European Schools

Office of the Secretary-General

Administration
Accounts

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Orig.: EN

Version: EN

Discharge to the Authorizing Officers and to the Administrative Boards of the Schools, to the Authorizing Officer of the OSG, and to the Secretary-General of the European Schools for implementation of the 2015 Budget

Board of Governors

Meeting in Berlin on 4, 5 and 6 April2017

1. Legal basis

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

2. Background

The 2015 Budget set by the Board of Governors in April 2014, and modified by three amending Budgets, amounted to 288 843 292 EURO.

On 31.12.2015, 283 336 053 EURO, or 98.1% of the aforementioned amount had been committed, of which €279 915 379 EURO in turn had been spent in the course of the financial year. An amount of 3 412 889 EURO of committed but unspent appropriations was carried over to the year 2016 (= approximately 1.2% of available commitments). Uncommitted appropriations amounting to 5 507 238 EURO were cancelled (approximately 1.9% of the budget).

Concerning revenues, payment demands totaling 286 298 363 EURO were established. In addition, there was the sum of 9 468 670 EURO, entitlements which had been established in the year 2014 and not collected at the end of that year. Out of these amounts payment of which was demanded, totaling 295 767 033 EURO, the sum of 286 257 975 EURO was actually collected in the course of the year 2015. An amount of 9 509 058 EURO was entered in the accounts in the year 2016 as outstanding amounts to be collected. Out of this amount still to be collected, 6 761 515 EURO involved outstanding school fee accounts, contingent on payment of school fees in instalments and an additional 1 393 347 EURO relating to Category II contracts.

The outcome of collected revenue minus commitments produces a surplus of 3 613 438 EURO, which includes the surplus from 2014 of 4 956 008 EURO.

Out of the total surplus of 3 613 438 EURO, 14 138 EURO was paid into the Central Reserve Fund and 0 EURO into the Reserve Fund of the European School, Munich. The remaining surplus amounting to 3 599 300 EURO will be entered by the schools and Office as revenue in the 2016 budget.

In addition to the traditional tables showing the use of Budgetary appropriations, and to the calculation of the Budgetary result, the European Schools issued for the first time Financial Statements in compliance with Internationally accepted accounting standards as applied in the public sector (IPSAS). These statements include tables and notes showing the financial situation of the European Schools according to accrual accounting principles, thus reflecting a true and fair view of assets and liabilities.

3. Facts

The European Schools and the Office of the Secretary-General duly settled their 2015 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 31.12.2015.

The aforementioned documents and closing of the accounts documents of the European Schools and of the General Secretariat were not 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. The first time introduction of IPSAS rules as well as the first closure in the new accounting software SAP represented major obstacles for finalizing the consolidated accounts within the deadline which is foreseen in the Financial Regulation. Priority was thus given to the correct conclusion of the closure process.

The Report from the European Court of Auditors for the 2015 accounts of the European Schools indeed conclude that their review "…did not reveal any material errors in the financial statements for 2015". (annex II)

4. <u>Opinion of the Budgetary Committee</u>

The Budgetary Committee sent forward the discharge, with the doubts expressed and comments made by the delegations, and invited the Board of Governors to give a discharge to the Authorising Officers, to the Administrative Boards of the ES and to the Secretary-General.

5. <u>Proposal</u>

The Board of Governors is requested to:

- give discharge for the implementation of the 2015 budget to the Authorizing Officers and Administrative Boards of the Schools and to the Authorizing Officer of the OSG and Secretariat-General of the European Schools, in so far as the budgetary section of the General Secretariat is concerned, and

- 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.

Annex I
Consolidated closing of the accounts of the European Schools for the financial year 2014 (Doc. 2016-05-D-7)

Annex II
Report of the Court of Auditors on the annual closing of the accounts of the European Schools for the financial year 2015 (Doc. 2016-11-D-28)

VERSION REVISEE du 29/09/2016

CLOTURE DES COMPTES DES ECOLES EUROPEENNES POUR L'EXERCICE 2015

INTRODUCTION

CLOTURE DES COMPTES CONSOLIDEE DES 15 SECTIONS DES EE 2015

Schola Europaea

Office of the Secretary-General

Mr Vitor Da Silva Caldeira
President of the European Court of Auditors

Brussels, 22 September 2016
2016-09-LD-27/JEB/an

Subject: Representation letter covering the 2015 annual accounts

This representation letter is provided in connection with your audit of the "Annual accounts'' (Articles 75-78 and 86 of the Financial Regulation (FR)[1]) of the European Schools for the financial year ended 31 December 2015.

All the information necessary for the production of the annual accounts of the European Schools which give a true and fair view of the assets and liabilities and of the budgetary implementation has been obtained from the Authorising officers of the individual schools, who guaranteed its reliability.

I confirm, to the best of my knowledge and belief, having made such inquiries as I considered necessary for the purpose of appropriately informing myself, the following representations:

Annual Accounts

1. The "Annual consolidated accounts of the European Schools " for the financial year ended 31 December 2015 referred to above are presented in accordance with the FR, its implementing rules[2] and the accounting rules and methods established under the responsibility of the Accounting Officer drawn up in accordance with internationally accepted accounting standards for the public sector.

2. No issues requiring a reservation have been brought to my attention.

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[1] Financial Regulation of 24 October 2006 applicable to the budget of the European Schools, revised in 2014 (document 2014-12-D-10-en-1); Rules for implementing the Financial Regulation (document 2014-12-D-11-en-1).

[2] Rules for Implementing the Financial Regulation (version 2014-12-D-11-en-1).

4. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the accounting rules.

5. All events subsequent to the date of the accounts and for which the accounting rules and methods require adjustment or disclosure have been adjusted or disclosed.

6. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.

7. There are no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements. The carrying value of receivables and recoverables which are potentially irrecoverable has been corrected, where necessary.

8. Intangible assets and property, plant and equipment have been reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where appropriate, such assets have been written down to their recoverable amount.

9. The Schools have satisfactory title to all assets and there are no liens or encumbrances on the assets.

10. All liabilities, both actual and contingent, have been recorded or disclosed, as appropriate, and all guarantees that have been given to third parties have been disclosed in the notes to the financial statements.

11. All claims against the Schools are reflected in the financial statements as a provision or, where relevant, as a contingent liability.

12. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. There are no lines of credit arrangements.

13. There are no material commitments, contractual obligations or contingencies that have affected or may affect the financial statements, including disclosures; and

14. There are no material non-monetary transactions or transactions for no consideration undertaken by the entity in the financial reporting period under consideration.

Information Provided

15. I have provided you with:

a) Access to all information of which I am aware that is relevant to the preparation of the accounts such as records, documentation and other matters;

b) Additional information that you have requested for the purpose of the audit; and

c) Unrestricted access to persons within the Schools from whom you determined it necessary to obtain audit evidence.

16. All transactions have been recorded in the accounting records and are reflected in the accounts.

17. I have disclosed to you the results of my assessment of the risk that the accounts may be materially misstated as a result of fraud.

18. I have sought and disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Schools and involving management, employees who have a significant role in internal control, or others where fraud could have a material effect on the accounts, including issues communicated by employees, by former employees that I have been informed of by the relevant services, including the European Anti-Fraud Office (OLAF).

19. I have disclosed to you related parties and all the related party relationships and transactions of which we are aware.

20. I have disclosed to you all instances of non-compliance and of suspected non-compliance with laws and regulations that we are aware of and whose effects should be considered when preparing the accounts.

21. Apart from the above, I confirm that: for all receivables which are not yet definitive an adequate disclosure, including when possible an estimate of the amounts involved, is given in the notes to the accounts; the accounts include all the recovery orders issued by the Authorising Officers concerning the operations giving rise to reimbursement to the Schools. Authorising Officers have not informed me of delays or other problems in the establishment of recovery orders;

Kari Kivinen

The Secretary General of the European Schools Date 22.09.2016

Kari K

FINANCIAL STATEMENTS

OF THE EUROPEAN SCHOOLS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE ACCOMPANYING THE CONSOLIDATED ACCOUNTS

The "Annual consolidated accounts of the European Schools " for the financial year ended 31 December 2015 are presented in accordance with the Financial Regulation[1], articles 75 to 78 and 86, its implementing rules[2] and the accounting rules and methods established under the responsibility of the Accounting Officer drawn up in accordance with internationally accepted accounting standards for the public sector.

All the information necessary for the production of the annual accounts of the European Schools which give a true and fair view of the assets and liabilities and of the budgetary implementation has been obtained from the Authorizing Officers of the individual schools and of the Office of the Secretary General (OSG), who guaranteed its reliability. The Accounting Officers of the individual schools have signed off their respective accounts.

I hereby certify that based on this information, I have consolidated the accounts of the European Schools in accordance with the aforementioned Financial Regulation.

Julio ESCUDERO BUSTAMANTE
Accounting Officer of the OSG
23 September 2016

[1] Financial Regulation of 24 October 2006 applicable to the Budget of the European Schools, revised in 2014 (document 2014-12-D-10-en-1)

[2] Rules for Implementing the Financial Regulation (version 2014-12-D-11-en-1)

THE EUROPEAN SCHOOLS
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015
(Expressed in euros)

	Note	1 January 2015	31 December 2015
Assets			
Non-current assets			
Property, plant and equipment	**6.1**	4.361.349	4.979.272
Intangible assets	**6.2**	3.260.343	3.112.411
Total non-current assets		**7.621.692**	**8.091.683**
Current assets			
Inventories (extra-budgetary)	**9**	268.222	228.528
Contributions recoverable	**7**	1.212.281	1.212.281
Accounts receivable & Other receivables	**8**	10.249.440	10.119.025
Cash and cash equivalents	**10**	27.039.609	30.188.138
Cash and cash equivalents (extra-budgetary)	**10**	3.907.800	4.010.937
Deferred charges & Accrued income		297.839	359.746
Deferred charges & Accrued income (extra-budgetary)		57.958	-
Total current assets		**43.033.150**	**46.118.655**
Total assets		**50.654.841**	**54.210.338**
Liabilities			
Non-current liabilities			
Employee benefits	**11**	50.214.624	48.019.442
Total non-current liabilities		**50.214.624**	**48.019.442**
Current liabilities			
Provisions	**13**	548.635	462.725
Employee benefits	**11**	3.085.344	5.247.365
Accounts payable	**12**	3.466.021	9.974.737
Other current liabilities	**14**	10.978.051	12.189.428
Accrued charges & Deferred revenues		24.687.311	22.111.203
Total current liabilities		**42.765.362**	**49.985.458**
Total liabilities		**92.979.986**	**98.004.900**
Net assets		**-42.325.145**	**-43.794.562**
Net assets/equity			
Net surplus/(deficit) of the year		-	-1.469.417
Accumulated surplus/(deficits)		-45.224.405	-45.224.405
Other reserves		2.899.260	2.899.260
Total net assets/equity		**-42.325.145**	**-43.794.562**
Total liabilities and net assets/equity		**50.654.841**	**54.210.338**

The accompanying notes are an integral part of the financial statements.

THE EUROPEAN SCHOOLS
STATEMENT OF FINANCIAL PERFORMANCE
(Expressed in euros)

	Note	For the Period Ended 31 December 2015
Budgetary revenue from non-exchange transactions		
Contribution from European Commission, European Patent Office & Member states	**15.1**	244.533.615
Budgetary revenue from exchange transactions		
Tuition fees and other school fees	**15.2**	34.278.453
Other revenue	**15.4**	2.232.973
Total budgetary revenue		**281.045.041**
Total extra-budgetary revenue		**6.626.196**
Budgetary expenses		
Employee benefit expenses	**16**	-246.426.622
Amortisation and depreciation	**6.1, 6.2**	-2.767.630
Sundry services & Other operating expenses	**17**	-33.472.090
Impairment of accounts receivable	**8.4**	-61.179
Total budgetary expenses		**-282.727.520**
Total extra-budgetary expenses		**-6.243.902**
Finance income	**18**	-
Finance costs	**18**	-169.232
Net finance income/(cost)		**-169.232**
Budgetary net surplus/(deficit) for the period		**-1.851.711**
Extra-budgetary net surplus/(deficit) for the period		**382.294**
Total net surplus/(deficit) of the year		**-1.469.417**

The accompanying notes are an integral part of the financial statements.

