

European Schools

Office of the Secretary-General

Administration
Accounts

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Discharge to the Administrative Boards and to the Secretary-General of the European Schools for implementation of the 2013 budget

Board of Governors

Meeting in Prague on 15,16 and 17 April 2015

1. Legal basis

Under Article 95 of the Financial Regulation, the Board of Governors gives discharge to the Administrative Boards of the Schools and to the Secretary-General of the European Schools, in so far as the budgetary section of the Office is concerned, in respect of implementation of the budget, normally before 30 April of the year following the submission of the Court of Auditors' report.

2. Background

The 2013 budget set by the Board of Governors in April 2011 amounted to €288 478 789.

On 31.12.2013, €271 466 005 (= 94.1%) of the aforementioned amount had been committed, of which €264 129 692 in turn had been spent in the course of the financial year. The difference of €7 336 313 of committed but unspent appropriations was carried over to the year 2013 (= approximately 2.5% of available commitments). Uncommitted appropriations amounting to €17 012 785 were cancelled (= approximately 5.9% of the budget).

In implementing the budget, payment demands totalling €283 978 781 were established. In addition, there was the sum of €7 836 871, entitlement to which had been established in the year 2012 for the financial year 2012 and which still had to be collected at the end of the year 2012. Out of these amounts payment of which was demanded, totalling €291 815 652, the sum of €281 485 435 was actually collected in the course of the year 2012; €10 330 218 was entered in the accounts in the year 2014 as outstanding amounts to be collected. Out of this amount still to be collected, €6 390 811 involved outstanding school fee accounts, contingent on payment of school fees in instalments, and also applications pending for school fee reductions.

Actual/realised revenue minus commitments produces a surplus of €10 019 431 (€281 485 435 - €271 466 004), although without the surplus of €10 429 168 from the year 2012 carried forward to the 2013 budget, the accounts for the financial year 2013 would have been closed posting a deficit of €409 737.

In addition to the surplus there is €437 543 from the appropriations for the year 2012 which were carried over to 2013 but not used, and €10 046 from other results and a loss of €62 931 from the balanced exchange rate differences, comprising a loss of €66 650 and a gain of €3 719.

Out of the total surplus of €10 404 088, €59 575 was paid into the Central Reserve Fund and €0 into the Reserve Fund of the European School, Munich. Furthermore, from the surplus posted by the European School in Munich, as was already the case in the previous year, the sum of €8 238 was carried forward as the budgetary contribution from the European Communities to item MU 70 2001 as the contribution in 2014.

The remaining surplus amounting to €10 336 275 was entered by the schools and Office as revenue in the 2013 budget.

3. Facts

The European Schools and the Office of the Secretary-General duly settled their 2013 budgets, drew up their respective closing of the accounts documents and submitted them for approval to their Administrative Boards or to the Secretary-General of the European Schools.

The Office of the Secretary-General of the European Schools scrutinized all the closing of the accounts documents, consolidated them, determined the surplus and drew up a consolidated balance sheet as at 31.12.2012.

The aforementioned documents and closing of the accounts documents of the European Schools and of the General Secretariat were transmitted within the time limit established in the Financial Regulation to the European Parliament, the Council of Ministers, the Commission of the European Union, the Court of Auditors, the Board of Governors and the members of the Budgetary Committee.

On June 13th a corrigendum was issued and transmitted to to the European Parliament, the Council of Ministers, the Commission of the European Union, the Court of Auditors, the Board of Governors and the members of the Budgetary Committee. This corrigendum included two elements:

- For the Luxembourg I school, a manual error was detected in the transcription of its accounting information into the calculation of the result.
- For the Brussels I school, unexplained transactions were detected in the exchange rate account. The Activity Report of the Authorising officer was adapted to take this element into account and to inform that a forensic audit would take place in order to further investigate these transactions. The report from the external auditor, KPMG, has recently been transmitted and concludes that the accounting error has not had any material consequences (Annex III).

The consolidated accounts were also modified in order to take due account of these corrections.

4. PROPOSAL

The Budgetary Committee is requested to propose to the Board of Governors:

- that it give a discharge for implementation of the 2013 budget to the Administrative Boards of the Schools and to the Secretary-General of the European Schools, in so far as the budgetary section of the General Secretariat is concerned, and

- that it instruct its Secretary-General to inform the European Parliament, the Council of Ministers, the European Court of Auditors, the European Patent Office and his predecessor in the post of this decision.

5. CONCLUSION OF THE BUDGETARY COMMITTEE

The Budgetary Committee expressed a favourable opinion. The European Commission's negative vote should be noted.

Annex I

Consolidated closing of the accounts of the European Schools for the financial year 2012 (Doc. 2013-03-D-15)

(This document **is not appended**; the documents, as mentioned above, have already been submitted (in June 2013) and are available for consultation on DOCEE).

At the April 2014 meeting in Sofia, **the Financial Controller of the European Schools** presented his 2013 annual report, with the comments which he deemed necessary, to the Board of Governors.

Annex II

Report of the Court of Auditors on the annual closing of the accounts of the European Schools for the financial year 2012 (Doc. 2013-10-D-23-en-1).

In early summer 2013, **the Court of Auditors of the European Communities** submitted to the Secretary-General of the European Schools for approval its draft report on the annual closing of the accounts of the European Schools for the financial year 2012 and requested his reply to its comments.

In November 2013, the Secretary-General of the European Schools presented the report of the Court of Auditors and his reply to the comments made therein by the Court of Auditors to the Budgetary Committee.

