



Ref.: **2020-02-D-35-en-4**
Orig.: EN



Annual Report of the Financial Controller for the year 2019

Approved by the Board of Governors of the European Schools by written procedure N° 2020/19, on 5 May 2020

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1. Introduction

According to Article 20 of the Financial Regulation of 24 October 2006, applicable to the Budget of the European Schools (Article in force until the end of the financial year 2019, in accordance with the Financial Regulation of 2017), *“The Financial Controller (...) shall make an annual report which shall be communicated to the Court of Auditors and to the Board of Governors”*.

It is presented to the Board of Governors this annual report related to the financial control activity, which covers the previous financial year 2019. The report describes the work done by the Financial Control Unit in accordance with the relevant provisions of the Financial Regulation, it provides data on the execution of the budget, it comments on the way in which the Schools exercised their responsibilities in the financial area, it refers to the main findings of the financial control made on the Schools' transactions, and it concludes with certain recommendations that should be taken into account by all stakeholders involved in the administration of European Schools Budgets.

2. The role of the Unit in 2019

Since the financial year 2017, the activity of the Unit has been shifting progressively from ex-ante to ex-post control, in accordance with the corresponding annual plans for ex-post control approved by the Board of Governors. As from the financial year 2020 the function of financial control is replaced by and integrated in the Internal Control Capability to support the function of the Authorising Officer of the European Schools system, which corresponds to the Secretary General.

The basic aim of the work done by the Financial Control Unit is to ensure that the budget is implemented in accordance with the rules decided by the Board of Governors and the principle of sound financial management laid down in article 2 of the Financial Regulation. Another second function of the Financial Controller, formally recognised by the Financial Regulation since 2007, is to make recommendations on best practice and to give advice on administrative and financial procedures. This second aspect is increasing in importance, and the unit has devoted appropriate attention to it, in particular with a view to compliance with the recommendations of the European Court of Auditors (ECA) and of the Internal Audit Service of the European Commission (IAS). In this context the Unit had been also the focal point in the cooperation with the Court of Auditors during its mission in the

Central Office and in the preparation of the corresponding replies to its report on the review of the accounts.

3. The activities of the IAS in 2019

In 2019, the Internal Audit Service performed a consulting engagement on Human Resources allocation and distribution of non-teaching tasks in the European Schools (Processes – Planning and Recruitment) based on the audit plan for the years 2019-2021. For the consulting engagement, the IAS visited the OSGES and the Schools of Laeken, Luxembourg II and Frankfurt. All Schools supported the engagement and gave their input. The aim of the consulting engagement was to provide the European Schools with advice on the appropriate staffing structure for non-teaching tasks and more precisely to provide the ES with advice on how to improve the human resource allocation and distribution on non-teaching tasks. At the end of December 2019, the European Schools received a draft report to which a formal feedback had been provided to the IAS. The final report was received end of January 2020. The IAS confirmed their support in explaining the results to key management staff.

In addition, the IAS performed a follow-up of outstanding recommendations that were classified as ready for review.

After verification of the implementation, the IAS has closed the following recommendations during the year 2019:

- Segregation of duties within SAP – critical
- Tasks on operational and financial initiation and/or verification – very important
- Standard labour contracts – very important
- Ex-ante and ex-post controls in the schools – very important
- Asset accounting – very important
- Functionalities of pupils' invoices – important.

With this, 14 (3 with the same action plan) recommendations remain open at the beginning of 2020. These have been taken into account in our plans for the year.

Two recommendations out of the outstanding ones are assessed with the priority 'critical':

- Roles and responsibilities of the parents' association in security: This was a common objective of all schools in 2019 and is followed-up closely with all schools-7 have come to an agreement;

- Outgoing payments: This was a common objective of the OSG and the Schools in 2019 and is implemented in huge parts.

In the second half of 2020, the IAS will perform an audit on Controls over the European Baccalaureate.

Efforts to promote Risk Management continued in 2019

Efforts towards a meaningful risk management process were continued throughout 2019. These included:

- Maintenance of a system risk register containing now the top 6 risks of the European School System; these were presented to the governing bodies in the bi-annual meetings;
- Discussion of the Schools' main risks among the Directors and update of the risk registers two times during the year (pedagogical risks for the Administrative Board meetings in September and October, administrative and financial risks for the Administrative Board meetings in January and February); presentation and discussion during meetings;
- Summary and revision of the Schools' risk registers at central level, feedback at Administrative Board meeting, presentation to governing bodies;

The aim to link the risk register with other important documents of the Schools (particularly the Annual School Plans and the Annual Activity Report) is more and more understood and achieved.

4. Progress towards a solid Internal Control System

Since 2016, the ES made continued efforts to improve the internal control system. The following table highlights the most important measures taken during the financial year 2019. They are structured in 6 building blocks that form the pillars of the Internal Control System.

Building block (area)	Measures taken
1. Mission and Values	- Implementation of a well-being at work policy at the OSG.

<p>2. Human Resources</p>	<ul style="list-style-type: none"> - Conclusion of an extended Service Level Agreement on training with the Commission; - Training on SAP system for new Authorizing Officers, Authorising Officers by delegation and verifiers of the schools; - Training for Accounting Officers, including an repetition of the IPSAS rules and end-of the year postings, main mistakes of the past; - 1 information and exchange meeting for the procurement network.
<p>3. Planning and risk management</p>	<ul style="list-style-type: none"> - Continued support on risk management by further development of top risk registers in the Schools and the OSG in the areas of pedagogy, administration and finance; - Agreement on a strategic multi-annual plan 2019-2021 with long-term objectives in pedagogy, administration and finance and for the system of the European Schools; - Definition of common objectives for the Schools in pedagogy for school year 2019-2020 and in administration and finance for the financial year 2020; - Follow-up of the implementation of the common objectives 2017-2019 in Administrative Board meetings.
<p>4. Operation and control activities</p>	<ul style="list-style-type: none"> - Issuance of the Charter of tasks, rights and obligations of the Authorising Officer of the European Schools, of the Authorising Officers by delegation and of the Authorising Officers by subdelegation (art. 31.4 Financial Regulation 2017); - Implementation of mandatory checklists for the posting of salaries and procurement procedures; - Gradual take-over of the approval of payments in the SAP system (system of thresholds); - Gradual take-over of the approval of payments in the online banking system of the Schools in Belgium, Varese and Alicante; - Further improvements to increase the security in SAP workflows (mainly in the flows of asset

	<p>scrapping, salary postings, advance payments, reversal notification);</p> <ul style="list-style-type: none"> - Revision of the template for segregation of duties to reflect the new governance model with a Central Accounting Officer and an Authorizing Officer of the European Schools; - Continued revision and approval of the tables of segregation of duties prepared by the Schools and the OSG; - Limited ex-ante control re-established in December 2019 based on the available resources at the Unit.
5. Information and Financial reporting	<ul style="list-style-type: none"> - Sign-off of the individual accounts 2018 of the Schools and the OSG by the Central Accounting Officer; - Sign-off of the consolidated accounts of the European Schools 2018 by the Central Accounting Officer (art. 73FR); - Preparation of an Annual Activity Report 2018 of the European School system (art. 103.6 FR) and presentation to the Board of Governors;
6. Audit and compliance with Internal control standards	<ul style="list-style-type: none"> - Audit of the closure of accounts 2018 of 7 Schools (Alicante, Brussels I, Brussels II, Brussels III, Brussels IV, Karlsruhe and Munich) by the external auditor Deloitte; - IAS consulting engagement on Human Resources allocation and distribution of non-teaching tasks in the European Schools; - Follow-up of outstanding audit recommendations classified as ready for review.

(Information provided by the Internal Control Coordinator of the Central Office)



5. Centralized Financial Governance

The main objective of this change, in the Financial Regulation which came into force in January 2018, was the reinforcement of the sound financial management for the whole European Schools system via a reinforced accountability at central level (functions of central Authorising Officer and Central Accounting officer on Section I of Title III “Financial Actors”, Articles 27-37), without minoring the existing responsibilities at the local level of the Schools and of the OSG. More concretely:

-Centralization of the function of the Authorising Officer for the European Schools system as from 1 January 2020 on the person of the Secretary-General, who would then appoint authorising officers by delegation on each School and in the OSG (Directors of the Schools, who could also sub delegate on the Deputy Directors of Primary, Secondary, or Finance and Administration).