THE EUROPEAN SCHOOLS
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015
(Expressed in euros)

	Note	Net surplus/(deficit) of the year	Accumulated Surplus/ (Deficit)	Other Reserves	Total Net Assets/ Equity
Net Assets at 31 December 2014 as per filed consolidated financial statements		-	**25.486.386**	**2.884.788**	**28.371.174**
Adjustment 1 - Cash and cash equivalents		-	-29.388	-	**-29.388**
Adjustment 2 - Property, plant and equipment		-	78.705	-	**78.705**
Adjustment 3 - Other adjustments		-	29.575	14.472	**44.047**
Balance at 31 December 2014		-	**25.565.278**	**2.899.260**	**28.464.537**
Adjustment for opening statement of financial position	**26**	-	-70.789.683	-	**-70.789.683**
Balance at 1 January 2015		-	**-45.224.405**	**2.899.260**	**-42.325.145**
Change of the period		-1.469.417	-	-	**-1.469.417**
Balance at 31 December 2015		**-1.469.417**	**-45.224.405**	**2.899.260**	**-43.794.562**

The accompanying notes are an integral part of the financial statements.

When preparing the financial statements of the EURSC for the period ended 31 December 2015, corrections have been made towards the figures reported in the filed financial statements as per 31 December 2014 and those reported in the opening balance sheet as per 1 January 2015. These corrections relate to:

(a) Adjustment 1: The total amount of budgetary cash and cash equivalents decreased with EUR 29.388 as amounts were not properly presented in the financial statements of 31 December 2014 for two schools (Culham and Frankfurt).

(b) Adjustment 2: The carrying amount of PP&E increased with an amount of EUR 78.705 as amounts were not properly presented in the financial statements of 31 December 2014. The main adjustment relates to the school of Uccle where a physical counting of the PP&E items revealed that items were missing in the 2014 financial statements. In addition, some smaller differences were noted for some other schools. This is mainly related to the fact that the move from a cash based accounting towards an accrual accounting impacted the accounting policies related to the measurement and the recognition of the assets.

A difference exists for PP&E within the Central Office (OSG) between the acquisition value of assets as of 1 January 2015 and that of the 2014 closure of EUR 551.364 which is explained by the inclusion in the 2015 PP&E report of items with a value which is below the recognition threshold indicated in the Financial Regulation (EUR 600) as well as of items which have been fully depreciated and scrapped. In both cases, the net carrying value of the items concerned per 1 January 2015 amounts to EUR nil and therefore there is no impact on the total net carrying value of PP&E nor the result of the accounting period. The OSG of the European Schools intends to perform an update of the physical inventory of PP&E items in 2016, as required in the Financial Regulation and benefiting from the recent removal to the new premises.

(c) Adjustment 3: Other adjustments for an amount of EUR 44.047 have been made as compared to the filed 2014 consolidated financial statements of the EURSC as differences were noted during the upload of the data in SAP.

THE EUROPEAN SCHOOLS
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015
(Expressed in euros)

	Note	For the Year Ended 31 December 2015
Cash flows from operating activities		
Net surplus/(deficit) for the period		-1.469.417
Non-cash movements		
Depreciation and impairment of property, plant and equipment	**6.1**	1.804.500
Depreciation and impairment of intangible assets	**6.2**	963.130
Increase/(decrease) in provision for impairment of school fees receivables	**8.4**	61.179
Movement in employee benefit provisions (liability)		-33.161
Movements in provisions	**13**	-85.910
Changes in working capital		
(Increase)/decrease in school fees and other receivables		69.237
(Increase)/decrease in inventories		39.694
(Increase)/decrease in deferred charges & accrued income		-3.949
Increase/(decrease) in accounts payable, accrued charges and deferred revenues		3.932.608
Increase/(decrease) in 'Other current liabilities'		1.211.377
Net cash flows from operating activities		**6.489.287**
Cash flows from investing activities		
Purchases of property, plant and equipment (-)	**6.1**	-2.422.423
Proceeds from sale of property, plant and equipment		-
Purchases of intangible assets (-)	**6.2**	-815.198
Proceeds from sale of intangible assets		-
Net cash flows from investing activities		**-3.237.621**
Net increase/(decrease) in cash and cash equivalents		**3.251.666**
Cash and cash equivalents at beginning of the period		**30.947.409**
Cash and cash equivalents at end of the period	**10**	**34.199.075**

The accompanying notes are an integral part of the financial statements

THE EUROPEAN SCHOOLS
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2015

(Expressed in euros)

Statement of comparison of budget and actual amounts	Budgeted Amounts for the Period Ended 31 December 2015				Actual Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Authorised transfers	Additional appropriation	**Final**		
Receipts						
Commission contributions	165.715.832	-	2.740.046	168.455.878	168.938.943	-483.065
Member States contributions	55.427.137	-	-	55.427.137	55.008.107	419.030
School Fees	18.103.061	-	-	18.103.061	19.069.197	-966.136
Miscellaneous income	39.476.343	-	7.380.872	46.857.215	43.226.463	3.630.752
Total receipts	**278.722.373**	**-**	**10.120.918**	**288.843.291**	**286.242.710**	**2.600.581**
Expenditure						
Employees related expenditure	242.375.539	-94.166	8.871.318	251.152.691	246.565.745	4.586.946
Other administrative expenditure	29.576.044	90.916	1.249.600	30.916.560	28.024.824	2.891.736
Pedagogical expenditure	6.770.790	3.250	-	6.774.040	5.324.810	1.449.230
Total expenditure	**278.722.373**	**-**	**10.120.918**	**288.843.291**	**279.915.379**	**8.927.912**
Net receipts/(expenditure)	**-**	**-**	**-**	**-**	**6.327.331**	**-6.327.331**

The accompanying notes are an integral part of the financial statements.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1 The European Schools (EURSC) consists of a form of cooperation between the Member States and the European Communities while fully acknowledging the Member States' responsibility for the content of teaching and the organisation of their educational system, and for their cultural and linguistic diversity. The Statute of the European School was adopted in 1957.

1.2 The mission of the EURSC is to educate together children of the staff of the European Communities. Besides, other children may attend the Schools.

1.3 The reporting entity, the EURSC, comprises the 14 schools and the Office of the Secretary-General. Refer to Note 28 for more information.

1.4 The financial statements ended 31 December 2015 have been authorized for issue at the date of 23 September 2016.

1.5 The registered office of the EURSC is located in Brussels, Rue de la Science, 23.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

2.1 The financial statements have been prepared on an accruals and going-concern basis and comply with the requirements of the International Public Sector Accounting Standards (IPSAS). Where IPSAS is silent concerning any specific standard, the appropriate International Financial Reporting Standards (IFRS) have been applied.

2.2 The financial statements have also been prepared in accordance with the Financial Regulations as of 14 October 2006 applicable to the Budget of the EURSC as last amended in 2014 [reference: 2014-12-D-10].

2.3 EURSC benefits from IPSAS paragraph 77 of 33 and therefore EURSC does not provide comparative information in its first IPSAS financial statements in accordance with IPSAS. Refer to Note 26 for more information.

2.4 The financial statements are presented in euros. These financial statements cover the calendar year ended 31 December 2015. The financial period is the calendar year.

2.5 The consolidated financial statements have been prepared on the basis of the historical costs, unless stated otherwise. The cash flow statement is prepared using the indirect method. The consolidated financial statements are prepared on an accruals basis.

2.6 In order to better reflect the effective substance of the transaction when preparing the financial statements for the EURSC per 31 December 2015, reclassifications between assets and liabilities have been made in the filed financial statements as compared to the data entered in SAP. These changes mainly relate to reclassifications between Accounts receivable & Other receivables and Accounts payable, Other current liabilities as well as between Deferred charges & Accrued income and Accrued charges & Deferred revenue.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The objective of these financial statements is to provide information about the financial position, performance, and cash flows of the EURSC to a wide range of users. The principal accounting policies applied in the preparation of these financial statements are set out below:

Consolidation

3.2 The scope of consolidation of the EURSC comprises the 14 schools and the Office of the Secretary General. No associates or joint ventures have been identified for inclusion in the scope of consolidation of these financial statements. The accounting policies have been applied consistently. Refer to Note 28 for more information.

3.3 The intra-group activities have not been eliminated in the preparation and presentation of these financial statements. With respect to the total amount of the consolidated accounts their amount is immaterial. The amounts for the Reserve Funds between the Central Office and the school of Frankfurt are eliminated in the consolidated financial statements (EUR 550.000).

3.4 The Sickness Fund has not been consolidated as the EURSC has no control over the Sickness Fund in accordance with IPSAS 35.

Foreign currency translation

3.5 The following exchange rates have the most significant impact on the preparation of these financial statements:

Period	31 December 2015	Average 12 months
EUR/BGN	1,9558	1,9558
EUR/CHF	1,0900	1,0741
EUR/CZK	27,0240	27,3415
EUR/DKK	7,4605	7,4591
EUR/GBP	0,7029	0,7342
EUR/HRK	7,6230	7,6236
EUR/HUF	312,0800	309,6900
EUR/PLN	4,2631	4,1893
EUR/RON	4,4467	4,4371
EUR/SEK	9,2420	9,3605
EUR/USD	1,0580	1,1134

(a) Functional and presentation currency: Items included in the financial statements are measured using the euro, the functional currency, which is the currency of the primary economic environment in which the EURSC operates. The financial statements are also presented in euros, the presentation currency of the EURSC.

(b) Transactions and balances: Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance. Year-end balances of monetary assets and liabilities denominated in foreign currencies are converted into euros on the basis of the exchange rates applicable on 31 December 2015.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to cash and that are subject to an insignificant risk of changes in value, with original maturities of three months or less, and bank overdrafts.

Financial assets

Classification

Financial assets	FV[i] through surplus or deficit	Held-to-maturity	Loan or receivable	Available-for-sale
Cash and cash equivalents	-	-	✓	-
Contributions recoverable	-	-	✓	-
Accounts Receivable	-	-	✓	-
Other assets	-	-	-	-

3.6 The EURSC classifies all its financial assets into the loans and receivables category. The classification depends on the purpose for which the financial assets were acquired. The classification of the financial assets is determined at initial recognition and re-evaluated at each reporting date.

Loans and receivables:

3.7 Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months of the reporting date, which are classified as non-current. The EURSC's loans and receivables comprise 'recoverable from non-exchange transactions' and 'receivables from exchange transactions'.

Subsequent measurement

3.8 Loans and receivables are carried at amortised cost using the effective interest method.

[i] FV: Fair Value

Recognition and measurement

3.9 Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the EURSC has transferred substantially all risks and rewards of ownership.

Impairment

3.10 All financial assets except those measured at fair value through surplus or deficit are subject to review for impairment. The EURSC assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

3.11 If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted using the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of financial performance. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Inventories

3.12 Inventories are stated at the lower of cost and current replacement cost. The cost of finished goods comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

3.13 Cost is determined using the first in, first out (FIFO) method.

3.14 Current replacement cost is the cost the entity would incur to acquire the asset on the reporting date.

3.15 Inventory is recognised as an expense when deployed for utilization or consumption in the ordinary course of business.

3.16 Inventory items acquired in non-exchange transactions are measured at their fair value on the date of acquisition in accordance with IPSAS 12.

Property, plant and equipment

3.17 Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Items of property, plant and equipment exceeding EUR 600 per unit are capitalised.

3.18 Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits or service potential, associated with the item, will flow to the EURSC and the cost of the item can be reliably measured. All other repair and maintenance expenses are charged to the statement of financial performance during the financial period in which they are incurred.