Annex III

KPMG report: Forensic Investigation – European School Brussels I

ΕΒΡΟΠΗΪΚΑ ΣΜΕΤΗ ΠΑΛΑΤΑ
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



EUROPSKI REVIZORSKI SUD
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 TILINTARKASTUSTUOMIOISTUIN
EUROPEJSKA REVISIONSRÄTTEN

Report on the annual accounts
of the European Schools for the financial year 2013

together with the Schools' replies

CONTENTS

	Paragraphs
Introduction	1 - 11
Background	1 - 3
Relevant information	4 - 7
Financial irregularities in the Schools of Brussels I and in Mol	4 - 5
Proposed changes in the Financial Regulation and the control environment	6
New accounting software	7
Engagements, scope and approach	8 - 11
Accounting	12 - 25
Consolidation procedure	12 - 16
Accrual accounting	17 - 25
Fixed assets and Banks reconciliations	18 - 20
Claims – Income	21 - 22
Liabilities – Expenses	23 - 25
Staff	26 - 27
Sensitive posts	26
Recruitments	27
Procurement	28 - 32
Internal control standards	33
Payments	34 - 39
General	34 - 36
Sample of payments	37 - 39
Conclusion	40
Recommendations	41 - 42

Annex 1 – Consolidated revenue and expenditure account for the financial years 2013 and 2012

Annex 2 – Consolidated balance sheets as at 31 December 2013 and 31 December 2012

Annex 3 – Follow-up of Court's recommendations raised in the Annual Report 2012

INTRODUCTION

Background

1. The annual accounts are the responsibility of each school whereas the consolidated annual accounts for the financial year ended 31 December 2013¹ 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 (FR).
2. The appropriations available in the 2013 budget amounted to 288,5² million euro (283,2 million euro in 2012). Revenue received was 271,0 million euro whilst committed expenditure was 271,5 million euro. The contribution of the European Commission in 2013 was 167,8 million euro (163,9 million euro in 2012).
3. 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.

Relevant information

Financial irregularities in the Schools of Brussels I and in Mol

4. In June 2012³, the accountant of the Brussels I School informed the Central Office that he had made some irregular payments. Immediate action was taken: he was removed from his post and an official complaint was made to the Belgian authorities. An internal investigation into the bank accounts (for the period 2010-2012) detected suspicious financial movements amounting to about 500 000 euro. A forensic audit took place, which detected repeated irregular payments for

¹ 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.

² *Source:* European Schools, Closure of accounts 2013.

³ Paragraph 5 of the Annual Report of 2012 (available on the website of the Court of Auditors www.eca.europa.eu).

material amounts during the period 2003-2012. All relevant information was sent to the judicial authorities and judicial proceedings are underway.

5. In August 2013, the Financial Controller issued a report on the treatment of income amounting to 212 867 euro received by the Mol School from the Dutch state in 2006. This income was kept in an extra budgetary account instead of a normal budgetary account of the School. The report showed that the use of these financial resources has neither been transparent nor made in accordance with the Financial Regulation and its Implementing Rules. In 2013, the Central Office circulated to the schools draft guidelines for the management of the extra-budgetary accounts for information and comments.

Proposed changes in the Financial Regulation and the control environment

6. A Working Group of the Budgetary Committee of the European Schools has proposed amendments to the Financial Regulation and to its Rules for Implementing the Financial Regulation. The proposed amendments cover four major issues: a) the introduction of an accrual based accounting system, b) a possible revision of the role and responsibilities of the financial controller, c) a revision of procurement rules and d) a revision on the rules on payments procedures. The Central Office consulted the European Court of Auditors⁴ and the European Patent Office with a view to obtaining their opinion on the proposed changes.

New accounting software

7. In 2013, following the failure of the “New Cobee” project and the need to introduce a reliable accounting software, the Central Office concluded an IT contract to acquire a software package (see paragraph 28). The new

⁴ Opinion No 4/2014 (available on the website of the Court of Auditors www.eca.europa.eu).

accounting/financial system is expected to be operational in 2015. Its main features will include the consolidation of accounts and the creation of an automated link between the accounting system and the electronic payment system.

Engagements, scope and approach

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

9. 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.

10. In addition to the review of the consolidated accounts, the Court performed the annual audit of the Central Office, and the audit of two out of the fourteen European Schools (Brussels III and Varese)⁵. In this context, staff recruitments, staff files, procurements, payments, accounts and the application of the Internal Control Standards were examined.

11. An analysis of the results of the follow up of the recommendations made for the 2012 financial year (Schools of Brussels I, Bergen and the Central Office) is included in **Annex 3**.

⁵ The budget appropriations in 2013 were: Central Office – 10,1 million euro, Varese – 19,9 million euro, Brussels III – 31,9 million euro (*Source: European Schools, Closure of accounts 2013*).

ACCOUNTING

Consolidation procedure

12. Eight⁶ out of fourteen schools approved their financial statements for 2013 after the legal deadline of 1st April 2014.

13. In previous years (2010 to 2012), the consolidation process was affected by errors which were corrected during the review: omission or duplication of figures of one or several schools, consolidation of incorrect figures, clerical mistakes in the computation, etc.

14. There is still no reliable software tool to perform the consolidation process (see paragraph 7). Various spreadsheets are used for this purpose, which are not reviewed by a staff member other than the one who keyed in the data. Moreover they do not include an adequate level of protection for formulas and links/rows with passwords or cell locks. This situation generates a high risk of input/output error.

15. The review of the consolidated accounts revealed several errors:

- (a) in the consolidated balance sheet, two misclassifications were noted in the Brussels I and Luxembourg II Schools. The accounts affected were the "Claims" – "Extra budgetary claims" accounts (70 512 euro) for Brussels I and the "Carried over appropriations from 2013 to 2014" – "Balance of the year 2014" accounts (1,15 million euro) for Luxembourg II. The second misclassification was corrected in the corrigendum to the accounts;
- (b) in the consolidated revenue and expenditure account several figures of the Brussels I and Luxembourg I Schools were erroneous and the consolidated result was overstated by 1 497 025 euro. These figures were corrected in the corrigendum to the accounts;

⁶ Brussels I, Brussels II, Culham, Karlsruhe, Luxembourg I, Luxembourg II, Mol and Munich. Four schools out of fourteen were in this situation in 2012.

- (c) for the Munich School, the figures of the 2012 balance sheet were used for the 2013 consolidation. These figures were detected and corrected during the review;
- (d) the consolidated balance sheet and the consolidated revenue and expenditure account do not match in the following accounts: "Carried over appropriations from 2013 to 2014" by 1 199 598 euro and "Balance of the year 2014: Post 5101" by 276 333 euro. The difference of the second account was corrected. The first account was partially corrected but still shows a difference of 43 532 euro.

16. The accounts of the Brussels I School for 2013 included a debit and credit account (734 515 euro) with the title "Supplier" and "Exchange differences" respectively. The School could neither provide any assurance regarding the origin and the nature of these figures nor any supporting documents. The School decided to offset these two balances and thus they are not included in the consolidated accounts.

Accrual accounting

17. The 2013 accounts of the schools continue to be prepared on a modified cash basis and are not fully compliant with the accrual based accounting principle. The Working Group of the Budgetary Committee has proposed the adoption of accruals accounting as from the financial year 2015.