The Authorising Officer of the European Schools shall prepare a Global Annual Activity Report for the whole ES system, with the corresponding declaration of assurance, as from the financial year 2020. What is more, in accordance with Article 103 paragraph 6 and 7 the Secretary-General shall present during the transitional period from 01/01/2018 until 31/12/2019 an Annual Activity Report to the Board of Governors in April 2019 and April 2020 on the overall management of the European Schools system. Moreover, by mid- July 2019 the Secretary-General has also reported on the budgetary statements on the consumption of appropriations, utilisation rates and the projection of the consumption till the end of the respective year and on the main findings resulting from ex-post controls and the internal control systems.

During the transitional period until 31 December 2019, the existing functions/responsibilities for the Directors of the Schools as Authorising Officers remained applicable (articles in FR 2006 that were transitionally in force until the end of 2019, in accordance with art. 102 of the new Financial Regulation). In particular art. 19 of the former FR 2006 remained applicable.

Also during the transitional period until 31 December 2019, the functions/responsibilities for the financial controller remained applicable (in this sense the Art. 20 of the FR 2006 was also transitionally in force until the end of 2019, in accordance with art. 102 of the new Financial Regulation). As from 2020, the



Financial controller function is replaced by and integrated –together with the existing Internal Control Coordination function- in an Internal Control Capability depending on the Authorising Officer of the European Schools (Secretary General), in order to support his/her new responsibilities.

-Centralization of the function of the Accounting Officer for the European Schools, progressively as from January 2018 in accordance with a calendar with different phases/milestones approved by the BoG (the latest status of this centralization was presented in the BoG at its last meeting in December 2019). This position, corresponds to the appointment by the BoG in order to reinforce her/his independence.

The central Accounting Officer had signed off the consolidated accounts of the ES system for the financial year 2018 thereby certified that the consolidated accounts give a fair and true view of the financial situation and performance of the system on the corresponding period. He had also signed off the individual accounts of the Schools and of the OSG.

This function of the Central Accounting Officer is supported by the Accounting Correspondents at the level of the schools and of the OSG, in line with the model currently in place for the European Commission. The accounting correspondents do not sign off the accounts but they carry out their work from the functional point of view in accordance with the accounting standards and procedures issued by the Accounting Officer, while being hierarchically subordinated to the corresponding authorising officer by delegation (Article 35 paragraph 9). In accordance with paragraph 10 of the Article 35 the Charter of tasks and responsibilities of the central accounting officer, of his/her assistants at the OSGES and of the local accounting officers “Correspondents” was approved by the Board of Governors at its meeting in December 2018 (Document Ref.: 2018-10-D-67-en-3).

The post of the Accounting Officer of the European Schools was fulfilled as of 1st October 2018 and the full team has been fulfilled and operative since September 2019.

The Steering Group that was created since December 2017 followed up the implementation of the centralized model of financial governance and regularly reported about the concrete state of play of the implementation of the project to the Budgetary Committee and the Board of Governors. The project related to SAP

configuration/development (authorizations, workflows) was concluded in December 2019.

Revision of Financial Regulation

In accordance with Article 99 of the Financial Regulation, it is expected that every three years, or whenever this proves necessary, it shall be the subject of a review by the Office of the Secretary-General, which shall report on the matter to the Board of Governors. This review has started in October 2019 and is ongoing at the time of writing of this report. The main issues that are being dealt with are the following:

- Adaptation of article 66 (procurement) in order to update the reference according to the relevant Regulation of the EU and elimination of the transitory provision ending 31.12.2019 (point 3);
- Adaptation of Article 19 in order to provide a clearer definition of extra-budgetary activity and its corresponding approval process;
- Possibility of the use of the EDES (Early Detection and Exclusion System) of the European Commission by the European Schools to reinforce protection of EU funds;
- Analysis of the question/remark raised by DG Budget in the framework of the drafting of the Charter of Tasks and Responsibilities for the Accounting Officer function (issue of the timing of the approval of the Administration Boards for the accounts of the Schools);
- Analysis of the possible further development under the FR of the regime applicable to the Accounting Officer/Correspondents.
- An overall review of the additional needed modifications for the purpose of alignment with the relevant rules of the new FR of the EU 2018.
- Elimination of certain transitional and “entry into force” provisions (articles 102 and 103) which are no longer relevant.

6. The work done by the Financial Control Unit

During the financial year 2019, until mid-June when one of the posts of the assistants in the Unit was permanent fulfilled, only one permanent post out of the five posts foreseen in the Organigram of the Financial Control Unit: Financial Controller, Deputy Financial Controller and three post of assistants, was fulfilled. The post of Assistant Financial Controller was fulfilled officially as from 1 October 2018 when the post of Financial Controller became vacant. As of 1st September 2018, one of the positions of assistants had been temporary fulfilled until mid-May, in order to support the Unit

in the context of the existing vacancies. According to the available information at the time of writing this report, the post of previously Financial Controller and Assistant Financial Controller (currently head of Unit Internal Control Capability and Assistant to the Head of Unit) have been published to the Heads of Delegations for secondment. Moreover, at the time of writing this report the process of the recruitment of the two posts of assistants in the Unit (one approved as from 2018 and one as of 2019) is ongoing.

In 2019, the role of the Financial Control Unit was focused on the validation of the internal control procedures put in place by the Authorising Officers to state an appropriate segregation of duties of initiation and verification of operations, in accordance with Article 19.6 of the Financial Regulation of 2006 (transitionally in force until the end of December 2019). What is more, any change on the segregation of duties structure in the course of the year has to be first submitted in the Financial Control Unit for analysis along with the required supporting documentation (Acts of delegation, signed copy of the code of professional standards for any changes to the vericator function, appointments of accounting officers) and subsequently if the structure is compliant it is communicated to the SAP Team for the relevant configuration. This task is to be kept in the Unit under its new control function within Internal Control Capability. Other tasks included the monitoring of the developments in SAP accounting software, according to the rules and procedures resulting from the new Financial Regulation; providing advice on financial and administrative procedures; developing the Memorandum on the commitments of expenditure with the Internal Control Coordinator that was released by the Secretary-General beginning of 2020 (Ref. 2020-01-M-2-en-1), receipt and analysis of exceptions registered throughout the year.

All Schools, comply with the proposed model of segregation of duties as described in the corresponding Memorandum (Model I, Deputy Director for Finance and Administration exercising the role of vericator) showing an important progress compared to previous exceptions in these models that were present before it came into force. Certain exceptions concerning specific transactions still occur but in limited cases, which are inscribed in the register of exceptions of the Schools concerned (Bergen, Luxembourg I, Munich and Varese).

6.1 Ex-ante financial control

As mentioned above, the ex-ante financial control activity of the Unit has been progressively reduced since 2017. In accordance with Article 20.3 of the Financial Regulation of 2006 (transitionally in force until end of December 2019) *“In exceptional circumstances, in accordance with the implementing rules (.....), the approval of the financial controller may be required, as an ex-ante financial control, for the commitment and authorisation of expenditure and for the establishment and collection of revenue. An ex-ante centralised financial control shall only apply for duly justified reasons on proposal of the financial controller and shall be subject to the prior consent of the Secretary-General...”*. Following a proposal to and the consent of the Secretary General and considering the limited resources in the Unit, on the basis of a qualitative and quantitative risk criteria, (mainly amount of the transactions involved and risks identified in practise by the exercise of the financial control activity –in particular, concerning exceptions in the Segregation of Duties structure at financial circuits), the control was established for the period **9/12** (at 13:00h) to **17/12** (at 15:00h) for the posting of salaries and FI invoices (not connected to POs) above 15.000 euros. This means, in practice, that below the mentioned thresholds for the invoices, the transactions did not reach the inbox of financial control for processing, and the workflow was therefore completed by the Authorising Officer, at the School level. For the posting of salaries, there was no threshold set, therefore, any transaction of this kind was entering in the inbox of Financial Control, regardless of the amount.

