and errors in the calculation of the total price made by the tenderers were not detected by the evaluation committees. As a consequence, the evaluation committees compared the total prices of offers that were different as regards their completeness, without asking for additional clarifications from tenderers. In one procurement procedure, for the purchase of laptops, the contract was wrongfully awarded to a tenderer whose offer had the lowest price, but did not meet several technical requirements set in the tender specifications.

32. In the case of a procurement procedure for the purchase of interactive boards, the brand and model of the equipment to be purchased was mentioned in the tender documents, although there is more than one manufacturer of such equipment.

33. The contract for heating, ventilation and air conditioning maintenance services reached its maximum duration of four years on 31 December 2011. A

new procurement procedure was only launched on 15 November 2011, leaving insufficient time to potential tenderers to prepare an adequate offer, given the complexity of the services required.

34. The Authorising Officer does not formally issue an award decision, as required by the Rules for Implementing the Financial Regulation<sup>9</sup>. The proposal of the evaluation committee to award the contract to a tenderer and the Note of information forwarded by the Authorising Officer to the Financial Controller are considered by the School to be the award decision.

### ***Alicante School***

35. The examination of the reports of the evaluation committees showed that they mention briefly whether the tenderers met the selection and exclusion criteria and the technical requirements set in the tender specifications but no details are given in relation to the checks performed by the evaluation committees for each of these criteria. As a consequence, in the case of a procurement procedure for the purchase of electric ovens, four tenderers were eliminated for not meeting the technical specifications required but the evaluation report did not state which specifications were not met.

## **PAYMENTS**

### ***Ex-ante verification***

36. All transactions should be subject to ex-ante verification<sup>10</sup>. The legal base<sup>11</sup> requires that payment orders be accompanied by the original supporting

---

<sup>9</sup> Article 88.3 of the Rules for Implementing the Financial Regulation (document 2011-07-D-18-en-1).

<sup>10</sup> Article 8.3 of the Rules for Implementing the Financial Regulation of the European Schools.

<sup>11</sup> Article 42 of the Financial Regulation of the European Schools.

documents. These documents must be certified or accompanied by a certificate confirming the correctness of the amounts to be paid.

37. At the Central Office, a stamp-checklist is used on invoices for the purpose of ex-ante verification. The stamp checklist was in many cases incorrectly filled-in, creating confusion between the 'certified correct' and 'good for payment' authorisations.

#### ***Translation expenditure***

38. The Central Office has not yet implemented the Court's recommendation to sign contracts with the freelance translators<sup>12</sup>. The total annual amount spent by the Central Office on freelance translation services in 2011 was approximately 390 000 euro. Under the current arrangements, the selection of the freelance translators and the allocation of the translation jobs to them are not transparent (no call for tender has been organised; there is no feedback and ranking system for the shortlisted translators).

#### ***Execution of payments***

39. In order to make online bank payments, each School must use a suitable tool on the local market (e.g. the European Schools located in Belgium use a web-based tool called ISABEL). As the accounting system of the Schools is not linked to such online web solutions for electronic bank transfers, each bank transfer has to be entered individually into the online banking system. This situation can lead to errors and omissions. The Central Office, together with the provider of e-banking for the Belgian schools, is currently analysing the possible solutions to this problem.

---

<sup>12</sup> See ***Annex 4*** - Follow-up of the Court's recommendations raised in the Annual Report 2010 (Recommendation 9).

### **IT BUSINESS CONTINUITY**

40. The administrative applications of the Schools are divided into two groups: school management (Odyssee) and financial management (Cobee). The Odyssee project was launched in 2003 and was supposed to be in production in 2008. The total cost of the project was approximately 2 million euro; the final tests made in 2011 at the Luxembourg I and Varese Schools showed that the application contained too many bugs and that the contractor was in fact unable to deliver the product.

41. As from December 2012, the manufacturer of the Solaris servers, which are currently installed in all the schools to run the school management software, will no longer offer technical support for them. As a consequence, the IT business continuity of the entire school system may be endangered.

42. The management of the Schools decided to abort the Odyssee project and to launch a call for tenders (summer 2012) to purchase an off-the-shelf application for school management, and customize it.

43. The New Cobee system is being developed by the same contractor that failed to deliver Odyssee. The project is in the final testing phase and should be operational as of 1 January 2013.