Fixed assets and Banks reconciliations

18. In the Central Office, the invoices for services and goods related to the SAP project (total value of 507 884 euro) were recorded as expenses instead of being capitalized.

19. The accountant of the Central Office performed the reconciliation of the bank accounts of the Central Office at year-end. However, this reconciliation was not reviewed and approved by the accountant's hierarchical superiors.

20. In the Brussels III School, there was no written evidence of the performance of bank reconciliations at year-end.

Claims – Income

21. The Varese and Brussels III Schools do not apply accrual accounting to the recording of school fees received in year N covering the school year N and N+1.

22. In Brussels III School, the debtors account includes unpaid school fees (22 990 euro) from the school years 2003 to 2006.

Liabilities – Expenses

23. In the Central Office and in Brussels III School, carried-over commitments represent 1 944 962 euro and 599 548 euro respectively. Of these, 1 563 514 euro and 296 683 euro respectively are for services or goods ordered in 2013 but not delivered that year. The appropriations for these commitments should neither have been carried over nor been included in the accounts.

24. The Central Office and the Brussels III School are involved in a number of legal disputes, mainly with staff members. There is no policy regarding the estimation and booking of provisions to meet the potential consequences of such disputes.

25. In Varese and Brussels III Schools, invoices of a total value of 37 915 euro and 59 857 euro respectively were recorded in the 2013 expenses although the services were provided in 2012.

STAFF

Sensitive posts

26. The lack of rotation of staff on sensitive posts (the mandate of Bursars, i.e. Schools administrators, and Heads of Accounting Departments have no time limitation) combined with the long mandate of the Authorising Officers (9 years) results in an insufficient level of internal control. This weakness concerns all

schools. A proposal to address this issue will be discussed in the next meeting of the Board of Governors in December 2014.

Recruitments

27. Several weaknesses were noted in the recruitment process of administrative and ancillary staff (AAS) in the Central Office:

- (a) in one case, the recruited candidate did not meet several basic requirements of the vacancy notice while in another case the recruited candidate was shortlisted although being assessed as not satisfying the requirements of the vacancy notice;
- (b) formal errors concerning the documentation to support the decisions taken were detected.

PROCUREMENT

28. In November 2011, the Commission concluded a framework contract with an IT company for the purchase of an accounting software package, after an interinstitutional procurement procedure in which the Schools did not participate. Following the failure of the "New Cobee" project and the need to ensure the implementation of a reliable accounting software, the Central Office concluded a contract for similar services with the contractor of the Commission. The Central Office did not negotiate the conditions of the contract (e.g. value and duration) and used those stipulated in the contract signed by the Commission, contrary to provisions for negotiated procedures as stated by the Rules for implementing the Financial Regulation.

29. Moreover the audit of other procurement procedures showed the following weaknesses:

- (a) in three cases, the Authorising Officer did not draw up the formal award decision as provided in Article 64 of the Financial Regulation;

- (b) in two cases, the Central Office committed 2013 budget appropriations for services to be delivered in 2014; and
- (c) in one case the budgetary commitment was signed after the contract.

30. The Central Office has not yet implemented the Court's recommendation to sign contracts with freelance translators⁷. The total annual amount spent by the Central Office on freelance translation services in 2013 was 267 000 euro. Under the current arrangements, the selection of the freelance translators and the allocation of the translation jobs to them are not transparent.

31. Several weaknesses were noted in the three procurement procedures audited in Brussels III School:

- (a) in one case neither of the two tenderers fulfilled the selection criteria. Nevertheless the School continued the procedure with the evaluation of the award criteria and awarded the contract to one of them;
- (b) in one case the technical specifications were overly detailed, complex and unclear and thus may have limited the number of potential applicants.

32. Moreover, all three audited procurements in Brussels III School and two in Varese School were affected by weaknesses in the management and documentation of the procedures.

INTERNAL CONTROL STANDARDS

33. The Internal Control Standards (ICS) were adopted by the Board of Governors in October 2007⁸. The Central Office, the Brussels III and Varese Schools do not keep a register of exceptions (ICS no 14). Moreover the Central Office and the Brussels III School do not have a formalised risk management procedure (ICS

⁷ See **Annex 3** - Follow-up of the Court's recommendations raised in the Annual Report 2012 (Recommendation 10).

⁸ Ref.: 2007-D-29-en-2.

no 7) and do not carry out a regular and systematic review of compliance with the ICS (ICS no 18).

PAYMENTS

General

34. The accounting system of the Schools is not linked to online web solutions for electronic bank transfers. Therefore, each payment order (once approved by the Authorising Officer) has to be entered individually into the online banking system by an initiating agent. The payment is then validated by the Accounting officer and/or the Bursar. This procedure is error prone and does not involve the Authorising Officer in the execution of the payment. The lack of link between the accounting and the payment systems together with the absence of the Authorising Officer in the validation workflow (after the initial approval) means that it is possible for other actors in the procedure to circumvent the control performed by the Authorising Officer.

35. To address the above risk and in the light of the irregular payments in Brussels I School, a Memorandum was issued in October 2013⁹ which requires payments above 60 000 euro to be signed by the Accounting officer and the Authorising Officer (without modification rights) before the payment is sent to the bank. This is a temporary solution until the new accounting/financial system is introduced. It will provide a direct link between the IT accounting tool and the electronic payment system.

36. However the risks are not fully mitigated as the new procedure covers only payments above 60 000 euro and the Memorandum is not correctly applied at the Central Office and in Brussels III School.

⁹ Document Ref: 2013-10-M-1-en-1/KK.

Sample of payments

37. Several weaknesses were noted in the examination of a sample of payments selected at the Central Office:

- (a) the commitments for three payments were authorised by an authorising officer by sub delegation whose powers of authorisation did not allow this. These commitments were however validated by the Financial Controller;
- (b) the contract related to one payment for 16 178 euro was signed in 2006 and was prolonged several times by 12 or 24 months (the latest time in November 2013) without a procurement procedure;
- (c) in one case direct orders were made to a supplier for an overall amount over 6 000 euro while no procurement procedure had been performed for these services. In another case the relevant contract had expired in April 2010, but the Central Office kept ordering from the supplier (over 13 000 euro in 2013).

38. As regards the management of mission orders, in one case the order was approved by the staff member going on mission. Furthermore, weaknesses were found in the control of travel expenses (mismatch between evidence of actual costs and declared costs, wrong allowance calculations, no evidence of actual costs).