The following Schools were selected for the re-establishment of the ex-ante financial control:

- ES Bergen Posting of salaries.
- ES Munich Posting of salaries and FI invoicesFB60 (above 15.000eur)
- ES Mol Posting of salaries and FI invoices-FB60 (above 15.000eur)

Particularities to be commented in relation to the above-mentioned generic thresholds would be:

- for the cases of the Schools of Bergen and Munich there were present exceptions in the Segregation of Duties structure, more precisely:

In the School of Bergen, the temporary Deputy Director for Finance and Administration was acting as accounting correspondent. The limited accounting team was also an issue pointed out by the Court of Auditors in its latest report;

In the School of Munich frequent absences of the accounting correspondent resulted in having different staff members undertaking the role, without the necessary appointment by the Administrative Board. In addition, the provisional report of the external auditors Deloitte has evaluated as high the risk in the area of internal controls concerning the payable amounts for the reimbursement of the national salaries.

In the School of Mol since September 2019 the post of the Deputy Director for Finance and Administration has been vacant (current temporary fulfilment).

Moreover, both Schools of Munich and Mol had presented the highest refusal percentage (in terms of value) in the exercise of the last ex-ante financial control activity during financial year 2018 (see annual report of the Financial Controller for the year 2018):

As per the total amount of the transactions checked ex-ante by the Unit, related to expenditure (salary postings and invoices), taking into account the abovementioned parameters, amounted to **1%** of the total expenditure budget of the European Schools (total expenditure of **314.960.907** euros in 2019 –data based on closing reports in SAP on 3rd of April and subject to adjustments).

The Table below provides detailed information about the transactions that were subject to the ex-ante financial control

Table 1 : Ex-ante Financial control December 2019

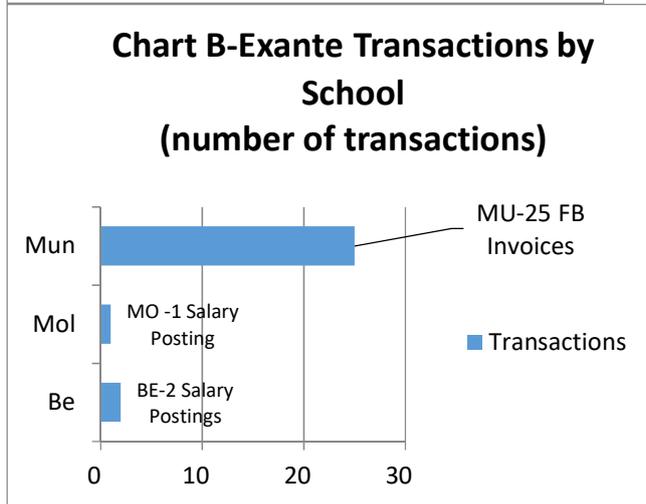
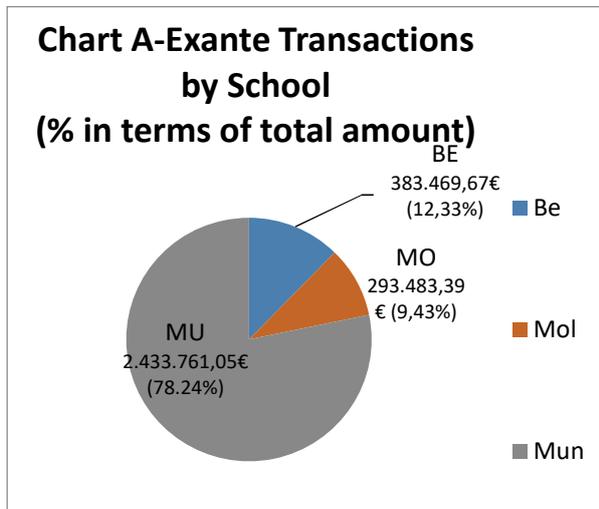
School	Transaction N°	Budget Line/Account Subject	Amount €	Type of Transactions	Refused
BE	9530000000 (Salary Posting)	40010000 Staff-Debtors/credit ; 40010500 Staff - Salaries – n ; 40012000 Tax deductions emplo ; 40015100 Non-seconded staffs ; 40210400 Suspense account for ; 60110201 Part-time/Locally re ; 60110202 Replacements ; 60110203 Special courses ; 60110204 Soc. sec. charges-Au ; 60110205 Weighting- Part-time ; 60110401 Salaries for Educati ; 60110402 Actions for children ; 60110403 Soc. sec. charges-Ed ; 60110404 Coefficient correcte ; 71880000 EB-Revenue miscellan	291.911,13	Salary - LRT	NO

BE	9540000000 (Salary Posting)	40010500 Staff - Salaries – n ; 40012000 Tax deductions emplo ; 40014000 Social Security inst ; 40015100 Non-seconded staff's ; 40210400 Suspense account for ; 60110301Salaries-Admin. Staf ; 60110303 Salaries-Ancillary S ; 60110304 Salaries-Auxiliary A ; 60110305 Soc. sec. charges/ot ; 60110306 Soc. sec. charges/ o ; 60110307 Soc. sec. charges/ o ; 60110402 Actions for children ; 60110403 Soc. sec. charges-Ed ; 60110404 Coefficient correcte ; 60120406 Tel., Fax, Postal/De ; 71880000 EB-Revenue miscellan	91.558,54	Salary - AAS	NO
MU	1500000097	3000006538 Europäische Schule München ; 70320200 Miscellaneous revenue	23.750,00	Lockers revenue	YES
MU	1900001834 (FI Invoice)	1000006781; 60110115 Severance Grant ; 40010000 Staff - Salaries - Debtors (paid in advance)	37.506,49	Departure allowance for seconded staff	NO
MU	1900001836 (FI Invoice)	1000007145; 60110115 Severance Grant ; 40010000 Staff - Salaries - Debtors (paid in advance)	53.438,22	Departure allowance for seconded staff	NO
MU	1900001837 (FI Invoice)	40010000 Staff - Salaries - Debtors (paid in advance) ; 1000007145	19.973,44	Tax retain on departure allowance for seconded staff	NO
MU	1900001841 (FI Invoice)	60110115 Severance Grant; 1000006826; 40010000 Staff - Salaries - Debtors (paid in advance)	48.704,22	Departure allowance for seconded staff	NO
MU	1900001844 (FI Invoice)	1000007031; 60110115 Severance Grant ; 40010000 Staff - Salaries - Debtors (paid in advance)	88.324,83	Departure allowance for seconded staff	NO
MU	1900001846 (FI Invoice)	1000006977; 60110115 Severance Grant ; 40010000 Staff - Salaries - Debtors (paid in advance)	24.750,80	Departure allowance for seconded staff	NO

MU	1900001849 (FI Invoice)	1000006929; 60110115 Severance Grant ; 40010000 Staff - Salaries - Debtors (paid in advance)	6.000 (total 68.888,25)	Tax retain on departure allowance for seconded staff	YES
MU	1900001851 (FI Invoice)	1000006953; 60110115 Severance Grant ; 40010000 Staff - Salaries - Debtors (paid in advance)	6.000 (total 39.918,33)	Tax retain on departure allowance for seconded staff	YES
MU	1900001857 (FI Invoice)	40012000 Tax deductions employees; 3000006545 Finanzamt Munchen	181.676,80	Salary Witholding Tax payable for Dec 2019	NO
MU	1900001858 (FI Invoice)	40014000 Social Secutiy inst; 3000006192 AOK Muenchen	105.957,23	Social Security payable for Dec 2019	NO
MU	1900001859 (FI Invoice)	40014000 Social Secutiy inst ;3000006197 Technische Krankenkasse	78.724,97	Social Security payable for Dec 2019	NO
MU	1900001860 (FI Invoice)	40014000 Social Secutiy inst ;3000006194 Barmer Ersatzkasse	30.889,54	Social Security payable for Dec 2019	NO
MU	1900001900 (FI Invoice)	1000006965; 60110115 Severance grant - Sec. Staff ; 40010000 Staff - Salaries - Debtors (paid in advance)	26.743,77	Departure allowance for seconded staff	NO
MU	1900001914 (FI Invoice)	1000007106; 60110115 Severance grant - Sec. Staff ; 40010000 Staff - Salaries - Debtors (paid in advance)	54.483,30	Departure allowance for seconded staff	NO
MU	1900001916 (FI Invoice)	40010000 Staff - Salaries - Debtors (paid in advance) ;1000006879; 60110115 Serverance grant	25.000 (total 51.586,92)	Departure allowance for seconded staff	YES