3.19 Depreciation is calculated using the straight-line method to allocate costs to their residual values over their estimated useful lives, which are as follows:

Asset	Estimated Useful Life
Tangible fixed assets	4 years
Other installations & Machinery & Equipment pedagogical	8 years
Audio/Video/Laboratory Equipment	4 years
Furniture	10 years
Other tangible fixed assets	4 years
Hardware equipment	4 years

3.20 The residual value will be set at nil value as per the acquisition date. An asset's carrying amount is written down immediately to its recoverable service amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to note 3.26 'Impairment of non-cash-generating assets'). Gains and losses on disposals if any are determined by comparing the proceeds with the carrying amount and are recognised in 'extra-budgetary revenue' within the statement of financial performance.

Leases

Operating lease

3.21 An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. As a lessee, the EURSC rents equipment and other facilities under contracts that are considered operating leases.

Finance lease

3.22 A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee, whether or not the title is eventually transferred. At the inception of the lease, the EURSC recognises finance leases as assets and corresponding liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments. The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the EURSC will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life. As at the reporting date, the EURSC does not have any finance leases.

Intangible assets

3.23 Intangible assets are carried at cost less accumulated amortisation and impairment. Donated intangible assets are recognised at cost, using the fair value at the acquisition date. The EURSC recognises as intangible assets acquired software with a cost of EUR 600 and above. The development of new software, or the development of new functionalities of software that is already in operation, and purchased software which requires significant customisation or configuration before it can be used by the EURSC may be recognised as internally generated software. Acquired computer software meeting the recognition criteria is capitalised based on costs incurred to acquire and bring the specific software to use. The cost of internally generated software is determined based on a standard rate that includes cost elements. Costs associated with maintaining computer software programmes are recognised as expenses as incurred.

3.24 Development costs that are directly associated with the development of software for use by the EURSC are capitalised as an intangible asset if the following criteria are met:

(a) it is technically feasible to complete the software product so that it will be available for use;

(b) management intends to complete the software product and use or sell it;

(c) there is an ability to use or sell the software product;

(d) it can be demonstrated how the software product will generate probable future economic benefits or service potential;

(e) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and

(f) the expenditure attributable to the software product during its development can be reliably measured.

3.25 The total amount of direct costs attributable to a specific software development project that would exceed a threshold of EUR 600 should be capitalised and amortised. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as expenses as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

3.26 Amortisation is recorded on a straight-line basis on all intangible assets of finite life, at rates that will write off the cost or value of the assets to their estimated residual values. The useful lives of major classes of intangible assets have been estimated as follows:

Asset	Estimated Useful Life
Acquired software	4 years
Internally developed software	4 years

Impairment of non-cash-generating assets

3.27 Non-cash-generating assets are assessed at each reporting date whether there are any indications that the carrying amount of the assets may not be recoverable and that such assets may be impaired. The asset's recoverable service amount is the higher of the asset's fair value less costs to sell and its value in use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. Impairment losses are recognised immediately in the statement of financial performance.

Employee benefits

Short-term employee benefits

3.28 Short-term employee benefits are expected to be settled within 12 months of the reporting period and are measured at their nominal values based on accrued entitlements at current rates of pay. Short-term employee benefits comprise recurring benefits, deductions and contributions (including salaries, family allowances, expatriation allowances and installation allowance), compensated absences (annual leave), other short-term benefits (salary adjustments, home leave, overtime and replacement, travel and removal costs at initial appointment, and differential allowance). These are treated as current liabilities.

Post-employment benefits

3.29 Post-employment benefits include departure allowance, travel and removal costs at departure as well as reinstallation allowances.

Other long-term employee benefits

3.30 Long-term employee benefits which are expected to be settled more than 12 months after the end of the reporting period are treated as non-current liabilities and are measured at thc present value of the estimated future cash flows if the payments and the impact of discounting are considered to be material.

Termination benefits

3.31 Termination benefits are benefits payable as a result of employment being terminated by the EURSC before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The EURSC recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to their present value. As at the reporting date, the EURSC does not have any termination benefits.

Financial liabilities

3.32 The EURSC's financial liabilities consist out of accounts payable. These financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions and contingencies

Provisions

3.33 Provisions are recognised for future expenditures of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not made for future operating losses.

3.34 Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent liabilities

3.35 A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of future events not wholly within the control of the EURSC. A contingency is also recognised when it is not probable that a present obligation exists, but all other aspects of the definition of a provision are met. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements.

Contingent assets

3.36 A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the EURSC. Contingent assets are not recognised.

Taxes

3.37 The European Schools enjoy privileged tax exemptions which, based on the Convention defining the Statute of the European Schools, are determined in specific agreements concluded between the Board of Governors and the Governments of the corresponding host countries. In particular, these exemptions relate to exemption on direct taxes on any income received by the Schools in the exercise of their official activity and substantial exemptions of indirect taxes (VAT) related to the acquisition of goods and services required for the execution of the official activities of the schools.

Revenue recognition

Revenue from non-exchange transactions

3.38 Non-exchange revenue represents transactions in which EURSC receives value from another entity without providing approximately equal value to another entity in exchange. For non-exchange transactions, revenue is recognised on the inflow of assets except to the extent that a liability, representing a present obligation to the EURSC, exists. As the EURSC satisfies this present obligation, it reduces the carrying amount of the liability and recognises revenue. Non-exchange revenue is measured at the amount of the increase in net assets recognised by the EURSC. A recoverable relating to non-exchange revenue is recognised at the net realisable amount, after reducing any impaired receivable from the carrying amount. Services in kind are the fair value of the services rendered.

3.39 The EURSC's major categories of non-exchange revenue are European Communities contributions and Member States contributions. The contribution from the European Commission covers the net funding needs of the European Schools. The contribution from the Member States covers the payment of national salaries of the seconded teachers and the free use of school facilities and buildings. These contributions are services-in-kind in the sense of IPSAS 23: the salaries of seconded staff are recognised at the fair value of the services rendered while the free use of buildings is not recognised.

Revenue from exchange transactions

3.40 Revenue from exchange transactions is measured at the fair value of the consideration received or receivable and is recognised as services are rendered according to the estimated stage of completion when the outcome of a transaction can be estimated reliably. Revenue is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. When the outcome of the transaction cannot be estimated reliably, revenue is recognised to the extent of the expenses recognised that are recoverable. Revenue from services or goods is recognised at the fair value of the consideration received or receivable. When a receivable is impaired, the carrying amount is reduced to its recoverable amount being the estimated future cash flow discounted at the original effective interest rate of the receivable. Subsequent recoveries of amounts previously written off are credited to miscellaneous income within the statement of financial performance.

3.41 The EURSC's major categories of exchange revenue are the school fees charged to parents, the extra-budgetary activities organised outside the school and charged to parents in addition to the annual school fees and revenue generated from the sale of goods (books, sport clothes, etc.). The period invoiced for school fees (September until June of the next calendar period) deviates from the reporting period (January until December).

Expenses

3.42 Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets/equity, other than those relating to distributions to owners. Expenses are aggregated on the face of the statement of financial performance according to their nature.

Segment information

3.43 A segment is a distinguishable activity or group of activities for which it is appropriate to separately report financial information. At the EURSC, segment information is based on the principal distinguishable services that are engaged in achieving the EURSC's objectives.

3.44 The main activity of EURSC is related to teaching and organising the educational system of the EURSC. Therefore, there has been identified only one segment.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 In accordance with IPSAS and generally accepted accounting principles, the financial statements include amounts based on estimates and assumptions. The EURSC makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

Employee benefits: Post-employment benefits and other long-term employee benefits

4.2 The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Actuarial assumptions are established to anticipate future events and are used in calculating post-employment benefits and other long-term employee benefits expense and liability. Any changes in these assumptions will impact the amount of benefits expenses and the related liability. The current calculations applied assume that the impact of the discount rate on the net present value calculation of the expected cash outflows is more or less offset against the inflation applied to the benefits that will become payable.

4.3 The other assumptions are based in part on current market conditions and historical experience of the EURSC. Additional information is disclosed in Note 11 Employee benefits.

Receivables: Determination of impairment

4.4 The EURSC's receivables are required to be reviewed at the end of each reporting period for impairment and indications of uncollectibility. The EURSC makes an estimate of the amount of receivables that it is not able to recover based on prior payment history and expectations of future amounts it expects to recover from these receivables.

Fair value estimation

4.5 The determination of the fair value of the EURSC's financial instruments generally approximates the carrying amount. The EURSC's receivables are recognised at net recoverable amount and the cash and cash equivalents are recognised at fair value.

5. FINANCIAL RISK MANAGEMENT

Financial risk factors

5.1 The EURSC's activities expose it to a variety of financial risks, including market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The EURSC does not enter into hedging activities and does not use derivative financial instruments.

Market risk: Foreign exchange risk

5.2 Foreign exchange risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The EURSC operates one school in the United Kingdom and is exposed to limited foreign exchange risk arising from currency exposures (for example GBP).

5.3 The EURSC's cash inflows from European communities' contributions are denominated in euros. Receipts of contributions can be in currencies other than euros; however, the States Parties are responsible for any foreign currency fluctuations that may arise. However, the EURSC minimizes this risk by immediately converting all foreign currency denominated voluntary contributions into euros at the spot rate of the receiving bank. The EURSC records the contributions at the actual euro amounts received and all corresponding expenses are reported to the donors in euro. If there is an unused balance, the EURSC refunds the euro balance, which the bank converts back to the original currency at the spot rate prevailing at the time of payment.

5.4 The EURSC's cash outflows relate primarily to payments to employees and payments to vendors. Employee salaries are denominated in euros and are paid in euros. Payments to vendors are typically denominated in euros. Certain payments are denominated in foreign currencies, primarily in GBP. Payments to vendors that are denominated in currencies other than euros are not material for the EURSC.

5.5 Receivables in other currencies than the euro and any corresponding effect of exchange rate changes in those currency on the net surplus/deficit are not significant.

Market risk: Interest rate risk

5.6 Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The EURSC invests its cash and cash equivalents in accounts with financial institutions for short-term maturities at fixed interest rates. The future cash flows representing interest income from these deposits will not fluctuate because these are invested for short periods.

Credit risk

5.7 Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents with banks and financial institutions and exposures to receivables from States Parties.

5.8 Credit risk arises from recoverable from States Parties as well as from outstanding school fees from parents.

Liquidity risk

5.9 Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The EURSC has obligations to make certain payments for financial liabilities; liquidity risk arises in that the EURSC may encounter difficulties in meeting these obligations. Cash flow forecasting is performed by the EURSC on a daily, weekly and monthly basis. The Treasury Section invests surplus cash in short-term deposits, investing these amounts for periods of no longer than 12 months. Investments are denominated in euros to avoid foreign currency fluctuations.

Capital risk management

5.10 The primary objective of managing the EURSC's resources is to ensure that there is sufficient cash available to teach and to organise the educational system of the schools. The EURSC is prohibited from obtaining debt financing.

6. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

6.1 Property, plant and equipment

As at 31 December 2015:

	Other installations & Machinery & Equipment pedagogical	Audio/Video/ Laboratory Equipment	Furniture	Other tangible fixed assets	Hardware equipment	Total
At 1 January 2015:						
Cost	3.608.724	2.294.516	2.945.701	1.374.225	5.527.543	15.750.709
Accumulated depreciation and impairment	-2.004.635	-1.933.369	-2.139.983	-1.046.820	-4.264.553	-11.389.360
Net book amount	**1.604.089**	**361.147**	**805.718**	**327.405**	**1.262.990**	**4.361.349**
Year ended 31 December 2015:						
Cost 1 January 2015	**3.608.724**	**2.294.516**	**2.945.701**	**1.374.225**	**5.527.543**	**15.750.709**
Additions	613.414	340.313	350.522	189.181	928.993	2.422.423
Cost 31 December 2015	**4.222.138**	**2.634.829**	**3.296.223**	**1.563.406**	**6.456.536**	**18.173.132**
Accumulated depreciation and impairment 1 January 2015	**-2.004.635**	**-1.933.369**	**-2.139.983**	**-1.046.820**	**-4.264.553**	**-11.389.360**
Additions	-429.552	-222.413	-244.188	-94.428	-813.919	-1.804.500
Accumulated depreciation and impairment 31 December 2015	**-2.434.187**	**-2.155.782**	**-2.384.172**	**-1.141.248**	**-5.078.472**	**-13.193.860**
At 31 December 2015:						
Cost	4.222.138	2.634.829	3.296.223	1.563.406	6.456.536	18.173.132
Accumulated depreciation and impairment	-2.434.187	-2.155.782	-2.384.172	-1.141.248	-5.078.472	-13.193.860
Net book amount	**1.787.951**	**479.047**	**912.051**	**422.158**	**1.378.064**	**4.979.272**

Main additions of the year relate to the acquisition of equipment for administrative purposes and to the installation and acquisition of machinery and pedagogical equipment for pedagogical purposes.