39. In Brussels III and Varese Schools, in three cases (mission expenses, representation expenses) the Authorising Officer validated expenses which were incurred by himself.

CONCLUSION

40. Given the continuing accounting and control weaknesses, the Court is not able to conclude as to whether the consolidated annual accounts for 2013 are free of material misstatement.

RECOMMENDATIONS

41. The Board of Governors should take immediate action to address the following recommendations:

Accounting

- (i) The Central Office should ensure an effective change in the financial and administrative management in order to instil the necessary accountability culture; it should also organise in-depth training for all those involved in financial aspects.
- (ii) The Central Office should ensure the timely, accurate, efficient and effective implementation of the new accounting/financial system.
- (iii) The Schools and the Central Office should respect the legal deadlines for the transmission of the revenue and expenditure account and the balance sheet.
- (iv) The Central Office should check the completeness and accuracy of the data used for the consolidation of the accounts of the European Schools and fully document this process. An in-depth analytical review of all the accounts of all schools should be carried out. Furthermore, the Brussels I School should commission a thorough audit of its 2013 accounts.

Staff

- (i) The Court reiterates its recommendation to the Board of Governors to implement a rotation system in the management of sensitive functions (Heads of Accounting Departments and Bursars).
- (ii) The Central Office should better document and simplify the different phases of the recruitment procedures so that transparency and equal treatment are ensured.

Procurement procedures

- (i) The Central Office should provide more guidance to the Schools on planning and designing procurement procedures. The Schools should strictly follow the Financial Regulation and its Implementing Rules, simplify selection and award criteria and improve the documentation of the procedures so that transparency and equal treatment are ensured.

Internal Control Standards

- (i) The Central Office should be more involved in the implementation of the Internal Control Standards and provide guidance to the Schools.

Payments

- (i) The Schools should fully implement the Memorandum on Payment Procedures until the new accounting/financial system is put in place and improve the effectiveness of the ex-ante controls.

42. Furthermore, the Court reiterates the main points of its Opinion n° 4/2014¹⁰ on the proposed revision of the Financial Regulation and of its Rules of Implementation:

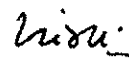
- (i) The Court welcomes the proposal to introduce accrual based accounting and to abolish cash payments as a general rule;
- (ii) The role of the Heads of Accounting Departments should be strengthened (appointment by the Board of Governors, performance of controls on the financial statements of the individual schools, accountability for the consolidated accounts);

¹⁰ Opinion No 4/2014 (available on the website of the Court of Auditors www.eca.europa.eu).

- (iii) The decentralization of the ex-ante controls should be implemented after a trial period applied in some of the schools;
- (iv) The annual accounts of each school should be audited by an independent external auditor (other than the Court).

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 21 October 2014.

For the Court of Auditors



Vítor Manuel da SILVA CALDEIRA

President

ANNEX 1

Consolidated revenue and expenditure account for the financial years 2013 and 2012 - as presented in consolidated accounts of the Schools (with surplus of previous year presented separately)

	2013	2012
(1 000 euro)		
Revenue		
Subsidies received from the Commission	167 801	163 883
Other revenue	103 255	109 910
Total revenue (a)	271 056	273 793
Expenditure		
Settled at the close of the financial year	264 129	262 615
Committed and carried over to the following financial year	7 336	5 594
Total expenditure (b)	271 465	268 209
Result for the financial year (a-b)	-409	5 584
Appropriations carried over from the previous financial year and not used	437	644
Exchange-rate differences	-63	50
Other results	10	0
Surplus previous year carried forward	10 429	4 118
Balance for the financial year	10 404	10 396

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.

Consolidated balance sheets as at 31 December 2013 and 31 December 2012

(1 000 euro)

	Assets		Liabilities	
	2013	2012	2013	2012
Budget				
Net fixed assets ¹	4 111	4 164	4 111	4 164
Debtors	13 893	10 442	2 832	2 796
Banks	30 878	27 404	10 404	10 465
Cash	30	625	7 293	5 574
			13 942	11 812
			10 330	7 824
			48 912	42 635
			Subtotal	Subtotal
Off-budget²				
Stocks	290	272	2 816	2 607
Third-party accounts	145	249	501	583
Banks	3 705	3 006	844	373
Cash	21	36		
			4 161	3 563
			Subtotal	Subtotal
			53 073	46 198
			TOTAL	TOTAL
			53 073	46 198

¹ The value of assets made available free of charge by Member States, such as buildings, is not included.

² 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.

Follow-up of Court's recommendations raised in the Annual Report 2012

The following table provides information on follow-up of the Court's recommendations made in the Annual Report 2012:

Court's recommendations (paragraph 41 of the Report on the accounts of the European Schools for the financial year 2012)	European Schools		Central Office	Comments
	Brussels I	Bergen		
	Implemented Yes/No/NA /in progress	Implemented Yes/No/NA /in progress		
<p>Recommendations on Accruals accounting:</p> <p>1. To adopt accrual based accounting using a new software package (including a specific module for consolidating the Schools' accounts and producing financial statements).</p> <p>2. Meanwhile, the Central Office should obtain an extension of the technical support for the current servers from</p>	In progress	In progress	In progress	<p>This general recommendation has been made for the last three years (2010, 2011 and 2012). In September 2013, the Secretary-General created a working group with a mandate to review the Financial Regulation applicable to the Budget of the European Schools and the Rules for Implementing the Financial regulation. Among others, the Working Group proposed the introduction of an accrual based accounting system. The Budgetary Committee took note of the report of the Working Group and the Secretary general consulted the Court and the European Patent Office on the changes.</p> <p>The new accounting/financial tool is under development and expected to become operational as from 1st January 2015.</p>
Yes	Yes	Yes	Yes	<p>Arrangements were made so that the old system COBEE remains operational in 2015 if needed.</p>