MU	1900001917 (FI Invoice)	40010000 Staff - Salaries - Debtors (paid in advance) ;1000006879	25.000,00	Tax retain on departure allowance for seconded staff	YES
MU	1900001920 (FI Invoice)	1000006967; 60110115 Severance Grant ; 40010000 Staff - Salaries - Debtors (paid in advance)	96.361,20	Departure allowance for seconded staff	NO
MU	1900001921 (FI Invoice)	1000006967; 40010000 Staff - Salaries - Debtors (paid in advance)	21.862,71	Tax retain on departure allowance for seconded staff	NO
MU	1900001922 (FI Invoice)	40010000 Staff - Salaries - Debtors (paid in advance) ;1000006894; 60110115 Severance grant	118.524,76	Departure allowance for seconded staff	NO
MU	1900001924 (FI Invoice)	40010000 Staff - Salaries - Debtors (paid in advance) ;1000006723; 60110115 Severance grant	7.500 (total 44.739,03)	Tax retain on departure allowance for seconded staff	YES
MU	1900001938 (FI Invoice)	3000003301 DWP DEPARTMENT FOR EDUCATION ; 40040110 National salaries to be refunded - GREAT BRITAIN ; 60110111 Soc. sec. deduction from nat. sal. Teaching Staff	29.623,08	National Salary refund to UK for seconded staff - Nov 2019	NO
MU	1900001952 (FI Invoice)	3000003236 BUNDESVERW.AMT AUSL.SCHULWESEN; 40040100 National salaries to be refunded - GERMANY ; 60110111 Soc. sec. deduction from nat. sal. Teaching Staff ; 40040100 National salaries to be refunded - GERMANY	351.200,28	National Salary refund to DE for seconded staff - 11/10-6/12/2018	YES
MU	1900001953 (FI Invoice)	3000003236 BUNDESVERW.AMT AUSL.SCHULWESEN; 40040100 National salaries to be refunded - GERMANY ; 60110111 Soc. sec. deduction from nat. sal. Teaching Staff ; 40040100 National salaries to be refunded - GERMANY	170.000 (total 792.688,82)	National Salary refund to DE for seconded staff - 29/1-21/2/2019	YES

MU	1900001954 (FI Invoice)	3000003240 CAISSE DE MALADIE ; 40013000 European Communities' Sickness Insurance Fund ; 40010000 Staff - Salaries - Debtors (paid in advance) ; 60110109 Sickness Fund - Sec. Staff	18.444,06	Sickness Fund for Dec 2019	NO
MO	9520000011 (Salary Posting)	40010000 Staff-Debtors/credit ; 40010500 Staff - Salaries – n ; 40012000 Tax deductions employees ; 40013000 European Communities ; 40014000 Social Security inst ; 40015100 Non-seconded staff's ; 40019000 Holiday pay (deducti ; 40057005 Withholding LocStaff ; 60110201 Part-time/Locally re ; 60110202 Replacements ; 60110203 Special courses ; 60110301Salaries-Admin. Staf ; 60110302 Replacements-Admin. ; 60110303 Salaries-Ancillary S ; 60110304 Salaries-Auxiliary A ; 60110305 Soc. sec. charges/ot ; 60110306 Soc. sec. charges/ o ; 60110307 Soc. sec. charges/ o ; 60110401 Salaries for Educ.	293.483,39	Salary - LRT and AAS	NO
TOTAL :			3.110.714		



6.2 Refusals

Concerning the transactions refused, the table 2 below shows an overview of the recorded refusals given during the limited ex-ante financial control (point 6.1 above) The information presented in this table include:

- the types of the transactions refused;
- the connected Budget Lines or General Ledger accounts;
- the total amount of the transaction indicating as well the specific amount, where is the case, connected to the reason of the refusal;
- a short description of the subject,
- the reason of the refusal, accompanied by an explanation and finally
- the follow-up of the mentioned refusals (acceptance or overrule by the Authorising Officer) more precisely the acceptance of the refusal of Financial Control, the possibility to overrule it or the inscription in the register of exceptions. It has to be noted that in line with Articles 27, 36 and 45 of FR2006 (transitionally in force until end of December 2019) in case the Authorising Officer maintains his/her proposal he/she shall refer to the Administrative Board of the School, and the Secretary-General with regard to the Office of the Secretary-General, which may, by a decision stating the full reasons therefor and on their sole responsibility, overrule the refusal. In case this procedure is not followed, then an inscription in the register of exceptions should be made.

It has to be noted that, as mentioned also above, this information is not derived from the system via a specific report since the automatic production of such a document is not available in the current configuration of SAP. Nevertheless, this information about transactions refused is produced based on records that were kept meticulously outside the system by the Financial Control Unit.

The refusals given at the level of Financial Control are categorized into the following groups:

- a) Use of incorrect G/L account;
- b) Incompliance with Memorandum (retain amount on departure allowance);
- c) incompliance with the budgetary principle of annuality stated in article 12 of the Financial Regulation 2017.

Table 2 Refused transactions 2019

Entity	Type of transaction and refusal date	Budget Line/Account/Subject	Amount (€)	Subject/Title	Comments / Reason for refusal	Type	Follow-up (overrule, acceptance, inscription in the register of exceptions)
<u>MU10</u>	FI posting N° 1500000 097	3000006538 Europäische Schule München ; 70320200 Miscellaneous revenue	23.750, 00	Lockers revenue (extra budgetary)	extra budgetary activity booked under budgetary account (see email of Financial Control of 16 December 2019)	a	Overrule of refusal and inscription in the register of exceptions

<u>MU10</u>	FI posting N° 1900001 849 (vendor invoice)	1000006929; 60110115 Severance Grant ; 40010000 Staff - Salaries - Debtors (paid in advance)	6.000 (total 68888.2 5)	Retain amount on departure allowance for seconded staff	a retained amount decided by the School is different than the one calculated under the form previewed by the correspon ding Memo in place (2014-12- M-1 <i>Memorandum on harmonisation of the arrangements for deductions on the departure of a member of the seconded staff on account of a differential adjustment to be received</i>)	b	Overrule of refusal and inscription in the register of exceptions
<u>MU10</u>	FI posting N° 1900001 851 (vendor invoice)	1000006953; 60110115 Severance Grant ; 40010000 Staff - Salaries - Debtors (paid in advance)	6.000 (total 39918.3 3)	Retain amount on departure allowance for seconded staff	a retained amount decided by the School is different than the calculated one under the form previewed by the correspon ding	b	Overrule of refusal and inscription in the register of exceptions

					Memo in place		
<u>MU10</u>	FI posting N° 1900001916 (vendor invoice)	40010000 Staff - Salaries - Debtors (paid in advance) ;1000006879 Drs; 60110115 Serverance grant	25.000 (total 51586.92)	Retain amount on departure allowance for seconded staff	a retained amount decided by the School is different than the calculated one under the form previewed by the corresponding Memo in place (See together with 1900001917)	b	Overrule of refusal and inscription in the register of exceptions
<u>MU10</u>	FI posting N° 1900001917 (vendor invoice)	40010000 Staff - Salaries - Debtors (paid in advance) ;1000006879	25.000,00	Retain amount on departure allowance for seconded staff	a retained amount decided by the School is different than the calculated one under the form previewed by the corresponding Memo in place (See together with 1900001916)	b	Overrule of refusal and inscription in the register of exceptions
<u>MU10</u>	FI posting N° 1900001924	40010000 Staff - Salaries - Debtors (paid in advance) ;1000006723 ; 60110115 Serverance grant	7.500 (total 44739.03)	Retain amount on departure allowance for	a retained amount decided by the School is different than the calculated one under	b	Overrule of refusal and inscription in the register of

	(vendor invoice)			seconded staff	the form previewed by the corresponding Memo in place		exceptions
<u>MU10</u>	FI posting N° 1900001952 (vendor invoice)	3000003236 BUNDESVERW. AMT AUSL.SCHULW ESEN; 40040100 National salaries to be refunded - GERMANY ; 60110111 Soc. sec. deduction from nat. sal. Teaching Staff ; 40040100 National salaries to be refunded - GERMANY	351.200,28	National Salary refund to DE for seconded staff - 11/10-6/12/2018	this case refers to the period 11/10-6/12/2018, on the basis of Article 12 of the Financial Regulation “ The appropriations authorized for a financial year shall be used solely to cover expenditure properly entered into and paid in the financial year for which they were granted	c	Overrule of refusal and inscription in the register of exceptions
<u>MU10</u>	FI posting N° 1900001953 (vendor invoice)	3000003236 BUNDESVERW. AMT AUSL.SCHULW ESEN; 40040100 National salaries to be refunded - GERMANY ; 60110111 Soc. sec. deduction from nat. sal. Teaching Staff ; 40040100 National salaries	170.000 (total 792688.82)	National Salary refund to DE for seconded staff - 29/1-21/2/2019	the wrong use of account “40010000” for the booking of the 2 prepayments of 85.000	a	Refusal accepted

		to be refunded - GERMANY					
Total MU10			€ 614.450,28				

The following charts present the total volume of the refusals per type of category group -in euros and in percentages of the grand total- concerning the School Munich. The highest part of the refusals given 57,16 % represent the ones connected to incompliance with the budgetary principle of annuality stated in art. 12 of the Financial Regulation followed by refusals connected to the incorrectness in the use of G/L account (31,53 %). The remaining 11,31 % concerns incompliance with the Memorandum on the calculation of the retained amount on departure allowance.

