



European Centre for the
Development of Vocational Training

Director

CEDEFOP	
Date:	4 January 2007
No. 801	In: 724
FROM:	AMB

Thessaloniki, 4 January 2007
Directorate/AMB D(2007) 001

REPORT ON AUDITS OF CEDEFOP 2005/2006¹

PE - COURRIER EP - ENTRÉE
05. 01. 2007
N° 263

1. INTRODUCTION

In 2006, the new (as of November 2005) Director of Cedefop, Ms. Bulgarelli, and the new (as of April 2005) Deputy Director (Mr Lettmayr) continued to implement actions in response to the findings and recommendations of the 2004/2005 audits. These actions commenced in late 2005. A major effort has been made to implement strict procurement procedures, to reinforce the internal control environment, to enhance a culture and practice of integrity and good administrative behaviour, and to take action to remedy issues of potentially high risk for the Centre. In annex you will find last year's report.

2. RECORD OF AUDITS REFERRING TO THE YEARS 2005 AND 2006

Court of Auditors

The first regular visit regarding the year 2005 was conducted in November 2005 and lasted one week. It concentrated on procedures, including the use of IT, that had been carried out before September 2005. The second regular visit regarding the year 2005 was conducted in March 2006 for one week, and concentrated on the accounts.

The first regular visit regarding the year 2006 took place in December 2006 and lasted one week. It concerned procedures, mainly regarding commitments and payments, recruitments and procurement. No report is yet available.

¹ Article 95 (3) of Regulation 2343/2002 and Article 64 (3) of Cedefop Decision of 31 March 2003 lastly amended by Cedefop Decision of 16 March 2006 on the financial rules,

Internal Audit Service (IAS)

In 2006, the IAS conducted a follow-up audit to the audit of July 2005 (which concerned procurement procedures and contracts 2004, report EU-restricted). The visit of the IAS took place in October 2006 and lasted one week.

OLAF

The OLAF investigation, which commenced in 2005, has been continuing throughout 2006. Investigators have visited the Centre 5 times, each time for about one week. The investigation is ongoing.

In total the Centre has been subject to 3 weeks of audits and 5 weeks of investigations in-house during the year 2006. To the best of our knowledge (the sector letter of the first visit of the Court regarding 2006 is not yet available but results were discussed in the closing session with the auditors) the audits confirmed that the actions taken have had the desired results: no irregularities, drastic improvement of the control environment and very considerable progress in in-house knowledge, transparency, and compliance with the rules.

3. RESULTS OF THE AUDITS

The opinion of the **Court of Auditors** regarding 2005 states that the Centre's accounts are reliable and that the underlying transactions were, taken as a whole, legal and regular. The report states a reservation regarding some contracts (all drawn before September 2005), but also acknowledges that the Centre has, since the last quarter of 2005 taken steps to remedy the weaknesses found in its organisation and tendering procedures.

The final report of the IAS audit in 2006 is EU-restricted, as it is the follow-up of the 2005 IAS special audit on the implementation of procurement procedures – still confidential due to the OLAF investigation. However, the Centre wishes to relate that the report confirms that all critical recommendations have been implemented, that three of the four very important recommendations have been implemented while one is in progress, and that no irregularities have been found in 2006.

4. RESPONSE OF THE CENTRE AND ACTIONS TAKEN

As stated above, throughout 2006 the Centre has implemented the auditors' recommendations of 2005, and achieved considerable progress. The most important actions taken were the following:


- (1) The Centre implemented the reorganisation planned at the end of 2005, which included the establishment of a system of delegation and control for financial and human resource management;
- (2) The recruitments of an Internal Auditor and a Head of Finance and Procurement have been concluded. These posts are expected to strengthen capacity for further progress on these issues and on internal control. The ongoing recruitment of a Legal Adviser and a Head of Resources will also contribute to sound administration;