the manufacturer to cover the year 2014.				
<p>Recommendation on payments control system:</p> <p>3. The Central Office needs to adjust the Memorandum on Payment Procedures so that the Authorising Officer approves payments in the electronic payment system and all additions and modifications to standing payment data.</p>	In progress	In progress	In progress	<p>A Memorandum was released on 30 October 2013 (document Ref: 2013-10-M-1-en-1/KK) which provides for an alternative procedure until an effective link can be made between the IT accounting tool and the electronic payment systems. The 2013 audit revealed that in the Central Office and in the School of Brussels III the Memorandum is not fully applied.</p> <p>The revision of the Financial Regulation states as a general principle that payments should be made by more secure electronic means.</p> <p>The new accounting/financial system is expected to make an automated link between the accounting system and the electronic payment system and therefore mitigate the weaknesses related to the current payment procedure.</p>
<p>Recommendation on sensitive posts:</p> <p>4. The internal control weakness regarding the management of sensitive functions (Heads of Accounting Unit and Bursars) should be corrected through the implementation of a rotation system of these staff members among the Schools.</p>	No	No	No	<p>A compulsory system of rotation for the Administrator-Bursars was discussed at the last meeting of the Board of Governors in April 2014. No final agreement has been reached and a new proposal should be presented by the Central Office at the next meeting of the Board of Governors, to be held in December 2014.</p>
<p>Recommendations on the situation of the Brussels I School:</p> <p>5. The School of</p>	In progress	N/A	N/A	<p>A forensic audit took place, which detected repeated irregular payments for material amounts during the period 2003-2012. All relevant information was sent to the judicial authorities and judicial proceedings are underway.</p>

Brussels I needs to overhaul its financial and accounting function,				
6. The three material account balances on the balance sheet of Brussels I need to be analysed and cleared.	Yes	N/A	N/A	No similar errors were found in the information obtained for the 2013 accounts.
Recommendations on accounting rules and organisation: 7. The Schools should 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.	No	Yes	No	In 2013, eight out of fourteen Schools approved their financial statements after the 1 st April deadline. Moreover the Central Office approved the consolidated accounts after the deadline of 1 st June.
8. The Account Closure Report for each School should correctly present all material balances that are different in nature.	In progress			In September 2013, the Secretary-General created a working group with a mandate to review the Financial Regulation Applicable to the Budget of the European Schools and the Rules for Implementing the Financial regulation. Among others, the Working Group proposed the introduction of an accrual based accounting system.
9. The accounting plan should be completed with a current asset account for doubtful debtors as well as a provision account for doubtful debtors. The presentation of the				The new accounting/financial tool is under development and expected to become operational as from 1 st January 2015. It is expected that these recommendations will be implemented as part of the implementation of the new Accounting/Financial tool under the new accounting framework.

<p>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. Further, the Central Office needs to ensure that all Schools carry out a physical check every three years (e.g. by setting up a dedicated team of Central Office staff to help the Schools).</p>		
<p>Recommendations on procurement procedures</p> <p>10. The Central Office should issue binding instructions to Schools on procurement procedures and should review the current arrangements with freelance translators.</p>	<p>No</p>	<p>In progress</p>
		<p>No</p>
		<p>The 2013 audit detected the same weaknesses as in the previous years. There was no procurement procedure in 2013 for the translation services. The School of Bergen organised one procurement procedure in 2013 with the assistance of an external consultant.</p>



REPLIES OF THE OFFICE OF THE SECRETARY-GENERAL OF THE EUROPEAN SCHOOLS TO THE RECOMMENDATIONS OF THE COURT OF AUDITORS IN THE FRAMEWORK OF ITS ANNUAL REPORT FOR THE FINANCIAL YEAR 2013

Accounting

- (i) In the framework of the implementation of the new ICT accounting software (SAP), an intensive training of the different financial actors is foreseen to take place at the last quarter of 2014. This training will include an specific module for the main features arising from the shift to an accrual based accounting system.

In addition, a reinforcement of the principle of appropriate segregation of duties for financial transactions (initiation/verification/authorization) is proposed in the new text for the Financial Regulation applicable to the Budget of the European Schools. This intends to increase the awareness and compliance with the relevant financial rules. Furthermore, the BSGEE will issue guidelines on the application of related provisions in the case of the Schools.

- (ii) A clear schedule of all the phases of the project was appropriately set from the very beginning (preparation, blue print phase, realization phase, final preparation: testing, in depth training etcetera), in order to ensure effective implementation of the new accounting/financial tool. All the tasks and activities of each phase are constantly controlled through several weekly meetings/steering committees, etc.
- (iii) The Office of the Secretary General will continue to remind the Schools to respect the deadline for the approval of the financial statements, and has offered its help to those Schools which might find themselves in difficulty when meeting deadlines.
- (iv) Concerning future revision of transactions and accounts at the European Schools, the Central Office is currently working on the introduction in the text of the Financial Regulation of a clause of competence of OLAF for the European Schools, as agreed by the Board of Governors. In addition, it is expected that in the framework of the ongoing revision of the Financial Regulation applicable to the Budget of the European Schools, the approach of the central financial control unit will shift from ex-ante financial control to ex-post financial control, thus favoring the possibility of performing specific financial controls on areas where red flags of possible mistakes/irregularities

may be present as a result, inter alia, of analytical reviews. The BSGEE will also consider the possibility of using the services of specialized audit companies, to complement the internal resources.

In any case, the Central Office would welcome that the Court of Auditors would increase the ratio of audits for the Schools (as at the current ratio Schools would be visited by the Court only every 7 years), since all the accounts of the Schools, according to the Financial Regulation, are submitted to the Court. In the same sense, the Central Office would welcome that an audit opinion, providing a higher degree of assurance than a review, could be issued by the Court, wherever this could be considered feasible/appropriate by the Court.

Staff

- (i) The Office of the Secretary-General is aware of the need of job rotation in sensitive financial areas. As far as members of the Administrative and Ancillary Staff (AAS) are concerned (Head accountants, for example), it has to be realized that the individual schools are the employer of the staff member and that the contracts have to respect the national labor law. For this reason a job rotation between the different schools (employer) cannot be enforced. Nevertheless, the European Schools can create a framework that stipulates voluntary job rotation among the 14 different schools and the Office of the Secretary-General. In order to promote internal job rotation of AAS among the schools, the Board of Governors has decided in December 2013 - based on a proposal of the AAS Working Group - to revise Article 7 of the Regulation for Members of Administrative and Ancillary Staff and to allow AAS members a change of the school without any financial disadvantage (see document 2013-10-D-18-en-2). With respect to the Seconded Staff Members (Bursars- Accounting officers under article 24 of the Financial Regulation-), it should be noted that the Office of the Secretary-General provided the Board of Governors in April 2014 with a proposal which stipulated a timely limitation of the duration of the secondment of the Bursars. This proposal foresaw a maximum duration of the secondment of 9 years, a prolongation was foreseen only in case the Bursar will change the school (see document 2014-01-D-60-en-3). This proposal was rejected by the Board having doubts whether the schools can find qualified staff under these conditions. The Office of the Secretary-General will provide the Board with a revised proposal.
- (ii) The Office of the Secretary-General would welcome any concrete recommendation that may help simplify recruitment procedures being at the same time fully in compliance with the relevant regulations.