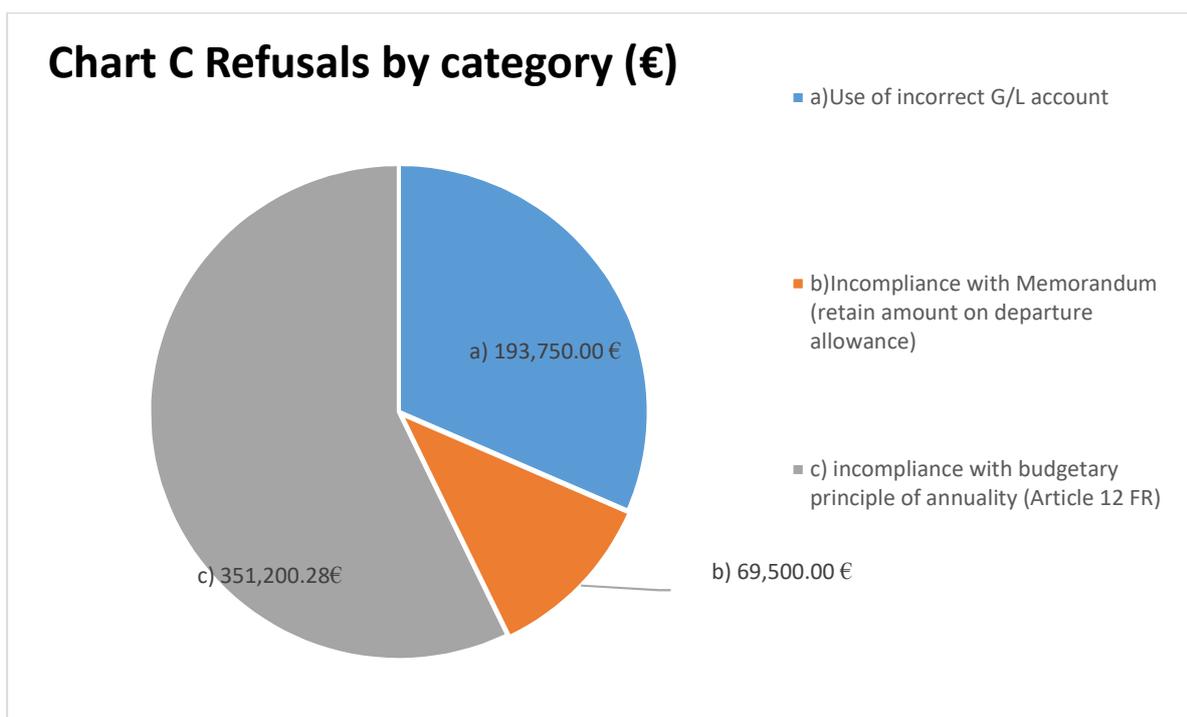
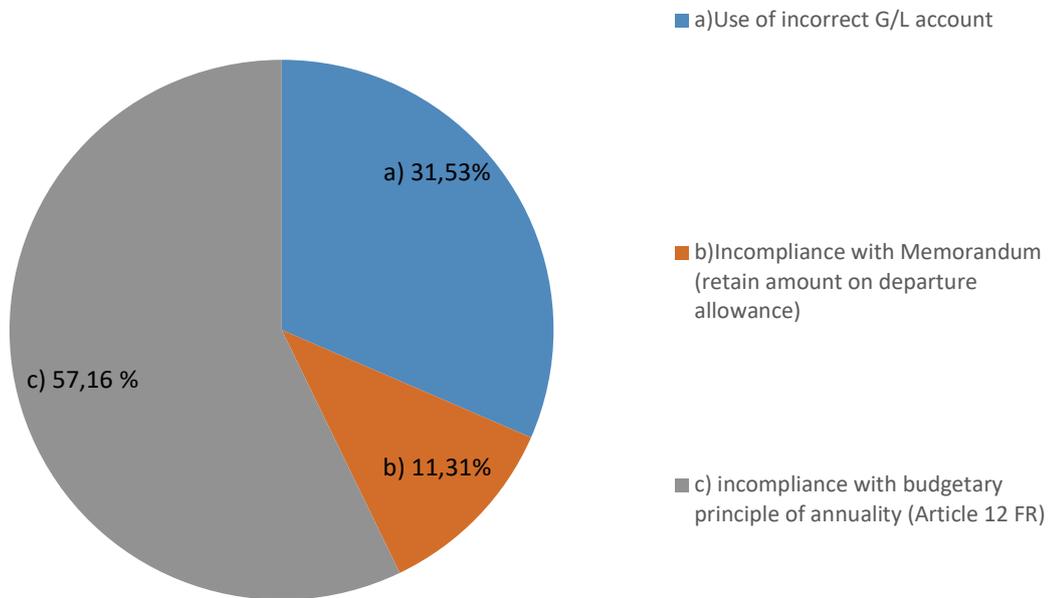
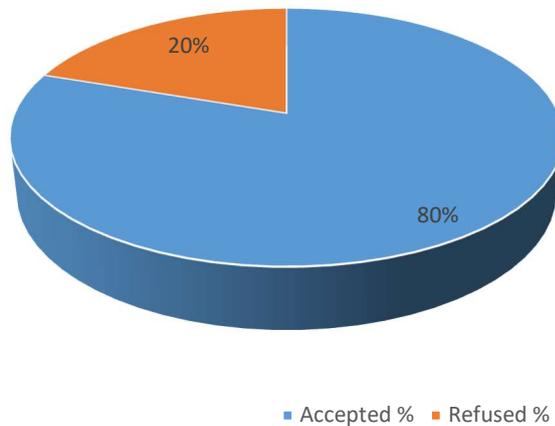


Chart D Refusals by category (%)



The chart below depicts the refused transactions as part of the transactions checked ex-ante.