There are no restrictions on the title to the EURSC's property, plant, and equipment.

6.2 Intangible assets

As at 31 December 2015:

	Acquired Software	Internally Generated Software	Software Under Development	Total
Balance as at 1 January 2015:				
Cost	3.624.904	-	-	3.624.904
Accumulated amortisation and impairment	-364.561	-	-	-364.561
Net book amount	**3.260.343**	-	-	**3.260.343**
As at 31 December 2015:				
Cost per 1 January 2015	**3.624.904**	-	-	**3.624.904**
Additions	815.198	-	-	815.198
Cost as at 31 December 2015	**4.440.102**	-	-	**4.440.102**
Accumulated amortisation and impairment 1 January 2015	**-364.561**	-	-	**-364.561**
Additions	-963.130	-	-	-963.130
Accumulated amortisation and impairment as at 31 December 2015	**-1.327.691**	-	-	**-1.327.691**
As at 31 December 2015:				
Cost	4.440.102	-	-	4.440.102
Accumulated amortisation and impairment	-1.327.691	-	-	-1.327.691
Net book amount	**3.112.411**	-	-	**3.112.411**

Main additions of the year related to the further development and enhancing of the ERP system used by the EURSC.

7. CONTRIBUTIONS RECOVERABLE

7.1 The amount of contributions recoverable of EUR 1.212.281 relates to an amount outstanding towards the Belgian government.

7.2 Amounts are impaired, without implying legal discharge of the European Communities obligation to pay, when there is no expectation of recovering additional cash from the European Communities. However, no provisions for impairment of contributions have been considered at year-end.

8. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	2015
School fees receivables	8.399.426
Other receivables	1.936.738
Less: allowance for impairment of receivables (-)	-217.139
Total current receivables	**10.119.025**

8.1 The EURSC charges parents and companies for its services provided in teaching and organising their educational system.

8.2 The fair value of these school fees and other receivables approximates the carrying amount as payments of school fees invoices are due on the short term.

8.3 As of 31 December 2015, school fees (related to school year 2014/2015) and other receivables of EUR 5.080.823 were past due but not impaired. Amounts are impaired, without implying legal discharge of the concerned parents/companies obligation to pay, when there is no expectation of recovering additional cash. The ageing analysis of the school fees and other receivables is as follows:

Aging of receivables past due but not impaired	**2015**
Less than 1 year	4.848.590
Between 1 year and up to 2 years	232.233
Total receivables past due but no impaired	**5.080.823**

8.4 The carrying amounts of the school fees and other receivables are denominated in euros. Movements in the EURSC's provision for impairment of school fees receivables are as follows:

Movement in impairment provision	**2015**
Beginning of period	**155.960**
Provisions recognised during the year	61.179
Provisions reversed during the year	-
Total impairment provision	**217.139**

9. INVENTORIES

The breakdown of the inventories per 31 December 2015 is as follows:

Inventories	**2015**
School books	148.486
Sport clothes	71.857
Miscellaneous	8.185
Total inventories	**228.528**

9.1 The EURSC's inventories relate primarily to school books and sports clothes.

9.2 The carrying amount of inventories is shown at lower of cost or current replacement cost as at 31 December 2015.

9.3 Movements in the EURSC's provision for impairment of inventories are as follows:

Movement in impairment provision	**2015**
Balance at beginning of the year	**885**
Provisions taken during the year	12.126
Total impairment provision	**13.011**

10. CASH AND CASH EQUIVALENTS

Budgetary	2015
Cash at bank and on hand	24.576.206
Time deposits (fixed term deposits)	6.611.932
Restricted cash and cash equivalents	-
Total budgetary	**30.185.138**
Extra-budgetary	
Cash at bank and on hand	4.010.937
Time deposits	-
Total extra-budgetary	**4.010.937**
Total cash and cash equivalents	**34.199.075**

10.1 There is no restricted cash within the EURSC.

11. EMPLOYEE BENEFITS

11.1 The EURSC's statement of financial position presents 'Employee benefits', which comprises the following items:

Employee Benefits	2015		
	Non-current	Current	Total
Post-employment benefits			
Departure allowance	29.197.666	-	29.197.666
Removal costs on departure	8.516.728	-	8.516.728
Travel costs on departure	509.461	-	509.461
Reinstallation allowance	9.795.587	-	9.795.587
Total post-employment benefits	**48.019.442**	-	**48.019.442**
Short-term employee benefits			
Salary adjustment	-	1.499.945	1.499.945
Expatriation allowance	-	108.182	108.182
Installation allowance	-	370.362	370.362
Family allowance	-	83.191	83.191
Annual leave N+1	-	2.111.140	2.111.140
Untaken holidays	-	517.508	517.508
Other	-	557.037	557.037
Total short-term employee benefits	-	**5.247.365**	**5.247.365**
Total employee benefits	**48.019.442**	**5.247.365**	**53.266.807**

Short-term employee benefits

As described in accounting Note 3.27, short-term employee benefits comprise recurring benefits, deductions and contributions (including salaries, family allowances, expatiation allowances and installation allowance), compensated absences (annual leave), other short-term benefits (salary adjustments, home leave, overtime and replacement, travel and removal costs at initial appointment, and differential allowance) and the current portion of long-term benefits provided to current employees.

11.2 Disclosure of these items is provided in Note 16 Employee benefit expenses and Note 23 Key management compensation.

Post-employment benefits

Defined contribution plans

11.3 No liability for defined contribution plans exists at the reporting date.

Defined benefit plans

11.4 The EURSC provides the following post-employment benefits to eligible employees: departure allowance (on the date of departure, the international staff members are entitled to a repatriation allowance), travel costs on departure (assistance with travel expenses upon separation from the EURSC), removal costs on departure (assistance with removal costs upon separation from the EURSC) and a reinstallation allowance. The movement in the defined benefit obligation over the year is as follows:

Post-Employment Benefits	**Per Actuarial Valuation**
Balance as at 1 January 2015	**50.214.624**
Current service cost	9.858.367
Foreign currency-exchange differences (-)	8.177
Less: Benefits paid (-)	-12.061.726
Balance as at 31 December 2015	**48.019.442**

11.5 Total contribution to post-employment benefit plans (expected benefit payment to beneficiaries) for the year ended 31 December 2015 is EUR 48.019.442.

Other long-term employee benefits

No liability for other long-term benefits exists at the reporting date.

Termination benefits

No liability for termination benefits exists at the reporting date.

12. ACCOUNTS PAYABLE

12.1 Accounts payable per 31 December 2015 comprise:

Accounts payable	**2015**
Accounts payable - vendors	**9.974.737**

Accounts payable - vendors

12.2 Accounts payable - vendors mainly relate to the purchase of goods and services that have been received or rendered but not yet paid or for which no invoice has been received yet for as at 31 December 2015.

13. PROVISIONS

Legal claims

13.1 There are legal cases against the EURSC by former staff members and the cases are expected to be decided upon in the subsequent financial year. As at 31 December 2015, a provision is recognised at EUR 462.725 with respect to the outflow that is expected to arise as result of these decisions.

13.2 The movements in the provisions in 2015 comprise:

Provisions-legal claims	**2015**
At 1 January	**548.635**
Increase of provisions	14.090
Used during the year	-100.000
Reversal of unused provisions	-
At 31 December	**462.725**

14. OTHER LIABILITIES

Other non-current liabilities

14.1 IPSAS requires that a liability should be recognised in respect of an inflow of resources from a non-exchange transaction that are also recognised as assets, to the extent that a present obligation exists against the same inflow. No non-current liabilities have been reported at 31 December 2015 in the consolidated financial statements.

Other current liabilities

The Other current liabilities mainly consist out of national salaries to be refunded towards the teachers as well as amounts payable towards Social Security institutions.

15. REVENUE

Revenue	**2015**
Contribution from European Commission, European Patent Office & Member states	244.533.615
Tuition fees and other school fees	34.278.453
Other operating revenue	2.232.973
Total revenue	**281.045.041**

CONTRIBUTION REVENUE

15.1 EURSC receives contribution from the European Commission, European Patent Office and Member States. The amounts of contributions for the year 2015 is EUR 244.533.615. IPSAS requires that inflow of resources from a non-exchange transaction are recognised as asset and revenue, except to the extent that a present obligation exists in respect of the same inflow, which needs to be recognised as liability. The carrying amount of the liability is reduced and revenue is recognised equal to that reduction as the EURSC satisfies the present obligations. The amount recognised as revenue in 2015 with respect to inflow of resources in contributions as well as reduction of previously recognised liabilities relating to satisfied obligations is EUR 244.533.615.

TUITION FEES AND OTHER SCHOOL FEES REVENUE

15.2 The EURSC charges parents or companies for its services provided in teaching and organising their educational system. The school fees charged to parents are divided into three categories:

(a) Category I: mainly children of staff in the service of the Community institutions (accounted for under the Contribution from European Commission, European Patent Office & Member states)

(b) Category II: pupils covered by financing agreement

(c) Category III: pupils who do not belong to category I & II

15.3 With respect to these specific services provided, the EURSC invoices amounts to parents and companies during the month of September. As the period invoiced for school fees (September until June) deviates from the reporting period (January until December), a year-end correction has been accounted to reflect revenues in the appropriate period. Amounts related to the period January until June are included under the Accrued Charges and Deferred Revenues within the Statement of Financial Position.

OTHER OPERATING REVENUE

15.4 Other operating revenue represents exchange revenue relating to the Central Office. The amounts of other operating revenue for the year 2015 is EUR 2.232.973.

16. EMPLOYEE-BENEFIT EXPENSES

	2015
Employee benefit expenses	
Short-term employee benefit expenses	
Salaries and post-adjustment expenses	186.773.801
Family allowances	12.970.641
Expatriation allowances	14.115.514
Installation allowances	560.382
Differential allowances	994.461
Overtime	2.595.445
Replacement	3.121.646
Untaken holidays	62.510
Annual travel expenses	1.807.199
Other	15.089.697
Total short-term employee benefit expenses	**238.091.296**
Post-employment benefit expenses	
Departure allowance	6.371.343
Reinstallation allowance	643.978
Travel costs upon departure from the EURSC	91.176
Removal costs upon departure from the EURSC	1.228.829
Total post-employment benefit expenses	**8.335.326**
Total – Employee benefit expenses	**246.426.622**
Net employee benefit expenses	**246.426.622**

17. SUNDRY SERVICES AND OTHER OPERATING EXPENSES

Sundry services and Other operating expenses comprise the following:

	2015
Yearly fees for licences and databases	2.600.669
Communication expenses	733.972
Pedagogical expenses	691.440
Photocopying expenses	480.520
Administrative expenses	435.159
Expenses for office supplies	405.529
Maintenance expenses	20.300.987
Other general operating expenses	7.221.416
Legal compensation payments	305.530
Movement in provisions	296.868
Total sundry services and other operating expenses	**33.472.090**

18. FINANCE INCOME AND COSTS

	2015
Finance income	
Interest income arising on cash and cash equivalents	-
Foreign currency gains	-
Other finance income	-
Total finance income	**-**
Finance costs	
Foreign currency losses	167.556
Other interest expense	1.676
Total finance costs	**169.232**
Net finance income/(costs)	**- 169.232**

19. SERVICES IN KIND

19.1 Services in kind are services provided by individuals to the EURSC in a non-exchange transaction. The major classes of services in kind received by the EURSC are described below.