Procurement procedures

- (i) The Central Office circulated on the 20th of February 2013 a revised Memorandum (Ref.: 2013-02-M-2-en-1) on the procedures for the purchase of goods and services in accordance with the rules stated in the Financial Regulation after the last revision. Additional instructions were given to Schools by the Financial Control Unit. Furthermore, a presentation on the new rules was made during the meeting with the bursars in June 2013. It should be also mentioned that advise is

given on a regular basis, on procurement related issues, during the ex-ante verification process of the transactions.

In the framework of the ongoing revision of the Financial Regulation, once the new text is adopted by the Board of Governors -which is expected by the end of 2014-, an update on the referred to Memorandum will be performed by the Central Office.

In any case, as a general measure to reinforce procurement both at the level of the BSGEE and of the Schools, a proposal is being undertaken to create a specific procurement cellule at the Accounting unit of the Central Office.

Internal Control Standards

- (i) It should be mentioned that the Board of Governors has already agreed upon the creation of the post of Internal Control Coordinator who is going to undertake his/her duties during 2015, which, inter alia, will help address risk management at the level of the European Schools as a systematic process.

Concerning the particular Internal Control Standard on the register of exceptions (ICS n° 14), it has been agreed that from September onwards the Authorizing Officer will start keeping a formal register of all exceptions in cases where this deviation from the rules stated in the Financial Regulation takes place. A presentation of the format to be used was done at the meeting with the Directors in September 2014.

Payments

- (i) The Schools, in cases where incompliance is detected, are receiving recommendations and instructions to fully implement the relevant Memorandum on payment procedures issued on October 2013 (Ref.: 2013-10-M-1-en-1).

Opinion No 4/2014 on the proposed revision of the Financial Regulation and of its rules of Implementation.

- i) Concerning accruals accounting, the proposed changes in the current text (articles 75-78 and Title VI, articles 86-95) for the approval of the Board of Governors foresees the adoption of accruals accounting. It is welcomed that the Court supports the proposed text. As regards payments, the proposed text (Art. 49) of the Financial Regulation states that cash payments shall be effected as a general rule through a bank account by electronic means. Moreover, it is also proposed, under Article 29 of the proposed text of the Financial Regulation, for the case that payments to the Schools are made, that they shall be effected at any rate through a bank account.
- ii) The issue of the Accounting Officer at the Central Office and its role, has been discussed during the revision process and it has been agreed that an in depth analysis of the subject would be appropriate. Therefore, it is foreseen to ask for an extension of the mandate of the working group for the review of the Financial Regulation.

- iii) For the decentralization of the ex-ante controls, a transitional period is foreseen in the proposed text for the Financial Regulation. In this sense, no decentralization would be put in place until validation of the internal control systems of the Schools concerning segregation of duties for creation, verification and authorization of transactions is made by the financial controller.

- iv) Concerning future audit engagements concerning the accounts of the European Schools, as commented under item (iv) of the Accounting part above, The BSGEE will consider the possibility of using the services of specialized audit companies, welcoming in any case any increase the Court of Auditors could decide on the audit work performed on the accounts of the Schools.



¶

Kari KIVINEN
Secretary-general

European School Brussels I

Forensic Investigation

Extension on the work performed in 2013

DRAFT

KPMG Advisory

Risk Consulting

February 2015

This report contains 11 pages

Contents

1	Executive summary	1
2	Introduction	2
2.1	Scope	2
2.2	Source data	2
2.3	Approach	2
2.4	Limitations	3
3	Factual findings	4
3.1	Assessment of the accounts of 2013	4
3.1.1	Reconciliation of bank account numbers	4
3.1.2	Reconciliation of amounts paid	4
3.1.3	Recommendations based on our analysis	4
3.2	Analytical review of the revenue accounts	5
3.2.1	Overview of the accounts reviewed	5
3.2.2	Review performed	6
3.3	Unexplained transactions identified at the closing of the accounts for 2013	9
3.3.1	Background	9
3.3.2	Review performed	9

1 Executive summary

KPMG was asked to provide forensic investigation services for the European School Brussels 1 (hereafter 'European School') in connection with three different topics:

- *Review of the outgoing payments for 2013 based upon the OPR's with individual amounts of 5.000 EUR and more*

Based upon the work performed, we can say that:

- No issues were noted in reconciling beneficiary bank accounts to supporting documentation; and
- We have not identified amounts that were paid without sufficient supporting documentation being available.

- *Analytical review of the revenue accounts*

The analytical review of the accounts relating to the different countries is in line with the increased number of pupils from 2011 to 2013. For the other revenue accounts, the most significant variances could be explained.

- *Unexplained transactions identified at the closing of the accounts for 2013*

To understand whether the unexplained transactions in 2011 had a financial impact, we reviewed transactions recorded in the financial journal (transactions 5XX). No payments for the amount of the transaction being 365.810,03 EUR were identified.

2 Introduction

2.1 Scope

KPMG was asked to provide forensic investigation services for the European School Brussels 1 (hereafter 'European School') in connection with:

- *Assessment of the accounts of 2013*

The aim of the assessment was to make sure that significant outgoing payments between January 1, 2013 and December 31, 2013 can be justified and are supported by properly approved OPR's.

- *Analytical review of the revenue accounts*

Review the evolution of the accounts used for recording revenue, over the last 3 years and assess the reasonableness of the evolution.

- *Unexplained transactions identified at the closing of the accounts for 2013*

We were explained that during the closing of the accounts of 2013, two accounts showed a balance while these should have been zero. Investigation by the European School and the software provider indicated that the underlying transactions were recorded in 2004.

The aim of the assessment was to investigate the nature of the original transactions, reconcile to supporting documents and analyse subsequent related transactions.

This engagement was a continuation of the forensic investigation KPMG performed in 2013 (request for proposal EEBI/DN/2013/0025 – proposal KPMG dated 10/07/2013 – “gunningsbrief” dated 26/07/2013).

2.2 Source data

The European School provided us the following information:

- Binders with all OPR's for 2013 (including supporting documents where filed with the OPR);
- Print-out of the transactions recorded on the different revenue accounts for 2012, 2013 and 2014;
- Electronic payment files for 2013; and
- File relating to the unexplained transactions relating to the closure of the accounts for 2013.