### **RECOMMENDATIONS**

44. Based on the examination performed by the Court for the financial year 2011 it is recommended:

1. The Court reiterates its recommendation to the Board of Governors to adopt accruals accounting and encourages the Schools' management to study the possibility of integrating it into the new accounting software;
2. The New Cobee software project should include a specific module for consolidating the Schools' accounts and producing consolidated financial statements;

3. The management of the Schools should take measures to respect the deadline of 1 April for the transmission to the Central Office of information required for drawing up the revenue and expenditure account and the balance sheet;
4. The presentation of the Inventory section of the Account Closure Report, for each School, should show the total acquisition value (gross carrying amounts) and the accumulated depreciation per asset class. The Central Office should correctly apply the provisions of the Memorandum on Administrative and Financial Procedures for the Inventory and also provide guidance to Schools in this respect. It should also consider the possibility of acquiring or developing an inventory management tool;
5. The accounting plan should be completed with a current asset account for doubtful debtors as well as a provision account for doubtful debtors;
6. The Central Office should provide more guidance to Schools on procurement procedures. In particular, the Central Office should review the current arrangements with freelance translators;
7. The Central Office should ensure that a new viable school management software solution is acquired and is implemented before the technical support for the current servers is discontinued by the manufacturer.

This Report was adopted by Chamber IV, headed by Dr Louis GALEA,  
Member of the Court of Auditors, in Luxembourg at its meeting of 16  
October 2012.

*For the Court of Auditors*

*in*

Vitor Manuel da SILVA CALDEIRA



**Annex 1**

**Consolidated revenue and expenditure account for the financial years 2011 and 2010 - as presented in consolidated accounts of the Schools (with surplus of previous year presented separately)**

	2011	2010
(1 000 euro)		
<b>Revenue</b>		
Subsidies received from the Commission	163 975	155 393
Other revenue	110 875 <sup>(1)</sup>	109 991 <sup>(2)</sup>
<b>Total revenue (a)</b>	<b>274 850</b>	<b>265 384</b>
<b>Expenditure</b>		
Settled at the close of the financial year	268 719	260 975
Committed and carried over to the following financial year	5 090	5 194
<b>Total expenditure (b)</b>	<b>273 809</b>	<b>266 169</b>
<b>Result for the financial year (a-b)</b>	<b>1 041</b>	<b>-785</b>
Exchange-rate differences	23	113
Appropriations carried over from the previous financial year and not used	562	355
Surplus previous year carried forward	2 549	2 805
Other results	5	135
<b>Balance for the financial year</b>	<b>4 180</b>	<b>2 623</b>

<sup>(1)</sup> Includes 56,2 million euro in salary payments to teachers seconded by the Member States, 18,8 million euro contribution of the European Patent Office, 14,2 million euro as Category II fees, 16,6 million euro as Category III fees and 5,1 million euro from other financing sources.

<sup>(2)</sup> Includes 55,7 million euro in salary payments to teachers seconded by the Member States, 18,9 million euro contribution of the European Patent Office, 13,5 million euro as Category II fees, 17 million euro as Category III fees and 4,9 million euro from other financing sources.

Source: European Schools. These tables summarise the data supplied by the Schools in their own financial statements which are prepared on a modified cash basis.

**Annex 2**

**Consolidated balance sheets as at 31 December 2011 and 31 December 2010**

(1 000 euro)

ASSETS	2011	2010	LIABILITIES	2011	2010
<b>Budget</b>			<b>Budget</b>		
Net fixed assets <sup>(1)</sup>	3 993	3 974	Own capital	3 993	3 974
Debtors	9 036	9 980	Reserves	2 745	2 672
Banks	20 686	20 544	Balance for the financial year	4 180	2 623
Cash	30	24	Appropriations carried over from year n to n+1	5 058	5 081
			Third-party accounts	10 286	12 317
			Entitlements to be recovered	7 483	7 855
<b>Subtotal</b>	<b>33 745</b>	<b>34 522</b>	<b>Subtotal</b>	<b>33 745</b>	<b>34 522</b>
<b>Off-budget<sup>(2)</sup></b>			<b>Off-budget<sup>(2)</sup></b>		
Stocks	191	217	Reserve from previous years	2 386	2 067
Third-party accounts	163	104	Results	590	541
Banks	3 011	2 622	Third-party accounts	413	337
Cash	24	2			
<b>Subtotal</b>	<b>3 389</b>	<b>2 945</b>	<b>Subtotal</b>	<b>3 389</b>	<b>2 945</b>
<b>TOTAL</b>	<b>37 134</b>	<b>37 467</b>	<b>TOTAL</b>	<b>37 134</b>	<b>37 467</b>

<sup>(1)</sup> The value of assets made available free of charge by Member States, such as buildings, is not included.