Free use of buildings

19.2 Host countries offer the use of school facilities and buildings for free to the European Schools. These agreements qualify as services-in-kind in the sense of IPSAS 23. European schools has adopted the policy choice to not recognise this kind of services-in-kind.

National salaries

19.3 Member States pay the national salaries of the seconded staff members (pedagogical and administrative staff). These contributions are services-in-kind in the sense of IPSAS 23 and are recognised at the fair value of the services rendered.

20. CONTINGENCIES

The EURSC has contingent liabilities in respect of legal claims for which estimates cannot be made at present. Outstanding legal cases with probable obligations for which estimates are available have been provided for in Note 13 Provisions.

21. COMMITMENTS

Capital commitments

21.1 Capital expenditure contracted for at the reporting date but not yet incurred is as follows:

Capital Commitments	2015
Property, plant and equipment	877.855
Intangible assets	4.200
Total capital commitments	**882.055**

Operating lease commitments

21.2 The future aggregate minimum lease payments under non-cancellable operating leases where the EURSC is lessee are as follows:

Operating Leases (EURSC as Lessee)	Office equipment	Vehicles	Other
No later than 1 year	152.213	-	15.369
Later than 1 year and no later than 5 years	334.761	-	10.259
Later than 5 years	5.011	-	-
Total operating lease commitments	**491.985**	-	**25.628**

21.3 The EURSC leases various items of office and laboratory equipment under non-cancellable operating leases. The lease terms generally range from one year to 5 years. The EURSC is typically required to provide a notice period in order to cancel any of these operating lease agreements. Operating lease payments that are recognised in the statement of financial performance amount to EUR 480.406.

22. RELATED PARTY TRANSACTIONS

The EURSC is not controlled by another entity.

23. KEY MANAGEMENT COMPENSATION

23.1 Key management personnel for the EURSC are the Secretary-General, Deputy Director-General and the Heads of School. The compensation paid or payable to key management for employee services is shown below:

	2015		
	Number of Individuals	**Aggregate Remuneration**	**Other compensation**
Director-General, Deputy Director-General and Head of School	16	2.202.944	-

24. SEGMENT INFORMATION

24.1 The main activity of EURSC is related to teaching and organising the educational system of the EURSC. Therefore, there has been identified only one segment.

25. BUDGETARY INFORMATION

25.1 The approved Budget covers the period 1 January 2015 through 31 December 2015. No additional entities are included. The budget is prepared using a combination of cash and commitment based accounting whilst these financial statements are prepared using accrual based accounting.

Differences between budget and actual amounts

25.2 The differences between budget and actual amounts are presented in the 'Statement of comparison of budget and actual amounts' on page 6 of these financial statements.

25.3 The change between the overall original and final budgets for 2015 amounts to EUR 10.120.918.

25.4 The level of expenditure for 2015 reflects an overall budget utilisation rate of 100 %.

Reconciliation from budgetary result to IPSAS result

25.5 To aid the users of the EURSC's IPSAS financial statements, the following reconciliation has been provided as an overview of the differences arising between the budgetary result and the IPSAS result as reported in these financial statements. This information is not required to be included in financial statements prepared in accordance with IPSAS, however, is provided as additional, voluntary information.

	2015
Reconciliation from budgetary result to IPSAS result	
Budgetary Accounts (all funds) - excess/(shortfall) of income over expenditure	-3.599.300
Prior year adjustments reclassified as current year revenue and expense	-
Net excess/(shortfall) of income over expenditure	**-3.599.300**
Revenue differences	
Adjustments to exchange revenue	16.811
Adjustments to non-exchange revenue	175.727
Non-budgetary revenue	6.626.196
Total revenue differences	**6.818.734**
Expenses differences	
Accrued expenses	3.864.185
Recognition of depreciation and impairment expense on property, plant and equipment	-1.804.500
Recognition of depreciation and impairment expense on intangible assets	-963.130
Recognition of long-term employee benefit expenses	3.167.916
Recognition of short-term employee benefit expenses	-2.035.628
Recognition of provisions (legal cases)	85.910
Recognition of impairment on receivables	-61.179
Non-budgetary expenses	-6.243.902
Other expenses	-698.522
Total expense differences	**-4.688.851**
Total differences	**2.129.883**
IPSAS net surplus/(deficit) for the period	**-1.469.417**

26. RECONCILIATIONS BETWEEN PREVIOUS ACCOUNTING BASIS AND ACCRUAL ACCOUNTING

26.1 EURSC's financial statements till 31 December 2014 have been prepared using the cash basis of accounting. As from 1 January 2015, EURSC applies the accrual basis of accounting. Therefore, 1 January 2015 is the date of adoption of IPSAS for the EURSC.

26.2 As EURSC benefits from paragraph 142 of IPSAS 33, EURSC only opts to provide a reconciliation between the net assets/equity reported in accordance with the financial statements per 31 December 2014 and the net assets/equity reported in the opening balance sheet at the date of adoption (i.e. 01 January 2015):

Reconciliation of assets/equity as per 31 December 2014 and 1 January 2015		
Net assets/Equity as per 31 December 2014 applying cash basis of accounting in EUR		**28.464.537**
Type of adjustment	**Reference**	**EUR**
Adjustments for the recognition of cut-off expenses	**26.3**	-4.697.175
Adjustments for the recognition of intangible assets	**26.4**	3.079.704
Adjustments for the recognition of property, plant and equipment	**26.4**	4.457.841
Adjustments for the recognition of short-term employee benefit expenses	**26.5**	-3.020.851
Adjustments for the recognition of post-employee benefit expenses	**26.6**	-50.214.623
Adjustments for the recognition of provisions for claims	**26.7**	-548.635
Adjustments for the recognition of deferred revenues (school fees)	**26.8**	-19.670.770
Adjustments for the recognition of write-offs on receivables	**26.9**	-175.171
Subtotal		**-70.789.683**
Net assets/Equity as per 1 January 2015 applying accrual basis of accounting in EUR		**-42.325.145**

26.3 Adjustments for cut-off expenses

Since 1 January 2015, EURSC applies accrual accounting. Accruals within the financial statements have been accounted per 1 January 2015 and 31 December 2015 for all goods that have been delivered or services that have been rendered (meaning that the risks and rewards have been transferred from the supplier to the EURSC), and for which no invoices were received or payments have been made at the respective reporting dates by the EURSC. The main adjustments relate to services incurred as per 31 December 2015 for which the invoice has not yet been received.

26.4 Adjustments for intangible assets and property, plant and equipment

As from 1 January 2015 intangible assets and Property, Plant and Equipment are no longer expensed as incurred but capitalised on the statement of financial position if they meet the recognition criteria under IPSAS.

The amount recognised for intangible assets and Property, Plant and Equipment as per 1 January 2015 represents the net carrying of the intangible assets and Property, Plant and Equipment at that moment.

Intangible assets and Property, plant and equipment are recognised as from the moment they have been delivered towards the EURSC.

Adjustments for intangible assets fully relate to the licences and the capitalised software as the result of the implementation of the ERP Package.

Adjustments for Property, plant and equipment mainly relate to items exceeding an individual value of EUR 600 of installed and pedagogical equipment, hardware equipment and office furniture.

26.5 Adjustments for the recognition of short-term employee benefit expenses

The EURSC accrues for amounts of short-term employee benefits when the EURSC has a present legal or constructive obligation to make payments as a result of past events (i.e. the delivery of the services by the administrative staff and the teachers of the EURSC) and a reliable estimate can be made of the amount payable. The main adjustments accounted for by the EURSC relate to accruals for unpaid amounts at the reporting date for salaries or retrospective salary adjustments, family, expatriation or installation allowances, overtime as well as amount for untaken holidays and holiday allowances.

26.6 Adjustments for the recognition of post-employment benefit expenses

EURSC accrues for amounts of post-employment benefits when the EURSC has a present legal or constructive obligation to make payments in the future as a result of past events (i.e. the delivery of the services by the administrative staff and the teachers of the EURSC) and a reliable estimate can be made of the amount payable. The main adjustments accounted for by the EURSC relate to accruals for departure allowances, removal costs on departure and reinstallation allowances.

26.7 Adjustments for the recognition of provisions for claims

A provision is a liability for which the timing of the outflow of economic benefits or the amount is unclear. As from 01 January 2015, the EURSC recognises provisions when the EURSC has a present obligation result of a past event and for which it is expected that an outflow of resources embodying economic benefits will be required to settle the obligation. The main amounts of provisions accounted for within the EURSC relate to ongoing disputes/claims with former teachers of the different schools.

26.8 **Adjustments for the recognition of deferred revenues (school fees)**

School fees are paid by all students of category II and III. As the school period deviates from the calendar period, the amounts of school fees covering the period January until June are deferred.

26.9 **Adjustments for the recognition of write-offs on receivables**

Amounts outstanding at the reporting date cannot exceed their estimated recoverable amount. Therefore, the EURSC accounts for write-offs on receivables if the outstanding receivable amounts exceeds the recoverable amount at the end of the reporting period.

26.10 EURSC does not present a reconciliation of its surplus or deficit in accordance with the cash basis of accounting as per 31 December 2014 and the opening balance of net assets/equity as per 1 January 2015 in accordance with accrual accounting.

27. EVENTS AFTER THE REPORTING PERIOD

28.1 No significant event is reported after the reporting date.

28. OVERVIEW OF SCHOOLS CONSOLIDATED IN THE FINANCIAL STATEMENTS

28.1 The following schools have been included in the consolidated financial statements of EURSC as per 31 December 2015:

Country	Nr.	Location
Belgium	1	Brussels I - Uccle
	2	Brussels II - Woluwe
	3	Brussels III - Elsene
	4	Brussels IV - Laeken
	5	Mol
	6	Office of the Secretary General
Germany	7	Munich
	8	Frankfurt
	9	Karlsruhe
Luxemburg	10	Luxemburg I - Kirchberg
	11	Luxemburg II - Bertrange
Italy	12	Varese
United Kingdom	13	Culham
Spain	14	Alicante
The Netherlands	15	Bergen

Annex 1: Differences found in closure reports.

During the closure process, a number of differences between reports which are produced by the new software SAP were discovered. The differences correspond to two categories.
The first relates to the last column of the table Closing - 2015 - Revenues 'To be received per end 2015' and the total of the report 31.12.2015 Open Balance of Customer accounts, Budgetary column.
The second source of differences relates to the amount under the column 'Carried over' in the report Closing - 2015- Expenditure and the total of the table 'Carry over detail 2015 to 2016. The list of all differences found is in the following table

The calculation of the budgetary result takes into account the correct amount, as found in the report 'Carry Over detail 2015 to 2016.

EURO

	Carry over 2016	*to recover end 2015*
Alicante		0
Bergen	-286	0
Brussels I	-102	-1.144
Brussels II		0
Brussels III	6.490	0
Brussels IV	3.547	154
Culham	-643	-295
Frankfurt	901	2.532
Karlsruhe	-411	2.485
Luxemburg I	8	9.997
Luxemburg II	88	-500
Mol	3	0
Munich	-878	-3.968
Varese		0
BCSG		0
TOTAL	**8.717**	**9.261**

A third difference relates to the Closing - 2015 -Expenditure table. The total of the column 'Initial Budget' includes an error in the total as the negative reserve is added instead of substracted. This amount is then substracted in the column 'Transfers' and so the column 'Final Budget' is correct.