- (3) The Directorate restricted the EU financial rules and the choice of procurement procedures and tightened the limits to be observed. The application of open procurement procedures was made compulsory even for low-value contracts. An additional measure to prevent irregularities has been the introduction of measures ensuring that opening and evaluation committees are properly appointed and their members have no conflicts of interest. Attempts to increase the number of tenders have also been made. In many cases, externals have been invited to participate in evaluation and selection panels. In 2006, procurement service staff, authorising officers and other financial actors were trained and supported in the procurement process. With the external help of the European Training Foundation, contracts have been screened in an attempt to identify the most appropriate procedures;
- (4) Compulsory training was introduced on ethics and integrity and on financial procedures, including procurement;
- (5) An external audit was performed with regard to three sensitive contracts where payments have been suspended and contracts terminated. Internal audits were performed on the deliverables of these contracts. Further evaluations were recommended by the auditors and will be performed accordingly;
- (6) The filing system in procurement was revised and reorganised. Checklists have been introduced. To support proper procedures, templates have been designed and distributed. Every procedure is now documented. Mail registration has been fully implemented;
- (7) The planning, budgeting and reporting cycles have been reviewed and adjusted;
- (8) The Intranet is being redesigned in order to better serve as a source of easily accessible documentation for all staff;
- (9) The recruitment procedures have been redesigned and strengthened in order to attract and select highly qualified staff. The filing system in human resources has been reorganised;
- (10) The Centre has made a great effort to cooperate with the auditors and to take advantage of their comments and recommendations.

The members of Cedefop's Governing Board and its Bureau have been kept fully informed of the actions taken and have endorsed these actions.

The measures implemented and actions taken give reasonable assurance that the risks are now under control.

The effort to overcome the problems that the Centre encountered put an immense strain on the human resources and administrative services, but also on Area and Project Managers. The staff has responded with effort and commitment.


Aviana Bulgarelli
Director

Record of Audits referring to the years 2004 and 2005 (January 2006)

Court of Auditors

The first regular visit concerning 2004, which concentrated on procedures, took place in late November/early December 2004 and lasted for one week (team of three auditors).

The second regular visit, concerning the 2004 accounts, took place in the first week of March 2005 and again lasted for one week (team of three auditors).

A third special visit, concerning the 2004 procurement procedures, took place in November 2005 and also lasted for one week (team of two auditors).

The first regular visit regarding the year 2005 was conducted in November 2005 and lasted for one week. It concentrated on procedures, including the use of IT, carried out before September 2005 (team of four auditors).

Internal Audit Service (IAS)

The first visit of the IAS took place in November/December 2004 and lasted for three weeks (team of four auditors). This was the first ever visit of the IAS to Cedefop, and it focused on the internal control system and the implementation of control standards.

At its meeting of May 2005, as a consequence of whistle-blowing, the Governing Board of Cedefop asked the former Director to request an audit of procurement contracts awarded in 2004 through tendering procedures. The IAS therefore paid a second visit in July 2005 and carried out an in-depth investigation of a group of 2004 contracts. The visit lasted for 2.5 weeks (team of four auditors).

OLAF

As a consequence of the special IAS audit on a group of 2004 contracts, OLAF opened an investigation that is still ongoing.

In total the Centre has been the object of 8.5 weeks of audits. The in-depth audits carried out by the Court of Auditors and the IAS constitute the knowledge base that allowed the new management to take immediate and effective action.

RESULTS OF THE AUDITS

The opinion of the **Court of Auditors** states that the Centre's accounts are reliable and that the underlying transactions were, taken as a whole, legal and regular. However, the opinion points out an exception, referring to the observations in paragraph 10 relating to one multiple framework contract and a number of negotiated procedures. The opinion highlights firstly a non-stringent application of the competition rules, with reference mainly to an excessively small number of competitors in negotiated procedures, and secondly irregularities in connection with the evaluation procedures in a number of cases.

Following the first IAS audit, conducted on the Centre's internal control system in November/December 2004 and March 2005, a final report was published in July 2005. It contained 16 recommendations highlighting the weaknesses of the organisation

(promotion of good administrative behaviour and integrity, human resources management and lack of internal audit capabilities).

The report of the second IAS audit is still confidential due to the OLAF investigation and cannot be discussed yet. However, we should like to mention that some serious irregularities have been found to exist in a few contracts in a very specific field of Cedefop's activities.