<sup>(2)</sup> Off-budget transactions concern extracurricular activities for the financial management of which the Schools are responsible (e.g. school trips, book supplies, etc.); they are handled exclusively at balance-sheet level (revenue and expenditure do not appear in the Schools' revenue and expenditure account).

Source: European Schools. These tables summarise the data supplied by the Schools in their own financial statements which are prepared on a modified cash basis.

### Annex 3

#### Information on the samples of transactions audited

The following table provides information on the size of the samples audited in different fields

	Staff recruitment	Procurement procedures	Payments
Central Office	Administrative and ancillary staff: 3 Seconded staff: 2 Part-time teachers: N/A	Restricted with publication in the Official Journal (above 60 000 euro): 1  Low value (below 6 000 euro): 3	Budgetary payments: 26 for a total value of 262 711 euro
Brussels II	Administrative and ancillary staff: 3 Seconded staff: 3 Part-time teachers: 3	Negotiated (above 60 000 euro): 1 Negotiated (6 000-60 000 euro): 5	Budgetary and extra budgetary payments: 25 for a total value of 307 759 euro
Alicante	Administrative and ancillary staff: 3 Seconded staff: 3 Part-time teachers: 3	Restricted with publication in the Official Journal (above 60 000 euro): 2  Negotiated (6 000-60 000 euro): 3	Budgetary and extra budgetary payments: 26 for a total value of 308 361 euro

**Follow-up of Court's recommendations raised in the Annual Report 2010**

The following table provides information on follow-up of the Court's recommendations made in the Annual Report 2010:

Court's recommendations (paragraph 54 of the Report on the accounts of the European Schools for the financial year 2010)	European School					Central Office	Comments
	Brussels II	Alicante	Brussels IV	Culham			
<p><b>Recommendation No 1:</b> The Court reiterates its recommendation to the Board of Governors to adopt a roadmap with a view to applying the principle of accruals accounting in the preparation of the European Schools' accounts.</p>	Implemented Yes/No/NA /in progress	<p>This was a general recommendation for all Schools; it should be noted that schools alone cannot fully implement this recommendation, as this is a decision to be taken by the Board of Governors and implemented in all European Schools with the help of the Office of the Secretary General.</p> <p>The Board of Governors did not instruct the management of the Schools to develop a roadmap and a timeframe for implementing the principle of full accruals accounting. Moreover, the need of applying this principle is not fully accepted by the Board of Governors and the Schools' management.</p> <p>In addition, the new accounting software that is currently under development and is foreseen to enter in production in the beginning of the year 2013 would have to be modified substantially to support accruals accounting. This would involve a significant additional cost to the Schools, for which no financial resources may be available.</p> <p>The Financial controller and Assistant financial controller should continue analysing the benefits of implementing the accruals accounting and a decision should be taken in this respect by the Board of Governors.</p>					

<p><b>Recommendation No 2:</b> The management of Schools should take all the necessary measures so as to respect the deadline of 1 April for the transmission of information to the Central Office required for drawing up the revenue and expenditure account and the balance sheet.</p>	No	Yes	Yes	No	N/A	<p>In 2011, six out of fourteen schools approved their financial statements after the 1<sup>st</sup> April deadline.</p> <p>The most significant delays, of more than four weeks concern the Schools of Culham and Moli; other delays, of more than two weeks, concern the Schools of Brussels I, Brussels II and Frankfurt.</p>
<p><b>Recommendation No 3:</b> The presentation of the Inventory section of the Account Closure Report should show the total acquisition value (gross carrying amounts) and the accumulated depreciation per asset class.</p>	No	No	No	Yes	Yes	<p>Although the Central Office shows in its accounts the total acquisition value and the accumulated depreciation per asset class, it did not clearly instruct the Schools to use the same standard template in their Closure Reports. As this is a standard annex, Schools (e.g. Brussels IV) did not modify it without being instructed to do so by the Central Office. However, the School of Culham fully implemented the Court's recommendation and disclosed the information required in its Closure Report.</p>
<p>The Central Office should provide guidance to Schools in order to correctly apply the provisions of the Memorandum on Administrative and Financial Procedures for the Inventory. It should also consider the possibility of acquiring or internally developing a common inventory management tool.</p>	N/A	N/A	N/A	N/A	No	<p>The Central Office did not issue guidance to Schools in order to correctly apply the provisions of the Memorandum on Administrative and Financial Procedures for the Inventory. Moreover, the Central Office itself failed to address the issues raised at its level in the Court's Report for 2010.</p> <p>The new accounting software will have a module for the management of the inventory. However, this software module should be linked to other tools (e.g. bar code readers) and implemented in all schools. The School of Alicante has already implemented a solution for managing the inventory, based on bar code labels and a bar code reader.</p> <p>The identification and inclusion in the inventory of some of the assets made available free of charge by the host Member State was not performed by the Brussels II School. The risk of misidentification with identical assets owned by the School persists.</p>