Consolidated accounts of the European Schools 2015

Closing

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PRESENTATION OF THE RESULT - exercise 2015

EXERCISE	2015	*Amounts shown in EURO*			
A. REVENUE AND EXPENDITURE SITUATION					
1. Revenue					
Total credits established in the budget	2015		288.843.291		A
Amount of established entitlements in	2015		286.298.363		B
Total amount of entitlements to recover at the end of n-1	2014		9.468.670		C
Total amount of entitlements to recover at the end of n	2015		-9.509.058		D
Total amount of revenue for the year:			286.257.975		E = B+C+D
Revenue received (excluding the surplus from the previous year) in	2015	281.301.967			F = E-G
Surplus for the year (post 70330100)	2014	4.956.008			G
Difference (REVENUE)=>				-2.585.316	H = E-A
2. Expenditure					
Total credits established in the budget	2015		288.843.291		A
Amount of expenditure paid at the closure of the year n	2015		279.915.378		I
Total amount of credits, committed and carry over to	2016		3.412.889		J
Difference (EXPENDITURE)=>				5.515.024	K = A-I-J
B. DETERMINATION OF THE RESULT					
Revenue received (excluding the surplus from the previous year) in	2015		281.301.967		F = E-G
Amount of expenditure including credits carried over to the year	2016		283.328.267		L = I+J
Difference (RESULT)=>				-2.026.300	M = F-L
+/- Exchange difference				0	N
Result of the management of the current budget				-2.026.300	O = M+N

Explanatory note - the figures above are the results from the system which do not include decimals, the difference between these figures and those of the balance sheet are due to roundings

SCHOLA EUROPAEA

PRESENTATION OF THE RESULT - exercise 2015

EXERCISE	2015	*Amounts shown in EURO*		
C. CREDITS BROUGHT FORWARD FROM THE PREVIOUS YEAR				
Amount of credits brought forward from the previous year	2015	7.763.168		P
Amount of credits brought forward and actually spent in	2015	7.093.575		Q
Difference (CREDITS BROUGHT FORWARD AND CANCELLED) =>			669.592	R = P-Q
D. RESULT				
Result of the management of the current budget	2015	-2.026.300		O = M+N
Other results	2015	0		S
Credits brought forward from the previous year and cancelled in	2015	669.592		R = P-Q
Surplus for the year (post 70330100)	2014	4.956.008		G
RESULT =>			3.599.300	T= O+S+R+G
Difference (REVENUE) =>			-2.585.316	H = E-A
Difference (Expenditure) =>			5.515.024	K = A-I-J
Difference (CARRY FORWARD)			669.592	R=P-Q
RESULT =>			3.599.300	T = H+K+R
E. DISTRIBUTION OF THE SURPLUS				
Result to allocate to the Central Reserve Fund OSGES	2015	14.138		U
Result to allocate to the Reserve Fund of München	2015	0		V
Result to allocate to post 7033100 (Surplus) of the Budget	2016	3.599.300		T
Total to allocate to the budgets of next year (post 70330100)=>			3.613.438	W = U+V+T
F. CREDITS TO CARRY OVER TO NEXT YEAR				
Amount of credits properly committed and carried over from the year	2016		3.412.889	J

Explanatory note - the figures above are the results from the system which do not include decimals, the difference between these figures and those of the balance sheet are due to roundings

SCHOLA EUROPAEA

Closing - 2015 - Revenues

Site / Class/ Chapter / Article / Post		Budget: Initial	Budget: Supplement / Return	Budget: Total Budget	open RO end 2014	recovery order	Total	Balance	Balance %	Revenue received	To be received per end 2015
* 70 1 1 0100	Germany	11.151.682	0	11.151.682	0	11.562.146	11.562.146	410.464	0	11.562.146	0
* 70 1 1 0200	Belgium	10.257.751	0	10.257.751	0	10.192.317	10.192.317	-65.434	0	10.192.317	0
* 70 1 1 0300	Denmark	1.543.614	0	1.543.614	0	1.635.199	1.635.199	91.585	0	1.635.199	0
* 70 1 1 0400	Spain	2.678.344	0	2.678.344	0	2.819.219	2.819.219	140.875	0	2.819.219	0
* 70 1 1 0500	France	6.180.580	0	6.180.580	0	5.869.672	5.869.672	-310.908	0	5.869.672	0
* 70 1 1 0600	Greece	808.753	0	808.753	0	717.356	717.356	-91.397	0	717.356	0
* 70 1 1 0700	Ireland	2.971.800	0	2.971.800	0	2.846.866	2.846.866	-124.934	0	2.846.866	0
* 70 1 1 0800	Italy	2.546.592	0	2.546.592	0	2.705.672	2.705.672	159.080	0	2.705.672	0
* 70 1 1 0900	Luxembourg	1.589.781	0	1.589.781	0	1.227.791	1.227.791	-361.990	0	1.227.791	0
* 70 1 1 1000	Netherlands	3.371.396	0	3.371.396	0	3.632.605	3.632.605	261.209	0	3.632.605	0
* 70 1 1 1100	Portugal	794.461	0	794.461	0	760.182	760.182	-34.279	0	760.182	0

Closing - 2015 - Revenues

Site / Class/ Chapter / Article / Post		Budget									
		Initial	Supplement / Return	Total Budget	open RO end 2014	recovery order	Total	Balance	Balance %	Revenue received	To be received per end 2015
* 70 1 1 1200	United Kingdom	5.991.726	0	5.991.726	0	5.411.347	5.411.347	-580.379	0	5.411.347	0
* 70 1 1 1300	Austria	770.341	0	770.341	0	888.097	888.097	117.756	0	888.097	0
* 70 1 1 1400	Finland	1.284.871	0	1.284.871	0	1.193.507	1.193.507	-91.364	0	1.193.507	0
* 70 1 1 1500	Sweden	1.725.972	0	1.725.972	0	1.583.818	1.583.818	-142.154	0	1.583.818	0
* 70 1 1 1700	Estonia	66.466	0	66.466	0	96.463	96.463	29.997	0	96.463	0
* 70 1 1 1800	Hungary	110.298	0	110.298	0	104.667	104.667	-5.631	0	104.667	0
* 70 1 1 1900	Latvia	5.803	0	5.803	0	10.365	10.365	4.562	0	10.365	0
* 70 1 1 2000	Lithuania	48.817	0	48.817	0	52.975	52.975	4.158	0	52.975	0
* 70 1 1 2100	Malta	61.329	0	61.329	0	115.287	115.287	53.958	0	115.287	0
* 70 1 1 2200	Poland	224.492	0	224.492	0	231.744	231.744	7.252	0	231.744	0
* 70 1 1 2300	Slovakia	34.055	0	34.055	0	87.433	87.433	53.378	0	87.433	0

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Closing - 2015 - Revenues

Site / Class/ Chapter / Article / Post		Budget									
		Initial	Supplement / Return	Total Budget	open RO end 2014	recovery order	Total	Balance	Balance %	Revenue received	To be received per end 2015
* 70 1 1 2400	Slovenia	66.007	0	66.007	0	66.027	66.027	20	0	66.027	0
* 70 1 1 2500	Czech Republic	178.855	0	178.855	0	160.284	160.284	-18.571	0	160.284	0
* 70 1 1 2600	Bulgaria	11.447	0	11.447	0	28.387	28.387	16.940	0	28.387	0
* 70 1 1 2700	Romania	10.904	0	10.904	0	14.481	14.481	3.577	0	14.481	0
*** 70 1 1**	**Regular contributions from member states**	**54.486.137**	**0**	**54.486.137**	**0**	**54 013.907**	**54.013.907**	**-472.230**	**-1**	**54.013.907**	**0**
* 70 1 2 0100	Extraordinary contribution Germany	657.000	0	657.000	0	710.200	710.200	53.200	0	710.200	0
* 70 1 2 0200	Extraordinary contribution Belgium	0	0	0	1.227.548	0	1.227.548	1.227.548	0	0	1.212.281
* 70 1 2 0300	Extraordinary contribution Italy	284.000	0	284.000	0	284.000	284.000	0	0	284.000	0
*** 70 1 2**	**Extraordinary contributions from member states**	**941.000**	**0**	**941.000**	**1,227,548**	**994.200**	**2.221.748**	**1.280.748**	**136**	**994.200**	**1.212.281**
* 70 1	CONTRIBUTIONS FROM MEMBER STATES	55.427.137	0	55.427.137	1.227.548	55.008.107	56.235.655	808.518	1	55.008.107	1.212.281
* 70 2 1 0100	European Commission	165.715.832	2.646.403	168.362.235	0	168.871.946	168.871.946	509.711	0	168.938.943	-66.997

SCHOLA EUROPAEA

Closing - 2015 - Revenues

Site / Class/ Chapter / Article / Post		Budget									
		Initial	Supplement / Return	Total Budget	open RO end 2014	recovery order	Total	Balance	Balance %	Revenue received	To be received per end 2015
* 70 2 1 0200	European Patent Office	20.674.662	0	20.674.662	0	20.645.000	20.645.000	-29.662	0	20.645.000	0
* 70 2 1 0300	European Southern Observatory (ESO)	805.755	0	805.755	0	1.049.327	1.049.327	243.572	0	1.041.204	8.123
* 70 2 1 0400	Eurocontrol	2.099.327	0	2.099.327	0	1.429.888	1.429.888	-669.439	0	1.429.888	0
* 70 2 1 0500	Other financing agreement	10.303.825	0	10.303.825	1.595.167	9.677.485	11.272.652	968.827	0	9.879.306	1.393.347
* 70 2 1 0600	European School of Munich	825.733	0	825.733	0	825.733	825.733	0	0	825.733	0
*** 70 2 1**	**Subventions, contributions from institutions**	**200.425.134**	**2.646.403**	**203.071.537**	**1,595,167**	**202.499.379**	**204.094.546**	**1.023.009**	**1**	**202.760.074**	**1.334.473**
* 70 2	SUBVENTIONS, CONTRIBUTIONS FROM INSTITUTIONS	200.425.134	2.646.403	203.071.537	1.595.167	202.499.379	204.094.546	1.023.009	1	202.760.074	1.334.473
* 70 3 1 0100	School fees	18.103.061	0	18.103.061	6.526.186	19.304.525	25.830.712	7.727.651	0	19.069.197	6.761.515
* 70 3 1 0200	Other contributions from parents	907.313	0	907.313	119.769	803.433	923.202	15.889	0	722.413	200.789
*** 70 3 1**	**Parent's contributions**	**19.010.374**	**0**	**19.010.374**	**6,645,955**	**20.107.958**	**26.753.914**	**7.743.540**	**41**	**19.791.610**	**6.962.304**
* 70 3 2 0100	Temporary contributions	2.758.300	0	2.758.300	0	2.317.222	2.317.222	-441.078	0	2.317.222	0

Closing - 2015 - Revenues

Site / Class/ Chapter / Article / Post		Budget									
		Initial	Supplement / Return	Total Budget	open RO end 2014	recovery order	Total	Balance	Balance %	Revenue received	To be received per end 2015
* 70 3 2 0200	Miscellaneous revenue	1.101.428	2.672.938	3.774.366	0	1.409.689	1.409.689	-2.364.677	0	1.409.689	0
* 70 3 2	**Other contributions and miscellaneous revenue**	3.859.728	2.672.938	6.532.666	0	**3.726.911**	**3.726.911**	-2.805.755	-43	**3.726.911**	0
* 70 3 3 0100	Surplus year n-1	0	4.801.577	4.801.577	0	4.956.008	4.956.008	154.431	0	4.956.008	0
* 70 3 3	**Surplus**	**0**	4.801.577	4.801.577	0	4.956.008	4.956.008	**154.431**	3	**4.956.008**	0
* 70 3	OTHER CONTRIBUTIONS	22.870.102	7.474.515	30.344.617	6.645.955	28.790.877	35.436.833	5.092.216	17	28.474.529	6.962.304
* 70	Revenues	278.722.373	10.120.918	288.843.291	9.468.670	286.298.363	295.767.034	6.923.743	2	286.242.710	9.509.058