RESPONSE OF THE CENTRE AND ACTIONS TAKEN

The Centre has reacted promptly and pro-actively. It has accepted all recommendations, and in response to the first IAS report it drew up an action plan, which was incorporated in the report. A large part of the actions proposed to ensure Cedefop's internal control capabilities were implemented by the end of 2005.

Additional actions became necessary to address the concerns which led to the second IAS audit in July and the additional visit of the Court of Auditors in November 2005.

Those measures, most of which were adopted and implemented after October 2005 by the new management, concerned:

- (a) organisational changes, some of which required decisions on personnel (for example, a Head of Human Resources was selected and appointed; the recruitment procedure for an Internal Auditor has been launched and widely published and will be concluded by March 2006; it was decided to combine the procurement services and the financial service so as to create a new Financial Unit; the responsibility for administrative services has been allocated to the new Deputy Director; the head of the Legal and Contract Management Service has been dismissed);
- (b) steps have been taken to set up a mediation function, and work has begun – together with the Staff Committee – on the general implementing provisions on recruitment, the annual career review and promotion. The first decisions have been taken on the recruitment process with a view to making procedures more open and transparent and ensuring the participation of external members in selection panels;
- (c) a training strategy has been devised and will be implemented with the support of the Commission. It concerns mainly procurement, the financial circuit and evaluation procedures;
- (d) a general 'zero tolerance' policy has been instituted as regards application of the new financial regulations. Negotiated procedures have been limited;
- (e) in the case of a number of contracts examined in the second IAS audit, payments have been suspended and special audits will be conducted with the support of the Commission (DG EAC);
- (f) the Centre has disassociated itself from partnerships with private entities, such as an association/foundation in the field of the certification of quality of e-learning. At the same time, the 2006 work programme was adapted accordingly. Thus, Cedefop's activities will focus more sharply on the EU policy agenda and political priorities, and some politically less important activities have been curtailed;

- (g) measures have also been taken to improve communication of the Code of Good Administrative Behaviour to the staff of the Centre, especially new staff. The Centre has stepped up its efforts to publish and communicate administrative rules in a complete and concise manner;
- (h) the Centre has made a great effort to cooperate and be forthcoming with the auditors and to take advantage of the recommendations and suggestions that they make.

The members of Cedefop's Bureau have been kept fully informed of the actions taken and have unanimously endorsed them (Bureau meeting of 12 December 2005).

GENERAL CONCLUDING CONSIDERATIONS

Cedefop has taken strong action to ensure a high degree of transparency and regularity in all its procedures, and this has been done in a positive climate with the commitment of the staff.

We take this opportunity to underline that a number of the shortcomings found to exist are due to lack of knowledge and technical support. A small agency like Cedefop, in a location remote from the centre and with a limited market for several of its products and services, does not have easy access to the training, advice and legal services that are at the disposal of the Commission. The new Director, on taking up her duties in mid-October, was assured by the Commission that she would obtain the technical support and staff training necessary to ensure absolute compliance with the financial regulations.

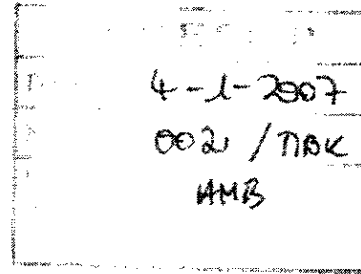
Cedefop wishes to express its gratitude for the support it has received in this phase from DG Education and Culture as well as from the Court of Auditors and the Internal Audit Service. This support must be stepped up in line with Cedefop's needs.

Aviana Bulgarelli
Director



European Centre for the
Development of Vocational Training

Director



Thessaloniki, 4 January 2007
Directorate/AMB D(2007) 002

Mr Julian Priestley
Secretary-General
European Parliament
Rue Wiertz
B - 1047 Brussels

Dear Mr Priestley,

I refer to my letter of 19 December 2006 on the Report of Audits of Cedefop 2005/2006.