Chart E % in € of refused out of the total transactions checked ex ante



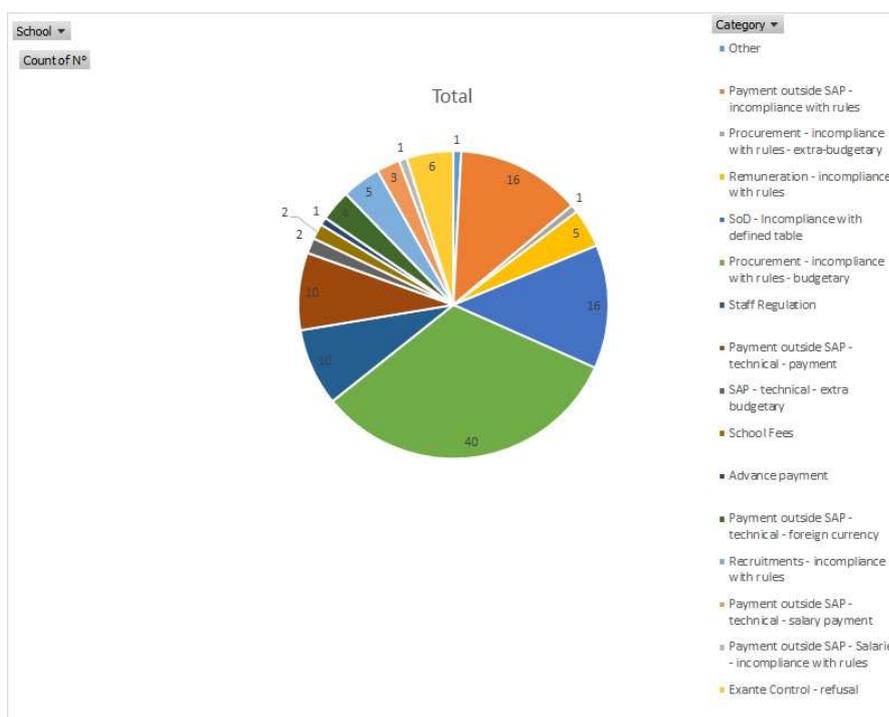
6.3 Exceptions

During 2019 an analysis of the exceptions registered during 2018 financial year for the whole ES system, was performed. The results of this analysis were presented in the meetings with the Directors and the Deputy Directors for Finance and Administration in May and disseminated via a document (Ref.: 2019-06-D-13 “Guidance on treatment of exceptions Cases study for the year 2018”) for an appropriate follow up and information for the next financial year. The intention was to report on the main categories that were present (payments effected outside SAP and procurement procedures) and to draw the attention to the stakeholders of possible exceptions that might had not been reported. At the same time, it was highlighted that certain incidents should had been absolutely avoided (for ex. non registration of a master data Vendor in SAP but nevertheless proceeding to their payment outside SAP) and that certain ones were not applicable (were not regarded as exceptions).

The corresponding analysis of the year 2019 shows that the area of procurement procedures concentrates the highest number of exceptions (40) amongst the different categories, followed by the areas of incompliances in the segregation of duties and payments outside the banking software (16 cases in both categories).

In relation to the recorded exceptions in 2018 financial year (174) it is noticed a reduction of approximately 30% compared to the ones in 2019 (123).

Chart F - Register of Exceptions by Categories



6.4 Trainings

The Unit participated in the preparation and delivery of the training in cooperation with the SAP Team of the Central Office, that took place on 16th October 2019 and concerned the roles of the Authorising Officers destined to the Directors, Deputy Directors of the Schools, and the Verificators. This training had the intention to repeat the roles of the corresponding actors in SAP for the existing users, giving also the opportunity to the new staff that entered the service to receive a complete training that is translated system wise, meaning what transactions are validated by them and more precisely which elements are to be checked per each transaction. Moreover, a part of the training was dedicated to the process of introducing the details of setting up the delegations in the system, transactions to be selected, thresholds to be applied and time period validity.

Concerning the role of Verificator in SAP there were presented all the elements to be checked in the transactions which require their approval: Pre-commitments, Contracts, Purchase Orders, Invoices, Posting of salaries.

6.5 Ex-post financial control

The limited resources in the Unit did not allow for a performance of an ex-post control during 2019 according to the plan that was approved by the Board of Governors in December 2018.

Nevertheless, **ex-post checks** were performed in SAP to verify the correct functioning and implementation of the segregation of duties in the system (hereafter mention in short "SOD").

A sample based ex-post control was designed, to check across all the schools including OSG for the whole year of 2019, for different transaction types in SAP that are the most frequently used. The result of this ex-post control aims at confirming the actual implementation of SOD system-wise.

- A. The transaction types that were selected to have a detailed analysis concern:
- Purchasing contracts in SAP
 - Purchase Orders

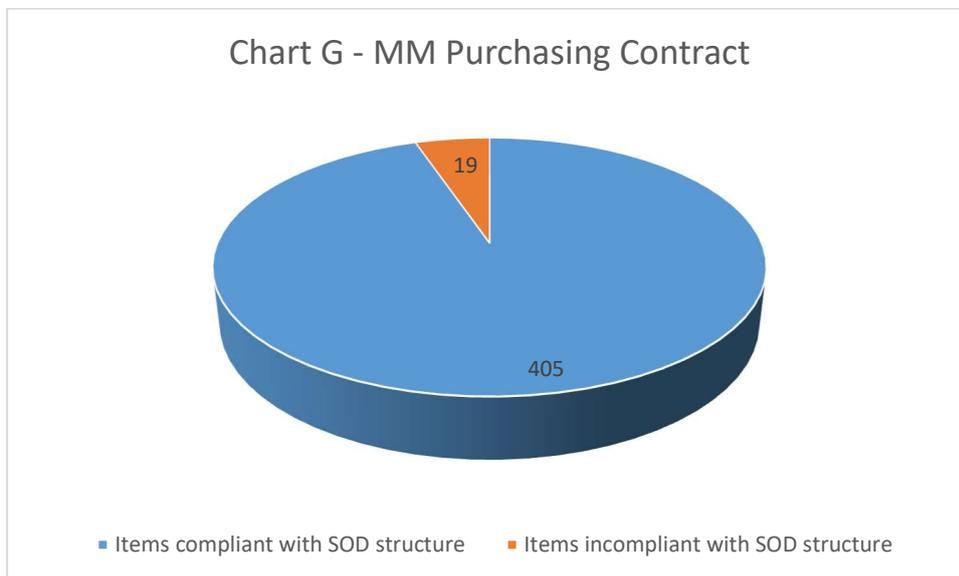
- Goods Receipt (MIGO)
- MIRO invoices

In the following part, a detailed presentation of the findings per transaction types is provided:

- Purchasing contract in SAP

For purchase contracts in SAP, in total 424 transactions were checked across all the schools and OSG, composing approximately **85%** out of the total number of the purchasing contracts in a year, out of which 19 transactions were detected to have incompliances according to SOD structure.

Purchase Contract	AL	BC	BE	FF	IX	KA	LA	LU	MA	MO	MU	UC	VA	WO	Total
Items compliant with SOD structure	51	16	16	0	13	6	22	4	12	6	32	23	185	19	405
Items non-compliant with SOD structure	0	0	0	2	0	0	11	0	0	0	0	6	0	0	19
Total	51	16	16	2	13	6	33	4	12	6	32	29	185	19	424



The findings related to the incompliances are listed below:

School	Period	Type	Transaction	Remarks	Amount €
FF10	Feb-19	MM Contract	4600001747	Initiator is absent from the SOD	57.038,00
FF10	Nov-19	MM Contract	4600001212	Initiator is absent from the SOD	13.770,00
UC10	Jan-19	MM Contract	4600001682	Simplified Model adopted, however, act of delegation did not include contract	30.000,00
UC10	Jan-19	MM Contract	4600001689	Simplified Model adopted, however, act of delegation did not include contract	60.000,00
LA10	May-19	MM Contract	4600001802	Initiator is absent from the SOD	3.735,00
LA10	Jun-19	MM Contract	4600001823	Initiator is absent from the SOD	8.122,55
LA10	Jun-19	MM Contract	4600001819	Initiator is absent from the SOD	2.693,00

LA10	Jun-19	MM Contract	4600001818	Initiator is absent from the SOD	3.995,00
LA10	Jun-19	MM Contract	4600001824	Initiator is absent from the SOD	6.580,00
LA10	Jun-19	MM Contract	4600001842	Initiator is absent from the SOD	3.850,00
LA10	Jul-19	MM Contract	4600001890	Initiator is absent from the SOD	4.250,00
LA10	Aug-19	MM Contract	4600001928	Initiator is absent from the SOD	5.150,00
LA10	Aug-19	MM Contract	4600001934	Initiator is absent from the SOD	4.920,00
LA10	Oct-19	MM Contract	4600001989	Initiator is absent from the SOD	6.484,00
LA10	Oct-19	MM Contract	4600002011	Initiator is absent from the SOD	16.955,00
UC10	Jul-19	MM Contract	4600001880	Simplified Model adopted, however, act of delegation did not include contract	60.000,00
UC10	Aug-19	MM Contract	4600001926	Simplified Model adopted, however, act of delegation did not include contract	40.000,00
UC10	Aug-19	MM Contract	4600001929	Simplified Model adopted, however, act of delegation did not include contract	20.526,85
UC10	Aug-19	MM Contract	4600001930	Simplified Model adopted, however, act of delegation did not include contract	19.721,00