SCHOLA EUROPAEA

Closing - 2015 - Expenditures

Site / Class/ Chapter / Article / Post		Budget									
		Initial	Supplement / Return	Total	Transfer	Final	Commitments	Actuals	Carried Over	Decomitted	Decomitted %
* 60 1 1 0100	Expenditure related to seconded staff	152.363.137	8.871.318	161.234.455	9.583.649	151.650.806	149.620.713	149.598.948	21.765	2.030.092	
* 60 1 1 0200	Expenditure related to locally recruited teachers,	46.154.158	0	46.154.158	-9.895.730	56.049.888	54.800.685	54.800.685	0	1.249.203	
* 60 1 1 0300	Expenditure related to Administrative and ancillar	34.086.140	0	34.086.140	-435.503	34.521.643	33.645.874	33.645.876	1	875.769	
* 60 1 1 0400	Remunerations relating to educational support	9.772.104	0	9.772.104	653.418	9.118.686	8.520.236	8.520.236	0	598.450	
* 60 1 1	**Expenditure related to staff**	242.375.539	8.871.318	251.246.857	-94.166	251.341.023	246.587.508	246.565.745	21.766	4.753.514	2%
* 60 1 2 0100	Buildings	20.600.030	0	20.600.030	197.952	20.402.078	20.176.143	18.858.324	1.317.819	225.936	
* 60 1 2 0200	ICT	1.851.957	1.012.000	2.863.957	-41.416	2.905.373	2.865.419	2.481.370	384.049	39.954	
* 60 1 2 0300	BSGEE	2.752.970	237.600	2.990.570	112.250	2.878.320	2.739.864	2.630.450	109.413	138.456	
* 60 1 2 0400	Miscellaneous administrative expenditure	4.371.087	0	4.371.087	-67.094	4.438.181	4.273.743	4.054.680	219.988	164.437	
* 60 1 2	**Other administrative expenditure**	29.576.044	1.249.600	30.825.644	201.692	30.623.952	30.055.169	28.024.824	2.031.269	568.783	2%
* 60 1	ADMINISTRATIVE EXPENDITURE	271.951.583	10.120.918	282.072.501	107.526	281.964.975	276.642.677	274.590.569	2.053.035	5.322.297	2%

Closing - 2015 - Expenditures

Site / Class/ Chapter / Article / Post		Budget									
		Initial	Supplement / Return	Total	Transfer	Final	Commitments	Actuals	Carried Over	Decomitted	Decomitted %
* 60 2 1 0100	Pedagogical expenditure	6.812.265	0	6.812.265	-952	6.813.217	6.637.021	5.277.229	1.359.796	176.196	
* 60 2 1	Pedagogical expenditure	6.812.265	0	6.812.265	-952	6.813.217	6.637.021	5.277.229	1.359.796	176.196	3%
* 60 2 2 0100	Educational Support	69.302	0	69.302	4.202	65.100	56.355	47.581	8.774	8.745	
* 60 2 2	Educational support	69.302	0	69.302	4.202	65.100	56.355	47.581	8.774	8.745	13%
* 60 2	OPERATIONAL EXPENDITURE	6.881.567	0	6.881.567	3.250	6.878.317	6.693.376	5.324.810	1.368.570	184.941	3%
* 60 3 1 0100	Negative expenditure	110.777	0	110.777	-110.777	0	0	0	0	0	
* 60 3 1	Negative expenditure	110.777	0	110.777	-110.777	0	0	0	0	0	
* 60 3	NEGATIVE EXPENDITURE	110.777	0	110.777	-110.777	0	0	0	0	0	
* 60		278.943.927	10.120.918	289.064.845	-1	288.843.292	283.336.053	279.915.379	3.421.605	5.507.238	2%

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Office of the Secretary-General

General Secretariat

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Report of the Court of Auditors for 2015

Board of Governors

Brussels, 7, 8 & 9 December 2016

EUROPEAN
COURT
OF AUDITORS

Report on the annual accounts of the European Schools for the financial year 2015

together with the Schools' replies

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CONTENTS

EXECUTIVE SUMMARY

What is this report about?

I. The Court reviewed the consolidated annual accounts of the European Schools for the financial year 2015 in accordance with the Financial Regulation of the Schools. This review took place at the Central Office and in two Schools (Luxembourg I and Frankfurt), and covered both the accounts and the internal control systems (recruitments, procurements, payments and internal control standards).

What did the Court find?

II. The Schools did not prepare their annual accounts within the legal deadline. Numerous errors were found, most of which were corrected (as a result of the review) in the final version of the accounts. They constitute systematic weaknesses in the accounting procedures.

III. Our review did not however reveal material errors in the final financial statements for 2015.

IV. The payment systems of the two selected Schools were affected by significant weaknesses: no automatic link between the accounting and payment systems and no strict segregation of duties, payments made outside the accounting system not automatically rejected by the system and a poor level of control generally. These weaknesses represent a significant risk in terms of the legality and regularity of payments.

V. The Court also found several significant weaknesses in procurement procedures, which risked compromising the principles of transparency and equal treatment.

VI. In a few cases, the Court did not find evidence of the qualifications of recruited staff and noted omissions in their personal files.

VII. As a result, the Court was unable to confirm that the financial management was sound.

What does the Court recommend?

VIII. The Board of Governors, together with the Central Office and the Schools, should take immediate action to implement a series of recommendations made in this and previous years' reports to improve the accounting and internal control systems. In particular, the

Court recommends that the Schools correct the weaknesses detected in accounting procedures and continue to provide training and support to those involved in the preparation of the accounts. As regards internal control systems, the Court reiterates its recommendations to improve recruitment procedures and procurement procedures and to reinforce payment procedures and ex ante controls.

INTRODUCTION

Background

1. The primary legal basis for the European Schools ('the Schools') is the Convention[1] which sets out their Statute. The financial and operational management of the Schools is carried out according to the Financial Regulation[2], its Implementing Rules[3] and the Staff Regulations[4] (which make up the 'General Framework').

2. The individual Schools are responsible for the annual accounts[5], and the consolidated annual accounts are drawn up by the Office of the Secretary-General of the European Schools ('the Central Office') and forwarded to the Court of Auditors under Articles 90 to 92 of the Financial Regulation of the Schools.

3. The appropriations available in the 2015 budget amounted to 288,8[6] million euro (289,9 million euro in 2014). The European Commission's 2015 contribution was 168,4 million euro (167,2 million euro in 2014).

4. The Court sends (in accordance with Article 94 of the Financial Regulation of the Schools) to the authorities responsible for giving discharge, including the Board of Governors, by 30 November, its annual report accompanied by the replies.

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[1] Convention defining the Statute of the European Schools – (OJ L 212, 17.8.1994, p. 3).

[2] Financial Regulation of 24 October 2006 applicable to the budget of the European Schools - Ref: 2014-12-D-10-en-1.

[3] Rules for implementing the Financial Regulations - Ref: 2014-12-D-11-en-1.

[4] Regulations for Members of the Seconded Staff of the European Schools (Ref: 2011-04-D-14-en-5), Conditions of employment for part-time teachers (Ref: 2011-06-D-29-en-2, 2011-06-D-24-en-2 and 2011-04-D-13-en-2), Service regulations for the administrative and ancillary staff (AAS) of the European Schools (Ref: 2007-D-153-en-7).

[5] Articles 86, 88 and 89 of the Financial Regulation.

[6] *Source*: Financial Controller of the Schools.

Changes in the Financial Regulation and in the accounting / control environment

5. The revised Financial Regulation entered into force on 1 January 2015. The main changes were the introduction of an accruals-based accounting system, the abolition of cash payments and the decentralization of ex-ante checks.

6. In 2015, the Schools prepared their accounts, for the first time, on the basis of the accruals accounting principles set out in the International Public Sector Accounting Standards (IPSAS). The new accounting / financial system has been operational since 1 January 2015; it provides the technical means to address several weaknesses reported repeatedly by the Court (e.g. weaknesses in the consolidation process, no automated link between the accounting and payment systems and inefficient financial circuits).

7. The ex-ante checks were partially decentralized in 2015, based on a risk assessment for each School. Full decentralization will take place after the validation of each School's internal control system by the Financial Controller[7]. Moreover, on 31 July 2015, the Secretary-General issued new guidelines for the segregation of duties in the financial circuits. The new financial circuits will be applicable as from the 2016 financial year.

8. The working group[8] for the revision of the Financial Regulation continued its activities in 2015. It focused on the role of the Accounting Officer of the Central Office and the overall financial architecture (the role and responsibilities of the Secretary-General regarding financial management and the creation of a governing body for budgetary matters at the Central Office).

9. In November 2015, the Commission's Internal Audit Service (IAS)[9] issued an audit report on 'Treasury and Revenues Management'. The IAS concluded that the internal control system did not provide reasonable assurance as to the appropriate and effective

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[7] As required by Article 19.6 of the Financial Regulation.

[8] Paragraph 5 of the 2014 Annual Report.

[9] In accordance with the service level agreement concluded with the Schools, the IAS fulfils the role of internal auditor of the Schools.

management and accounting treatment of revenue and treasury. There were significant weaknesses in four areas: checks on vendors' databases, access rights to the online banking system, invoicing and extra-budgetary accounts. The Central Office and the Schools are implementing an action plan for the correction of these weaknesses.

10. In recent years, five audits (four forensic and one financial/compliance) took place after allegations of suspected fraudulent activities. In four cases[10], the audits did not confirm these allegations, although other cases of non-compliance were identified; one case[11] is under judicial consideration.

Engagement, scope and approach

11. The Court's responsibility is to issue an annual report on the consolidated annual accounts[12].

12. It conducted its review in accordance with the International Standard on Review Engagements (2400). This standard requires that the review should be planned and performed so as to obtain limited assurance as to whether the accounts as a whole are free of material misstatement. A review is limited primarily to inquiries into European School personnel and the analytical procedures applied to financial data and thus provides less assurance than an audit. The Court did not audit the consolidated accounts, and, accordingly, it has not expressed an audit opinion on them.

13. The Court also reviewed the control systems and the individual accounts of the Central Office, and two of the fourteen European Schools (Luxembourg I and Frankfurt)[13]. In this context, it examined staff recruitment, procurement procedures, payments, accounts and the application of the Internal Control Standards.

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10 Paragraph 16 ((a), (b) and (e)) of the 2014 Annual Report and paragraph 5 of the 2013 Annual Report.

11 Paragraph 4 of the 2013 Annual Report.

12 As required by Articles 93 and 94 of the Financial Regulation.

13 The budget appropriations in 2015 were: Central Office – 11,39 million euro, Luxembourg I – 29,05 million euro, Frankfurt – 13,93 million euro (*Source:* Financial Controller of the Schools).

14. ***Annex*** shows the follow-up to recommendations made in the 2014 financial year (Luxembourg II and Mol Schools and the Central Office).

ACCOUNTING

15. The Schools applied (for the first time) the accruals accounting principles set out in IPSAS for the preparation of the 2015 accounts and introduced a new financial system[14]. At the time of the audit, the Schools visited could not produce a final version of the accounts due to technical reasons. Several versions of the accounts with different results were produced. These differences could not be explained.

16. The Schools did not prepare the consolidated accounts under IPSAS within the legal deadline (1st June 2016). So, the Court could not consider them when preparing its preliminary report. Three versions were prepared as a result of the identification of errors in the accounts. The final version of the 2015 accounts was adopted on 29 September 2016.

17. The review revealed the following problems:

(a) the conversion of accounts to IPSAS resulted in several significant errors and weaknesses which were corrected as a result of our review. Moreover, several other errors were found (e.g. 'Cash flow statement' – 400 000 euro and 'Statements of changes in net assets / equity' – 346 000 and 10 000 euro) which were corrected as a result of our review of the final accounts;

(b) several inconsistencies between figures in the budgetary reports and in the fixed assets table;

(c) 76 accounts were selected for confirmation: for 25 a reply was not received and for 5 (in the Frankfurt School) unexplained differences were found;

(d) the Central Office and the Frankfurt and Luxembourg I Schools have not performed a physical inventory as required by the Financial Regulation (Article 71). Moreover the follow-up of previous observations made to the Mol School showed that no physical

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[14] See paragraph 6.

inventory of its fixed assets has been performed and that no record of extra-budgetary accounts has been kept in the financial system.

INTERNAL CONTROL SYSTEMS

Recruitment

18. In two cases (Central Office and Luxembourg I School), there is no evidence that the recruited candidates met all the requirements of the vacancy notices. At the Central Office, several errors were detected concerning the supporting documentation for recruitment decisions.

19. In addition, several omissions were found in the personal staff files (e.g. no job descriptions, no compulsory performance evaluations and no consultation with the national inspector).