2.3 Approach

The approach taken for the work performed is documented per

- *Assessment of the accounts of 2013*

For assessing the accounts of 2013 and more specifically the outgoing payments, the following steps were performed:

- Analysis of all binders containing the OPR documents from 2013, all OPR's with individual amounts of 5.000€ and above have been selected for further testing;

- Further testing included the following steps:
 - Identification of all OPR's including individual payments of 5.000€ and above. These OPR's have been listed in Excel;
 - Looking up payments for these OPR's in the bank statements and where applicable compare the bank account number of the supporting documents with the bank account number of the beneficiary shown in the bank statement; and
 - List differences and discuss these with the European School.

- *Analytical review of the revenue accounts*

We identified the general accounts (G accounts in the accounting plan of the European School) used for recording revenue and asked an overview of all transactions recorded on these account for the last 3 years. We reviewed the evolution of these accounts assessed the reasonableness of the evolution.

- *Unexplained transactions identified at the closing of the accounts for 2013*

The following investigative steps were taken to gain an understanding about these unexplained transactions:

 - Verification of the nature of the original transactions and reconciliation to supporting documents;
 - Analysis the all transactions in subsequent years that are related to the original transaction;
 - Analysis the information provided by the software vendor Uniway relating to the transactions (both manual and automatic transactions);
 - Assessment whether money was transferred as a result of one of the transactions reviewed;
 - Verification the beneficiary of the bank account the money was transferred to; and
 - Formulate recommendations to avoid comparable issues in the future.

2.4 Limitations

The procedures we performed are limited in nature and extent and as such will not necessarily disclose other/all significant matters pertaining to the subject matter of the investigation.

This report is delivered subject to the agreed written terms of KPMG's engagement letter dated November 20, 2014.

3 Factual findings

3.1 Assessment of the accounts of 2013

We performed a review of all OPR's issued from January 1st, 2013 through December 31st, 2013 based on the binders that were provided by the European School.

For the period under review, we identified 264 unique OPR's containing one or more individual outgoing payments of or above €5.000.

3.1.1 Reconciliation of bank account numbers

For all individual outgoing payments of or above €5.000, we compared the bank account number as per the bank statement with the bank account number on the supporting documentation.

We have not identified any payments that were made into another bank account number than the one mentioned on the supporting documentation.

We note that the supporting documentation for some allowances paid to personnel ("*indemnité de départ*" & "*indemnité de réinstallation*") did not include reference to a bank account number. For these payments, we requested the bank account numbers as per the personnel records. All allowances were paid into the correct bank accounts.

Bank accounts used for monthly salary payments to detached personnel were reconciled to the personnel records using data analysis procedures. All payments were made into the correct bank accounts.

Monthly salary payments to non-detached personnel are performed by payroll provider HDP that has a proxy on the European School's bank account. As a result, we have only been able to verify that the total amounts paid by HDP matched the supporting documents. No issues were noted.

In conclusion, no issues were noted in reconciling beneficiary bank accounts to supporting documentation.

3.1.2 Reconciliation of amounts paid

For all individual outgoing payments of or above €5.000, we compared the amount on the OPR with the amount on the supporting documentation and the amount as per the bank statement.

In case these amounts did not agree and the documentation filed in the OPR binders did not include sufficient evidence to explain the difference, the European School provided additional supporting documentation explaining that difference.

In conclusion, we have not identified amounts that were paid without sufficient supporting documentation being available.

3.1.3 Recommendations based on our analysis

Based on our analysis, we have identified a number of recommendations to further strengthen the internal control over outgoing payments:

- When performing our review, we have identified that some OPR's were approved based on a copy of the underlying invoice. We recommend that the European School reiterates the

importance of having OPR's solely approved upon presentation of original invoices or other original supporting documentation. In case the European School accepts digital invoices from vendors, the increased risk of double payment as a result of having OPR's approved based on prints should be assessed.

- All variances between OPR amounts and actual payment amounts could be explained based on supporting documentation provided by the European School. In some instances, such supporting documentation was not maintained in the OPR binders. Additional documentation was kept with the bank statements or in separate files in the accounting department. We recommend that the European School maintains a complete and central audit trail in the OPR binders allowing for a full reconciliation from OPR amounts to actual amounts paid.

3.2 Analytical review of the revenue accounts

3.2.1 Overview of the accounts reviewed

In order to identify the revenue accounts, we looked up all G7 accounts. An overview of these accounts is listed below. Accounts where no entries were recorded during 2011, 2012 or 2013 have not been reviewed. These accounts have been marked with an 'X'.

<i>Account Number</i>	<i>Account Description</i>	<i>No entries in 2011, 2012 or 2013</i>
G701001	Allemagne	
G701002	Belgique	
G701003	Danemark	
G701004	Espagne	
G701005	France	
G701006	Irlande	X
G701007	Italie	
G701008	Pays-Bas	
G701010	Royaume-Uni	
G701013	Autriche	
G701015	Suède	
G701018	Hongrie (Magyarország)	
G701021	Malte (Malta)	
G701022	Pologne (Polska)	
G701024	Slovinie (Slovenija)	
G701026	Bulgarie	
G702001	Contribution Communautaire	
G702007	Eurocontrol	
G102009	Autres accords financements	X
G703001	Minerval scolaire	
G703002	Droits d'inscription bac	
G703101	Contr. Parents el. Fourniture	

<i>Account Number</i>	<i>Account Description</i>	<i>No entries in 2011, 2012 or 2013</i>
G703103	Loyers et frais locatifs	
G703201	Intérêts bancaires	
G703203	Ventes publications/imprimés	
G703301	All. Familiale pers. ens/adm ail	
G704001	Prélèvements sur tts de base	
G705101	Excedent de gestion	
G715020	Vente agenda	X
G715026	Ventes intermath	X
G715100	Recette voyages scolaires	X
G715110	Recettes fonds d'entraide	X
G715120	Recettes visites éducatives	X
G715200	Recettes sécurité	X
G715301	Eurobio	X
G715400	Recettes diverses	X
G719905	Recettes WS SC. HUM.	X

3.2.2 Review performed

General

As the accounting details were not available electronically, we asked the details of all these accounts for the years under review being 2011, 2012 and 2013. We entered the total of the movements per month in Excel for analysis purposes except for two accounts:

- G703001 Minerval scolaire
- G703101 Contr. Parents el. Fourniture

These accounts have been reviewed on a yearly basis as the number of transactions was too high to summarise manually on a monthly basis.