<p><b>Recommendation No 4:</b> The accounting plan should be completed with a current asset account for doubtful debtors as well as a provision account for doubtful debtors. The accounting system should be improved in order to be able to provide an aged debtor/creditor analysis.</p>	No	No	No	No	No	<p>Although the accounting plan was updated during the last year (e.g. for the needs of Brussels IV School), the Central Office did not add a current asset account for doubtful debtors as well as a provision account for doubtful debtors.</p>
<p><b>Recommendation No 5:</b> Schools should open and use separate bank accounts for budgetary and extra-budgetary transactions.</p>	Yes	Yes	Yes	Yes	N/A	<p>Schools have separate budgetary and extra-budgetary accounts. Nevertheless, income, is not always received in the correct bank account (parents often make one payment for multiple fees, both budgetary and extra budgetary, into a single bank account). Schools have to perform an analysis and separate the income depending on its intended destination.</p>
<p><b>Recommendation No 6:</b> The Central Office and the Brussels IV School should recover the unpaid contribution to the Sickness Fund. In addition, a centralised method of updating the variable parameters used in the calculation of the salaries should be considered.</p>	N/A	N/A	Yes	N/A	Yes	<p>The School's Sickness Fund Management Committee decided to waive the recovery of the unpaid sickness contribution.</p> <p>A centralised method of updating the variable parameters used in the calculation of the salaries has been put in place.</p>
<p><b>Recommendation No 7:</b> The Central Office should coordinate the development of written procedures and guidelines for the recruitment of all categories of staff, common to all Schools.</p>	N/A	N/A	N/A	N/A	Yes	<p>The Central Office has established guidelines which have however not been applied by all Schools.</p>
<p><b>Recommendation No 8:</b> Schools should implement an efficient and harmonised filing system for personal files to ensure their completeness and confidentiality. The Central Office should issue related guidelines and ensure</p>	In progress	In progress	Yes	In progress	In progress	<p>The Brussels IV School improved its filing system for personal files to ensure their completeness and confidentiality.</p> <p>However, the Central Office should continue coordinate the efforts of harmonisation in the entire school system.</p>



2012-09-D-47-EN-2



European Schools

Office of the Secretary-General

**REPLIES TO RECOMMENDATIONS CONTAINED IN DRAFT REPORT OF  
EUROPEAN COURT OF AUDITORS 2011 (DOCUMENT OF THE ECA  
"PRELIMINARY OBSERVATIONS WITH A VIEW TO A REPORT ON THE ANNUAL  
ACCOUNTS OF THE EUROPEAN SCHOOLS FOR THE FINANCIAL YEAR 2011")**

*(...) Based on the examination performed by the Court for the financial year 2011 it is recommended:*

**1. The Court reiterates its recommendation to the Board of Governors to adopt accruals accounting and encourages the Schools' management to study the possibility of integrating it into the new accounting software;**

**Response No 1):** The Financial Control Unit has started internal consultations towards the preparation of a comparative table of the differences between the current accounting procedures and a full accrual-based accounting system to be presented in front of the Board of Governors.

The ICT Unit will explore the possibilities and the cost of adapting new COBEE to the accrual based accounting system.

**2. The New Cobee software project should include a specific module for consolidating the Schools accounts and producing consolidated financial statements;**

**Response No 2):** NewCobee already covers the consolidation of the all budget items <sup>1</sup>.

At this stage is not foreseen the consolidation of the balance sheets.

