



# ETUCE Internal Audit

## Internal Auditors'

### Report on Accounts for 2010

#### 1. General Points.

- 1.1 The internal auditors have been very pleased to note the clarity in the handling of accounts and the clear and open presentation. The administration, organisation, transparency and transparency of the financial arrangements are of a very high standard. The work of the accountant, Roger Jonckeer and his administrative support has been a crucial factor in maintaining such a high standard. Their analysis and care seems essential for the general performance of the ETUCE.
- 1.2 The accounts have undergone professional auditing by Ernst and Young thereby providing financial security for the transactions made and in their words giving "a true and fair view of the Association's financial position and the results of its operations". As internal auditors our responsibility lies more in the general political consideration of those processes and the long-term financial security of the organisation.
- 1.3 The separation of Foundation and ETUCE accounts is an essential element of operation. The organisation is to a large extent dependant on the continuation of external (EU) project funding.

#### 2. The Foundation.

- 2.1. The Foundation is operating in an independent framework.
- 2.2. Activities during the fiscal year 2010:
  - At the end of last fiscal year, the payment of the final grant amounting to €285,621.53 for four Grant Agreements was expected: three from the European Commission : "Social Dialogue V", "Work-Related Stress II" and "Gender Equality" together with one from the Education, Audiovisual and Culture Executive Agency (EACEA): "ELFE 2" The European Commission rejected expenditures for an amount of €438,34 for "Gender Equality" and the EACEA rejected expenditures for €155.14 for "ELFE 2". This meant that the final total of €285,028.05 was transferred to ETUCE.
  - Activities relating to 3 Agreements signed last year were completed: "Teacher Trade Unions concerned about Violence at School – Cyber Harassment (Violence II)", "Performing and Improving the Sectoral Social Dialogue (Social Dialogue VI)" and Assessing the Impact of the Economic Crisis on Social Dialogue in the Education Sector (Crisis)" The final reports for these 3 Agreements were submitted to the European Commission in December 2010 and in January 2011. Activities related to a fourth agreement, "Trans-regional cooperation in LLL among education stakeholders (Co-Reg-



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LLL)” will be finalized in February 2011 and the final report will be sent in April 2011. A progress report was prepared as at 31:12:2010 covering the activities in “Co-reg-LLL” during the fiscal year. The Foundation is waiting for the approval of the Commission and EACEA and for the final payment of the final grant for those 4 projects. The total expected grants for the 4 Agreements amounts to €174,823.36.

- The Foundation signed 1 new Grant Agreements with the European Commission: “Teachers work-related stress: European –wide survey, assessment, comparison and evaluation of the impact of Psychosocial Hazards on Teachers at their Workplace (Stress III)”. The activities of that Agreement started at the end of the fiscal year and will be finalized during 2011. An advance of €78,484.93 was paid by the European Commission on December 23<sup>rd</sup> 2010 and the Foundation transferred the money to ETUCE in January 2011
- 2.3. During the fiscal year 2010, the Service Agreement between the Foundation and ETUCE was changed to include a commitment of ETUCE to refund all expenses/charges paid by the Foundation (i) to produce bank guarantees requested by the European Institutions, Bodies and Agencies, (ii) to open and manage bank accounts, (iii) to have its yearly finance reports audited, (iv) to fulfil its tax obligations and (v) to register all legally requested publications. The amount refunded by ETUCE in 2010 was €2,378.16.
  - 2.4. The Agency of European Commission (EACEA) previously required a bank guarantee for a number of projects to cover advances. The ING Bank guaranteed advances from the EACEA. Where a deposit to secure the bank guarantee was provided, it ensured interest was paid on the reserve and the bank then only charged 1 % for its service. The two bank guarantees relating to “ELFE 2” were formally released during the fiscal year and the deposit securing one of them, amounting to €90,000.00 was ended in June 2010. At the end of the fiscal year 2010 all bank guarantees and relating deposits had been closed. The new Service Agreement means that the Foundation will avoid small losses in the future and keep its original associative patrimony of €100,000.00 unchanged and even add some small surplus to it. This will increase the financial stability of the Foundation and will help to reduce the possibility that EACEA will request new guarantees in the future. There is, however, no certainty that bank guarantees will not be requested.
  - 2.5. In 2010 the return of deposits resulted in a return of €1,789.02 net in interest after taxes, where the cost of the bank guarantees amounted to €1,708.56 ending in a profit of €80.46. This profit covers the other bank charges amounting to €28.18.
  - 2.6. The Foundation closed the fiscal year with an excess of income versus expenditure of €52.28 that offsets the loss carry over from 2009 resulting in an excess of income of €6.92.
  - 2.7. The Foundation at the end of 2010 had assets of €355,492.00 but this very positive public face has to acknowledge that its long term liabilities were for the same amount. However, it is very pleasing to see that the Foundation is in a strong and sound financial position. The close of year saw a small gain of €6.92.
  - 2.8. It is essential that all participants in seminars, conferences, meetings which are part of ETUCE projects present their claims and receipts promptly, otherwise there is a risk of further delay in payment to the Foundation when the system is already a protracted one. The internal auditors recommend the use of deadline dates for the submission of expenses related to projects.



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- 2.9. Congratulation is due in particular to the skill of staff who always strive to maximise grants by regularly monitoring projects so that opportunities are not lost to maximise where projects could come into the budget and to evaluate whether the focus for the expenditure is appropriate. The understanding of the operations which are influenced by varying attitudes of different Agencies and regular monitoring to keep up to date are guaranteed by the effort, ability and understanding of these complexities by the staff.
- 2.10. The budget planning for 2010 appears realistic and sound.

### **3. The ETUCE-CSEE.**

- 3.1 The increase in dues from €0.324 in 2009 to €0.335 in 2010 has brought an increase in dues of €24,882 from €868,365.00 in 2009 to €893,247.00 in 2010. In 2010 there was a surplus of €18,520 compared to the surplus in 2009 of €30,617 and to the deficit of -€33,641 in 2008.
- 3.2 Careful control on staff expenditure has been maintained. Although the internal auditors welcome careful control, there has been concern that the situation may ultimately place excessive burdens on remaining staff and the auditors are pleased that the situation has been kept under regular review.
- 3.3 A major part of expenditure of the ETUCE is that of the costs of representatives and staff costs. There is a valuable benefit from project activities which is helping the ETUCE.
- 3.4 The dependence on due payment from EI is now settled and regular payments are made. ETUCE has no control over the invoice membership figures, their reliability or the pressure to achieve full dues. Any failure within the EI system has a cost-implication for the dues in ETUCE. Internal auditors are aware that EI continues to update its invoice figures and urge all member organisations to operate positively with EI to ensure this happens.
- 3.5 The pattern of expenditure was different in 2010 due to changes in the arrangements and pattern of meetings held but expenditure was well in line if not marginally better than budget.

### **4. Conclusion.**

The internal auditors appreciated the clarity and organisation of the information provided. Due to efforts of the secretariat, past deficit levels have been inverted into a small surplus. The Internal auditors appreciate the inclusion of asset depreciation which is essential to ensure the future replacement of equipment. The internal auditors support accessing all relevant opportunities to increase the income from the EU Commission through the Foundation, but wish to indicate that there are limits to this.

Finally, the internal auditors wish to thank the staff for all their support and assistance in compiling this report and for their valuable and skilful handling of the finances throughout the year.



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A handwritten signature in black ink, appearing to read 'B. Cookson'.

Brian Cookson

Hugo Deckers