When reviewing the transactions recorded on these accounts, we learned that the European School has a budgetary accounting system. In the beginning of the year, the budget is recorded as a debit amount on the different accounts via transaction type 922. This budget is adjusted during the year in some cases and at the end of the year in the month of December. The actual amounts received or reimbursed are recorded as a credit or debit on the accounts.

We noticed that some of the accounts have a balance at the end of the year (debit or credit), other have a zero balance. For the accounts with a zero balance, we noticed that the balance is off-set at the end of the year. The balance is transferred to another account.

When performing this analytical review, we wanted to understand whether the evolution of the different accounts seemed logical; detailed transactions have not been reviewed.

Revenue accounts – Countries

Looking at the evolution of the accounts per month, we noticed that no entries are recorded during the month of August. We understand that the European Schools are closed during that month. The amount to be recorded for the month of August, is recorded during the month of July. As a result, that amounts recorded in the month of July are more or less double than the amounts recorded in other months.

For some countries we notice higher amounts recorded during the month of December as well. This relates to the end of year entries recorded. No unusual entries have been identified.

In order to understand the yearly evolution of the budget, we summarised all entries recorded via transaction type 922. As you can see in the table below, the total budget increased with 1,54% from 2011 to 2013. As the total number of pupils¹ increased with 5,05% in the same period, the increase is in line with the increase of the number of pupils.

The evolution of the budget for the different accounts, is included in the table below.

Account Number	Account Description	Budget 2011	Budget 2012	Budget 2013
G701001	Allemagne	834.000,00	794.200,00	839.804,00
G701002	Belgique	1.327.000,00	1.412.350,00	1.435.574,00
G701003	Danemark	685.000,00	703.600,00	706.794,00
G701004	Espagne	628.000,00	616.660,00	549.255,00
G701005	France	998.000,00	1.042.610,00	1.161.324,00
G701007	Italie	407.000,00	494.216,00	386.252,00
G701008	Pays-Bas	558.600,00	435.440,00	462.402,00
G701010	Royaume-Uni	48.000,00	41.710,00	41.710,00
G701013	Autriche	191.500,00	171.860,00	184.843,00
G701015	Suède	58.069,67	63.470,66	65.106,05
G701018	Hongrie (Magyarország)	73.942,82	70.165,95	72.835,14
G701021	Malte (Malta)	19.587,24	19.587,24	9.331,89
G701022	Pologne (Polska)	130.748,52	135.186,09	133.765,16
G701024	Slovinie (Slovenija)	45.546,51	46.756,95	46.730,74
G701026	Bulgarie	1.617,00	4.125,72	3.451,32
		6.006.611,76	6.051.938,61	6.099.178,30
			0,75%	1,54%
	# pupils	23.367	23.869	24.547
			2,15%	5,05%

¹ Based on the figures listed in the following document: "Facts and figures on the beginning of the 2014-2015 school year in the European Schools (Ref.: 2014-10-D-1-en-1)"

Revenue accounts – Other

When reviewing the entries on a monthly basis, we noticed that only two accounts have entries on a monthly basis:

- G703301 All. Familiale pers. Ens/adm ail
- F704001 Prélèvements sur tts de base

No special entries were noticed for account G703301; for account G704001 only a limited number of entries were recorded during 2013. As shown in the table below, the budgeted amount for that year was only a fraction of the previous 2 years. As of 2013, the European School was given the instruction to no longer make these deductions on the salaries.

Generally, the total budget for these accounts decreased with 7,14% from 2011. The budget for account G703201 Intérêts bancaires, decreased with 94,16% compared to 2011 which can partly be explained by the lower interest rates in 2013.

There are two accounts that increased comparing 2011 to 2013:

- G703301 All. Familiale pers. Ens/adm ail. The increase of this account can be explained through the increased number of teachers, administrative and ancillary staff in the schools
- G705101 Excedent de gestion. This increase can be explained due to the fact that the salaries for the month of December 2013 have been recorded on a suspense account and not in the correct cost account.

The general evolution is shown in the table below.

Account Number	Account Description	Budget 2011	Budget 2012	Budget 2013
G702001	Contribution Communautaire	25.332.000,00	24.446.700,00	22.955.532,00
G702007	Eurocontrol	326.440,25	331.726,94	277.959,04
G703002	Droits d'inscription bac	13.456,58	20.015,92	19.973,23
G703103	Loyers et frais locatifs	49.800,00	70.578,40	38.140,46
G703201	Intérêts bancaires	27.482,74	30.259,73	1.604,65
G703203	Ventes publications/imprimés	316,46	600,00	228,16
G703301	All. Familiale pers. ens/adm ail	125.272,38	144.000,00	129.743,15
G704001	Prélèvements sur tts de base	380.356,77	358.150,00	384,83
G705101	Excedent de gestion	317.636,21	334.990,14	1.251.010,98
		26.572.761,39	25.737.021,13	24.674.576,50
			-3,15%	-7,14%

3.3 Unexplained transactions identified at the closing of the accounts for 2013

3.3.1 Background

The administrator of the European School explained us that as of accounting year 2011, unexplained transactions on account F000081 Fournisseur DKR and account G400950 Différences de change have been identified. As of 2011, these entries have been off-set manually at year-end. As it is not clear what these entries relate to, the European School investigated these entries in 2014 and asked us to review the investigation performed.

3.3.2 Review performed

We reviewed the entries recorded in 2004 that are the basis for the unexplained transactions. The entries recorded relate to the severance pay paid to Mr. Thielemann. The original amount was 365.810,03 DKK or 49.107,95 EUR. . No issues have been noted with these entries.

We reviewed the transactions recorded in 2005, 2006, 2007, 2008, 2009 and 2010 on the following accounts:

- F000081 Fournisseur – no entries were recorded; and
- G400950 Différences de change – no significant amounts have been recorded.

Based upon the information provided, it is not clear why the amount of 365.810,03 EUR appears on accounts F000081 and G400950 in 2011. We understand that it was recorded through journal 301. No supporting documents for these entries are available.

According to the explanation from the software vendor Uniway, this is an automatic entry and most probably relates to a bug in the software. It seems that in 2011, someone created these entries manually in the database from the software, Gams. It is not possible to assess why these entries were created.

We did verify whether the same amount of 365.810,03 EUR appeared in entries recorded through journal 5XX (bank journal) during 2011. We did not identify such entry.