Once NewCobee is in operation (planned for 1<sup>st</sup> January 2013) and stable, the feasibility and impact of consolidating the balance sheets will be studied.

**3. The management of the Schools should take measures to respect the deadline of 1st April for the transmission to the Central Office of information required for drawing up the revenue and expenditure account and the balance sheet;**

**Response No 3):** The first quarter is a very busy time to draw up the draft budget for the next year and the closure of the previous year. The schools are aware of the deadline of 1<sup>st</sup> April for transmission, nevertheless reminders will be sent constantly to assure that the date will be respected.

<sup>1</sup> The evolution and execution of the budget, starting with the initial credits, the adaptations by supplementary and/or rectifying budgets, the transfers from post to post, the engagements, the payments, the credits carried forward to the next budget year and the annulated credits; the credits carried forward from the previous budget year, their use and the annulations.

For the receipts the initial credits the adaptations by supplementary and/or rectifying budgets, the open items from last years closure, the recovery orders established in the current year, the money received and the outstanding amounts at the end of the year to be received in the coming year.

**4. The presentation of the Inventory section of the Account Closure Report, for each School, should show the total acquisition value (gross carrying amounts) and the accumulated depreciation per asset class. The Central Office should correctly apply the provisions of the Memorandum on Administrative and Financial Procedures for the Inventory and also provide guidance to Schools in this respect. It should also consider the possibility of acquiring or developing an inventory management tool;**

**Response No 4):** NewCobee includes an inventory management module, recording the acquisition value and the depreciation. In particular, the following plan is scheduled in this regard:

-Decision: all schools will have to use the new inventory module of NewCobee (but not by 1 January 2013).

-The BSG will test the inventory module and it will migrate the data of the years 2009 – 2012 into NewCobee (although references to accounting will be lost).

-Inventory Label: the format of the new global inventory label will be communicated to the ICT Unit by the Accounting Unit. The BSG will provide also data structure template (Excel) and practical guidelines for the inventory.

-For 1 January 2013: BSG and all the first phase schools will start to use the inventory module for new purchases.

-The Schools might migrate their old inventory data to NewCobee step by step with the help of OSG using the data structure template provided by BSG.

**5. The accounting plan should be completed with a current asset account for doubtful debtors as well as a provision account for doubtful debtors;**

**Response No 5):** The schools show in the comments to their balance sheet and in the list of the debtors the doubtful debtors. In the coming consolidated balance sheet the distinction of doubtful debtors will be made. Once when NewCobee is in operation (planned for 1<sup>st</sup> January 2013) and stable, the feasibility and impact of consolidating the balance sheets with respect to this item will be studied.

**6. The Central Office should provide more guidance to Schools on procurement procedures. In particular, the Central Office should review the current arrangements with freelance translators;**

**Response No 6):** The Central Office is paying particular attention to the issue of procurement procedures by providing guidance to the Schools in this matter. In this sense, the Financial Control Unit regularly advises to the Schools in procurement related issues, underlining the need that the recommendations of the Court of Auditors should be respected, especially with regard to the obligation to organize call for tenders for contracts with values above 6000 euro (as required by article 71 of the Rules for Implementing the Financial Regulation).

The Unit is also working in the elaboration of a new Memorandum in order to adapt the previous one (2009-M-59-en-1 *Aide Memoire on the Procedures for the Purchase of Goods and Services*) to the changes incurred in the last revision of the Financial Regulation. This new Memorandum is expected to be finalized and circulated to the Schools by 4<sup>th</sup> quarter 2012.

**7. The Central Office should ensure that a new viable school management software solution is acquired and is implemented before the technical support for the current servers is discontinued by the manufacturer;**

**Response No 7):** It was decided in a special meeting of the ICT Steering Committee on 8th May 2012 to stop Odyssee (the tailor-made development for managing the schools) and launch a procurement procedure based on a commercial school management software already existing and tested in the market, to be customized to the special needs and requirements of the European Schools. The target date to put in production the solution is 1st January 2013, ending date of the maintenance of the current platforms.

The Selection Committee on the 20 July 2012 decided that, according to the criteria published in the call for tenders, MySchool Ltd. was the best option.

The contract was signed and since the 1 August 2012 the external company and the ICT Unit are working very closely and intensively to make this project a success.

**Kari KIVINEN**  
**Secretary-general**