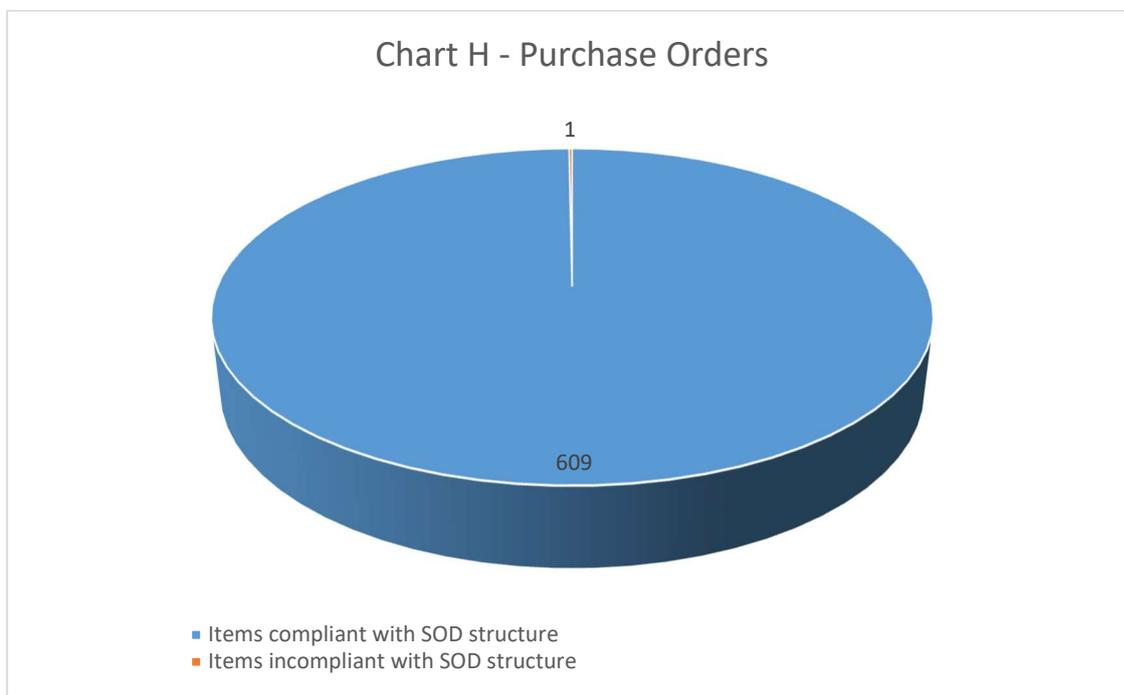
The cases concerning the Schools of Frankfurt and Laeken resulted from the fact that although the SOD Table depicted separately the transactions for creation of purchase contract and purchase order in reality technically it is impossible in SAP. An updated SOD table has been released in 2020 taking into account for this point.

The cases concerning the School of Brussels I resulted from an incorrect implementation of the paper signed delegation for simplified model from the Authorising Officer into SAP and were already identified by the Unit during the course of the year. The Unit immediately informed the School about the necessary corrections to be made and alignment with the act of delegation by the Authorising Officer .

- Purchasing Orders

For purchase orders in SAP, in total 610 transactions were checked across all the schools and OSG, composing approximately **8%** of the total number of the purchasing orders in a year, in which only 1 case appeared to show an incompliance with the applicable at the time SOD table.

Purchase Orders	AL	BC	BE	FF	IX	KA	LA	LU	MA	MO	MU	UC	VA	WO	Total
Items compliant with SOD structure	49	35	44	44	42	42	42	42	41	41	44	48	48	47	609
Items incompliant with SOD structure			1												1
Total	49	35	45	44	42	42	42	42	41	41	44	48	48	47	610



The findings related to the non-compliances are listed below:

School	Period	Type	Transaction	Remarks	Amount €
BE10	Apr-19	MM PO	4500036650	Verificator is not in the SOD	498,00

This case resulted for the SAP technical reason explained above for purchase contract.

- Goods Receipt

For goods receipt in SAP, in total **605** transactions were checked across all the schools and OSG for which no case of non-compliance with the applicable SOD table was detected.

MIGO	AL	BC	BE	FF	IX	KA	LA	LU	MA	MO	MU	UC	VA	WO	Total
Items compliant with SOD structure	49	34	45	45	42	42	42	43	41	41	38	48	48	47	605
Items non-compliant with SOD structure	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	49	34	45	45	42	42	42	43	41	41	38	48	48	47	605

- MIRO invoices

For MIRO Invoices (invoices related with a PO) in SAP, in total 599 transactions were checked across all the schools and OSG, composing approximately **7%** of the total yearly number for which no case of non-compliance with the applicable SOD table was detected.

MIRO	AL	BC	BE	FF	IX	KA	LA	LU	MA	MO	MU	UC	VA	WO	Total
Items compliant with SOD structure	49	29	44	44	42	41	42	43	38	40	45	47	48	47	599
Items non-compliant with SOD structure	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	49	29	44	44	42	41	42	43	38	40	45	47	48	47	599

B. For the transaction types below, there is a global overview of the findings:

- Pre-commitment
- FI Invoices
- Salary Postings
- Payment proposals F110

In relation to pre-commitments, approximately **80%** of the yearly total has been checked. 800 FI Invoices transactions have been checked for compliance with the corresponding SOD table, that constitutes 5% out of the total number of FI invoices in a year. 400 salary related transactions have been checked constituting around 20% of the total number of salary related postings in a year. Finally, the workflow of 750 payment proposals has been checked against the SOD table, that constitutes around 30% out of the total number of F110 payment proposals effected in a year.

There are no incompliances detected among the sample testing for the transactions of pre-commitments, Salary Postings and Payment proposal F110 mentioned above.

There are 9 incompliances that were detected amongst the 800 FI Invoices transactions. 7 transactions/FI invoices in the School of MOL for which the authorizing officer's approval was missing. In February 2019, the Unit of Financial Control had detected these incompliances, and notified the school that in order to implement a simplified model, it was necessary to perform a risk assessment and an act of delegation by the Director to the Deputy Director of Finance and Administration (DDFA). A simplified model runs under a delegated threshold amount for specified transactions for which the workflow is completed by the approval of the vericator, which means the 4 eyes principle instead of 6 eyes principle.

The other two incompliances related to a vericator in the School of Bergen who works as an independent. Her salary is billed via invoice from the agency. She verified her own salary invoices. It is not suggested that the vericator verifies her own salary invoice.

School	Period	Type	Transaction	Remarks	Amount €
MO10	Jan-19	FI Invoice	1900000000	Missing Authorising Officer's approval	5,00

MO10	Jan-19	FI Invoice	1900000001	Missing Authorising Officer's approval	5,00
MO10	Jan-19	FI Invoice	1900000002	Missing Authorising Officer's approval	5,00
MO10	Jan-19	FI Invoice	1900000003	Missing Authorising Officer's approval	1,00
MO10	Jan-19	FI Invoice	1900000004	Missing Authorising Officer's approval	1.703,36
MO10	Jan-19	FI Invoice	1900000005	Missing Authorising Officer's approval	674,82
MO10	Jan-19	FI Invoice	1900000006	Missing Authorising Officer's approval	638,35
BE10	Sep-19	FI Invoice	1900000383	The vericator works as an independant, She verified her own salary invoice	3,025.85
BE10	Sep-19	FI Invoice	1900000389	The vericator works as an independant, She verified her own salary invoice	3,025.85

6.6 Follow up of specific investigations undertaken in previous financial years

6.6.1 European School of Brussels I

As reported in previous years, following the findings made at the level of the School and of the financial control unit, subsequent forensic investigations performed at this School by the company KPMG showed evidence of a systematic fraudulent scheme addressed against monetary funds of the European School of Brussels I-Uccle, involving material amounts, and taking place during the years 2006-2012, with the involvement of an ex member of the accounting staff. The global estimation of the irregular use of the funds of the School for the total mentioned period, in accordance with the mentioned forensic investigation, was determined at 2,9 million euro.

Concerning the described facts, and the evidences about their criminal nature, all the relevant information was provided to the judicial authorities. After a long penal instruction, on 17th January 2019 judgement was issued by the 59^{ème} chambre du Tribunal Correctionnel de Bruxelles. The judgement condemned the former accountant of the School to 40 months prison -suspended for the time exceeding the one already spent in preventive prison-, to a professional interdiction for a period of

7 years and to pay back to the School of Bruxelles I the amount of 2.930.889,30 euro, to be increased with the corresponding interests after 30 June 2010 until 31 January 2019 (705.380,75 euro) as well as to the payment of the expenses of the procedure, 18.000 euro, this is in total 3.654.270,05 euro. Other persons were also condemned to compensation to the School of Bruxelles I on the basis of their participation in/benefit from the fraudulent scheme.