Procurement

20. In order to implement a poorly designed 'framework contract' for the purchase of the new accounting system[15], the Central Office launched nine negotiated procedures which did not meet the provisions of Articles 61 - 99 of the Implementing Rules of the Financial Regulation.

21. In the Central Office, in two other cases, several significant errors were found in the evaluation procedure, although they did not have an impact on the final ranking of the offers. These included the mixing of exclusion and award criteria, and selection and award criteria, no disclosure of award criteria weighting and an unclear evaluation report.

22. Several other weaknesses were found in procurement procedures organised by the Central Office, such as the absence of a standstill period, no award decision, the lack of basic elements in the signed contract, the booking of budgetary commitments after the signature of the contract and the absence of evidence for ex-ante checks.

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[15] Paragraph 28 of the 2013 Annual Report.

23. In the only procurement procedure organised by the Frankfurt School, the implementation of the contract started before it had been signed and the documentation for the evaluation was not complete. Other errors included irregularities in the appointment of the Opening and Evaluation Committee, the absence of a formal award decision, the failure to publish an award notice and no evidence of ex-ante checks.

Internal control standards (ICS) – Annual Activity Reports

24. The Internal Control Standards were adopted by the Board of Governors in October 2007[16]. The Central Office and the Luxembourg I and Frankfurt Schools have not carried out for the year 2015 a review of compliance with the ICS (as required by ICS no 18). Moreover the Central Office and the Luxembourg I School do not have a formalised risk management procedure as required by ICS no 7.

25. No guidance is available to the Authorising Officers for drafting the Declaration of Assurance and making reservations in their Annual Activity Reports. The Authorising Officer of the Luxembourg I School did not prepare an Annual Activity Report.

Payments

General

26. The Court's Annual Reports for the years 2012, 2013 and 2014 criticized the absence of an automatic link between the accounting and payment systems. The new accounting system, implemented in 2015, includes a technical solution for providing such a link. However, in the Frankfurt and Luxembourg I Schools, the link is not fully automatic and the data is transferred by two officials with modification rights, using a flash drive. According to the Financial Controller's annual report for the financial year 2015, this situation applies to all Schools outside Belgium.

27. For technical reasons, the payment system does not reject payments outside the accounting system. Such payments were found in all locations visited.

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[16] Ref.: 2007-D-29-en-2.

28. The principle of segregation of duties in the new accounting system is not guaranteed in the Central Office or in the Luxembourg I School. The system allows the Accountant and two other accounting clerks to perform the following actions on their own: create, modify and validate accounts, introduce and validate a payment order, send the payment to the payment system and execute the payment.

29. In the Frankfurt and Luxembourg I Schools, payments can be executed without the intervention of the Authorising Officer (contrary to the Memorandum[17] on payments sent to the Schools by the Secretary General). The bank authorisations provide that the Accounting Officer may execute payments together with another staff member. However in three transactions in the Frankfurt School, the payments were executed by two staff members not including either the Accounting Officer or the Authorising Officer.

30. The above-described weaknesses in the payment system represent a significant risk in terms of the legality and regularity of the payments executed.

Sample of payments

31. Several weaknesses were noted in a sample of payments audited at the Central Office and at the Luxembourg I and Frankfurt Schools:

(a) in October 2015, the Central Office established a procedure under which any change in a vendor's data needed to be verified ex-ante by a second authorised staff member. Before October 2015, such changes could be made without any ex-ante verification. A similar observation was made in 2012[18].

(b) changes to vendors' data in the payment system[19] are possible by one person without any further verification (Frankfurt School);

(c) budgetary commitments were made after signing the legal commitment;

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[17] 2013-10-M-1-en-1/KK.

[18] Paragraph 39 of the 2012 Annual Report.

(d) purchase orders and budget commitments were processed without the intervention of the Authorising Officer;

(e) payments were made for goods and services with an invalid contract or with no contract at all;

(f) payments were made late or without complete and accurate supporting evidence;

(g) insufficient checks were made before the validation of payments (price per unit, quantities, suppliers' bank account number, etc.).

CONCLUSION

Accounting

32. The limited assurance review performed by the Court did not reveal material errors in the final financial statements for 2015.

33. The observations about the internal control systems, the late production of the accounts, the nature and frequency of the errors described in paragraphs 15 to 17 represent significant weaknesses in the accounting procedures.

Internal control systems

34. Based on its review, given the effects of the significant and persistent weaknesses described in paragraphs 18 to 31, the Court is unable to confirm that the financial management has been performed in accordance with the General Framework.

RECOMMENDATIONS

35. The Board of Governors, together with the Central Office and the Schools, should take immediate action to implement the following recommendations:

Accounting

The Schools should provide in-depth training and effective support for all those involved in the preparation of the accounts, in order to ensure that they are capable of meeting the legal deadlines for issuing them. Moreover the weaknesses mentioned above should be analysed and the possible effects on the 2016 accounts should be mitigated.

Internal control systems

Recruitments

The Central Office and the Schools should improve recruitment procedures (documentation should ensure legality, transparency and equal treatment).

Procurement procedures

The Court reiterates its recommendation from previous years for the Central Office to provide more guidance to the Schools on planning and designing procurement procedures. The Central Office and the Schools should follow the Financial Regulation and its Implementing Rules strictly, simplify selection and award criteria and improve the documentation for the procedures, so that transparency and equal treatment are ensured.

Payments

The Central Office should ensure that the segregation of duties is respected in the payment procedure and that an effective link is implemented between the new accounting system and the payment system in each individual School. Moreover the ex-ante controls applied should strictly follow the requirements of the General Framework.

This Report was adopted by Chamber IV, headed by Mr Baudilio TOMÉ MUGURUZA, Member of the Court of Auditors, in Luxembourg at its meeting of 22 November 2016.

For the Court of Auditors

K-H Le

Klaus-Heiner LEHNE

President

Annex

Follow-up to the Court's recommendations in the Annual Report 2014

The following table provides information on follow-up to the Court's recommendations in the Annual Report 2014:

Court's recommendations (paragraph 46 of the Report on the accounts of the European Schools for the financial year 2014)	European Schools		Central Office	Comments
	Luxembourg II	Mol		
	Implemented Yes/No/NA/in progress	Implemented Yes/No/NA/in progress	Implemented Yes/No/NA/in progress	
Recommendations on accounting issues				
(i) The Central Office and the Schools should ensure effective application of accruals accounting and of all changes introduced by the revised Financial Regulation; and provide in-depth training for all those involved in the implementation of these changes.	In progress			Several structural changes were introduced (application of the revised FR, introduction of accruals accounting, operation of new financial and accounting system, new financial circuits). See paragraphs 5, 6, 7 and 15-17.
(ii) The Central Office and the Schools should ensure the accurate, efficient and effective operation of the new accounting / financial system.	In progress			The new accounting / financial system has been operational since 1st January 2015. Further developments are underway. See paragraphs 6 and 15 - 17.
(iii) The Schools should comply with the legal deadlines for transmitting the revenue and expenditure account and the Balance Sheet.	no	no	no	All Schools and the Central office approved their 2015 accounts after the legal deadline of 1 April 2016. See paragraphs 15 - 16.
(iv) The Central Office should check the completeness and accuracy of the data used to consolidate the Schools' accounts and fully document this process.	In progress			See paragraph 15 - 16.
(v) The Court reiterates paragraph 5 of its Opinion No 4/2014 as regards the need for an independent external audit of the Schools' accounts.	In progress			In the 2016 Budget, appropriations were approved for the external audit of a limited number of Schools.

Recommendations on staff issues		
(vi) The Court reiterates its recommendation to the Board of Governors to implement a rotation system for sensitive posts	In progress	A compulsory system of rotation was discussed at the Board of Governors meeting of April 2014, but no final agreement has been reached and a new proposal is under development.
(vii) The Central Office and the Schools should document recruitment procedures better so as to ensure transparency and equal treatment. Moreover, the legal requirement for performance evaluation of staff should be complied with by all Schools.	In progress	Progress has been made, but weaknesses are reported every year. See also paragraphs 18 and 19.
(viii) The Central Office should implement a Staff Regulation for the part-time teachers which would provide a solid legal framework for managing them.	Yes	The Board of Governors adopted in April 2016 the Service Regulations for Locally Recruited teachers in the European Schools which entered into force on 1 September 2016.
Recommendations on procurement issues		
(ix) The Central Office should provide more guidance to the Schools on planning and designing procurement procedures. The Central Office and the Schools should follow the Financial Regulation and its Implementing Rules strictly, simplify selection and award criteria and improve the documentation of the procedures so that transparency and equal treatment are ensured.	In progress	The 2015 audit found similar weaknesses to those found in previous years. A new procurement cell was created in 2015 at the Central Office. See also paragraphs 20 – 23.
Recommendations on internal control standards		
(x) The Central Office should be actively involved in the implementation of the Internal Control Standards and provide guidance to the Schools.	No	See paragraphs 24 - 25.
Recommendation on payments control system		
(xi) The Central Office should ensure that segregation of duties is respected in the payment procedure and that an effective link is implemented between the new accounting system and the payment system.	In progress	See paragraphs 26 -31.

Similar weaknesses have been repeatedly reported by the Court in recent years. Their frequency and persistency puts at risk the basic principles of sound financial management. The Central Office should implement procedures and controls that ensure compliance with the Financial Regulation and the Implementing Rules and, from a wider perspective, that respond to Opinion No 4/2014 of the Court as regards the financial control architecture.	In progress	

2016-10-D-38-EN-1

European Schools

Office of the Secretary-General

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 2015

Accounting

The European Schools have undergone a substantial effort to provide training and support for all schools regarding 2015 closure activities. The Central Office is aware that this effort needs to be continued regarding the 2016 closure and for this purpose specific training will be provided also during 2017.The objective is indeed to meet the deadlines as foreseen in the Financial Regulation.

Internal control systems

Recruitments

The improvement of recruitment procedures is a permanent process. New Guidelines dealing with the recruitment process and its requirements has been reviewed in the light of the Court of Auditors recommendations (document 2015-08-D-8-en-1). These new Guidelines are in place since autumn 2015.

Procurement procedures

As for the procurement procedures, the following measures have been taken:

Firstly, the Secretary General released on the 30th September 2016 a Memorandum on the procedures for the purchase of goods and services (Ref. No.: 2016-09-D-83-en-1) that contains practical guidance for the Schools about the implementation of the basic requirements for procurement procedures stated on the financial rules.

Secondly, the establishment of a procurement network has been launched, and this network is now being constituted in order to provide guidance and training and to ensure more coherent application of the procurement rules amongst the Schools.

Thirdly, a decision has been taken in the framework of the working group for the review of the Financial Regulation to propose to fully align with the EU procurement rules stemming from Regulation No 966/2012 and its Rules of Application (1268/2012). The full alignment and direct applicability will offer the Schools the possibility to use the Commission's Help Desk and the related services in interpreting and applying properly the relevant rules on tendering procedures.

Payments

The Memorandum explaining the principle of segregation of duties and providing instructions to the Schools and the Central Office was transmitted in July 2015 (document annexed to letter to the Directors 2015-07-LD-37/JEB/KK/hm). Accordingly, the creation and modification of bank related master data corresponding to regular vendors is currently performed by an initiator (not by the Accounting officer) and validated by the Authorizing officer, based on documentation from the bank. In turn, invoices leading to payment orders go through the process of initiation, verification and authorization before the payment is initiated by the Accounting Officer and the actual payment in the online banking software is done by the Accounting Officer, and the Authorizing officer (at any rate for payments above the threshold of 60.000 euro). Whereas there may have been situations where the segregation of duties was not fully respected prior to July 2015, appropriate measures to safeguard this principle have been taken as from that date.

As concerns the automatic link between the new accounting software SAP and the payment systems in the schools, it is being gradually set up since the beginning of 2015. At the moment, eight schools and the Central Office, covering 73 % of the total budget, have such an automatic payment system. For the remaining five schools a technical solution has been found and such a system should be in place before the end of this year.

Giancarlo MARCHEGGIANO
Secretary-general