In the meantime, as I received the Final Audit Report (EU restricted) of the Internal Audit Service of the European Commission of 21 December 2006, I updated my Report on Audits of Cedefop 2005/2006 as follows:

POINT 3 : RESULTS OF THE AUDITS - SECOND PARAGRAPH

The final report of the IAS audit in 2006 is EU-restricted, as it is the follow-up of the 2005 IAS special audit on the implementation of procurement procedures – still confidential due to the OLAF investigation. However, the Centre wishes to relate that the report confirms that all critical recommendations have been implemented, that three of the four very important recommendations have been implemented while one is in progress, and that no irregularities have been found in 2006.

You will find enclosed the final version (2007/001) of the Report of Audits of Cedefop 2005/2006 of 4 January 2007. Please disregard the previous version (2006/484) which was annexed to my letter of 19.12.2006.

Yours sincerely,


Aviana Bulgarelli

cc: *Mr Szabolcs Fazakas, Chairman, Committee on Budgetary Control,
Mr Jan Andersson, Chairman, Committee on Employment and Social Affairs
Ms Edit Herczog, MEP, Rapporteur, Committee on Budgetary Control,
Mr José Luis Rufas Quintana, Head of Secretariat, Committee on Budgetary Control,
Mr Panos Konstantopoulos, Head of Secretariat, Committee on Employment and Social Affairs
Ms Kristina Geiger, Administrator, Secretariat, Committee on Budgetary Control*

Head office: Europe 123, GR-57001 Thessaloniki • Postal address: PO Box 22427, GR-55102 Thessaloniki • Tel. (30) 23 10 49 01 11 • Fax (30) 23 10 49 00 49
Brussels office: Office 4/67-68 Tour Madou, Place Madou 1, B-1210 Saint-Josse-Ten Noodes • Tel. (32-2) 299 10 93 • Fax (32-2) 292 16 91 • E-mail:
info@cedefop.europa.eu
Internet: www.cedefop.europa.eu, www.trainingvillage.gr • Generic e-mail: info@cedefop.europa.eu
Direct line: (30) 23 10 49 01 40 • Fax (30) 23 10 49 01 02 • E-mail: aviana.bulgarelli@cedefop.europa.eu

BRYCE Valerie Jane

From: BOUKOUVALA-KETTERER, Michele [michele.boukouvala-ketterer@cedefop.europa.eu]
Sent: 04 January 2007 15:31
To: PRIESTLEY Julian
Cc: FAZAKAS Szabolcs ASSISTANT; HERCZOG Edit; GEIGER Kristina; ANDERSSON Jan; RUFAS QUINTANA Jose Luis; KONSTANTOPOULOS Panos; BULGARELLI, Aviana-Maria; LETTMAYR, Christian-Friedrich; ROUNIO, Johanna
Subject: UPDATED VERSION - Report on audits of Cedefop 2005/2006
Attachments: 001_Cedefop Report on Audits 2005-2006 DEF 4 Jan 2007 .pdf; 002_AMB to European Parliament.pdf

Dear Mr Priestley,

Please find attached today's letter 2007/002 from Ms Aviana Bulgarelli, Director of Cedefop, and its annex, the Report on Audits of Cedefop 2005/2006 of 04.01.2007 (2007/001).

The original follows by post.

Yours sincerely,

Michèle Boukouvala-Ketterer

Cedefop
European Centre for the Development of Vocational Training
Europe 123, GR - 57001 Thessaloniki (Thermi)
Postal address: PO Box 22427, GR - 55102 Finikas - Thessaloniki
Tel.: +30 2310 490 167
Fax: +30 2310 490 102
E-mail: michele.boukouvala-ketterer@cedefop.europa.eu

The information contained within this message are confidential and their use is only permitted by the intended recipient. In case you are not the intended recipient we inform you that revelation, reproduction, distribution or any other form of use of its contents is prohibited. If you have received the message in error or you think that errors have occurred during its delivery please notify the sender immediately by return e-mail and delete all copies of this message and any attachments. Thank you

NOTE: The Domain Name and all E-mail addresses of Cedefop have changed!

New web site: <http://www.cedefop.europa.eu>

New e-mail addresses: firstname.lastname@cedefop.europa.eu

04/01/2007