As per the actions already/to be taken for the recovery of the funds, the actual possibilities of recovery of funds are considered to be limited, account taken of the possible situation of insolvency of the responsible persons. It was nevertheless identified during the instruction of the case a Real State property in Linkebeek which was considered to be acquired, at the price of 214.000 euro, with the funds irregularly taken from the School of Brussels I, and the Tribunal consequently ordered its seizure. This property was sold via a notary for the amount of 280.067,26 euro which was transferred to the bank account of the School.

The Tribunal ordered as well the seizure of another property identified in France as partially belonging to the former accountant of the School. The actions currently done by the lawyers, according to the latest information dated 13 February 2020, for the protection of the financial interest of the European Schools are ongoing having, as a priority, the prosecution of the referred to asset.

All the above-mentioned facts and subsequent judicial developments have been regularly and timely communicated to the OLAF (European Anti-Fraud Office), during 2019, in order for this body to assess whether additional investigation was to be carried out on its side, in addition to the described procedures at the level of the Court of Justice.

The Unit will continue to monitor during 2020 the developments connected with the execution of the judicial decisions resulting from the abovementioned proceedings, in particular as regards the possible recovery of funds by the European Schools system.

In relation to the above facts, it may be underlined that important measures have been taken by the European School system during the last years to substantially mitigate the risk of fraud, in particular:

- issuance of guidelines for ethics and security (document 2013-01-D-9-en-1).
- adoption of an accounting software (SAP) which allows a link with the electronic payment systems. This matter is further developed under point 10.3 of this report.
- reinforcement of the rules for segregation of duties on financial circuits –an updated Memorandum of the Secretary General was released on 25th September 2018 in

substitution of the former one of July 2015- and, specially, its effective implementation in the accounting software, for which a full alignment with the requirements of the financial rules was achieved within the financial year 2018, throughout an improved configuration of the SAP accounting software that went live on 5th November 2018. Moreover, it established a stricter approach towards the possible exceptions to the proposed models of financial circuits. Furthermore, it addressed the recommendation for the Internal Audit Service (IAS) by including the tasks of operational initiation and verification making the distinction from the financial one.

-introduction of a clause of competence in the Financial Regulation for the OLAF for the European Schools, in force as from the financial year 2015. Additionally, specific Administrative Arrangements were signed on the 5th February 2018 between the OLAF and the European Schools to further regulate the practicalities of the cooperation between the two Institutions.

-collection of information by the Schools and the OSG on the removals effected during a specified period as sample, for the purposes of their analysis and verification that an effective competition of offers by the suppliers (article 62.2 of the regulations for members of the seconded staff of the ES) exists. This task is ongoing.

6.6.2 Ex post Control at the European School of Brussels II

The mission on the spot to the School was carried out in November 2018. On the basis on the checks done at the visit and of the subsequent information provided by the School, the provisional report was issued on the 20th February 2020. After the analysis of the replies of the School, received in the two weeks following the issue of the provisional report, and subsequent clarification exchanges, a definitive report (Ref. 2019-01-D-36-en-2) has been issued and communicated to the Head of the School, to the Secretary-General and Deputy Secretary-General and to the Presidency of the Board of Governors.

A summary of the recommendations and compliance requirements of this definitive report is provided here below:

VI.- 1 Human Resources

Locally Recruited Teachers (LRT)

- *Appropriate documentation/justification of provision of documentation in accordance with articles 7 and 8 concerning recruitment of a staff should be available in the personnel file and requirements of the procedure itself should be respected.*
- *Derogations as previewed under article 7.2 should be properly documented.*
- *The applicable salary rates per corresponding cycle should be respected.*

Administrative and Ancillary Staff (AAS)

- *Ensure that necessary evaluations take place in due time before attribution of the next salary step.*
- *It is recommended that job descriptions are updated according to the relevant guidelines from the Central Office.*
- *It is recommended that clear rules are established centrally concerning the evaluation of temporary staff in order to clarify the period to be taken into account for their possible future evaluation, in case they become permanent.*
- *The employment contract should clearly indicate the salary step of the placement of the staff as well as the conditions under which it was concluded (ex. for replacement).*
- *A full recruitment procedure should be made in cases where a permanent contract is offered.*

VI.- 2 Legal Commitments

- *It is recommended that the date is always mentioned along with the signature of the Authorising Officer on the paper copy of the Purchase Order that is sent to the third parties in order to reassure a transparent view about the date as from which the School decides to be legally binded with them, having also as prerequisite that the workflow is completed in the SAP system.*

-For the same reason of transparency and legal certainty, it is also recommended that the School keeps evidence of the actual date that the signed copy of the purchase order was sent to the third party.

VI.-3 Banking Operations and Authorisations

-Any payment introduced manually in the electronic banking software (without a direct link with an existing payment file in SAP) should be inscribed in the Register of Exceptions including the complete details for clear identification and appropriate justification.

- It is recommended that the Central Office explores whether it is possible for the Isabel banking system to produce a report, covering an adequate time period, that can facilitate an audit trail of payments executed through the system.

- It is recommended that the bank accounts that had been closed, are blocked in the SAP accounting software (as well as the corresponding g/l accounts) in order to avoid potential payment or booking errors.

VI.-4 Procurement procedures

- A budgetary commitment should always be created before any legal commitment with third parties in accordance with Article 54 of the Financial Regulation “all measures which may give rise to expenditure chargeable to the budget must be preceded by a proposal for the commitment of expenditure from the relevant authorising officer”.

-The document related to the choice of the procurement procedure/financing decision should be approved by the Authorising Officer and included in the procurement file;

- Any change in the composition of the initially designated by the Authorising Officer opening/evaluation committee should be justified and documented, bearing as well the prior approval of the Authorising Officer;

- It is recommended that the contract is created and approved in SAP as soon as possible following the signature of the legal commitment with third parties;

VI.-5 Extra Budgetary Activity

- It is recommended that Guidelines are finalized at the central level (OSG) in order to complement the limited provisions by the Financial Regulation concerning the extra-budgetary activity and thus support a homogeneous treatment of the matter throughout the European Schools system.

-It is recommended that prior approval by the Administrative Board is requested when a surplus from extra-budgetary activity is used to cover other specific needs/purposes, without prejudice of the possible requirements that could be determined in the corresponding memorandum under Article 19 of the Financial Regulation.

VI.-6 Register of Exceptions

-The inscription in the register should be made before the actual deviation from the regulations or procedures takes place. It is therefore necessary to date and sign the entries into the register of exceptions, in order to prove prior formal agreement of the Director, in line with ICS n° 9 and the corresponding Memorandum. Even in cases where the infringement was detected ex-post it has still to be inscribed;

-The Memorandum for the use of the Register of Exceptions (2018-07-M-01-en-1) applicable as of 6th September 2018) should be followed.

6.7 Participation in Working Groups

The financial controller also participated during 2019 in several working groups and committees:

- AAS Regulations working group.
- Revision of the Financial Regulation.
- Locally Recruited Teachers working group.
- Sickness Insurance Fund management committee.
- Deputy Director for Finance and Administration Working group.
- SAP Project Management.
- Coordination of the annual ordinary meetings with the Bursars of the European Schools.

7. Implementation of the budget

The following tables provide a summary of financial data regarding budget implementation for a comparative period of the last five years.

The figures show an increase of 11,24 % over the five-year period and an increase of 2,70 % compared to the financial year 2019. It should be noted that the pupil population as an absolute figure increased by 1.805 (6,97 %) since 2015, and by 532 (1,96 %) between 2018 and 2019. (Pupil numbers based on the draft version of document 2019-10-D-32-en-2, “Facts and figures on the beginning of the 2019- 2020 school year in the European Schools” confirmed on 1 April 2020). The Schools displaying the highest percentage difference compared to previous year expenditure are Luxembourg I (6,55%), followed by Brussels IV and Luxembourg II (5% and 4,93% respectively). The differences between the initial budget approved per year and the actual implementation of the relevant appropriations are shown further in the report, in table 7.

Table 3 below shows the development of costs as from 2015 up to 2019.

Table 3: Development of costs 2015 to 2019 - Expenditure (€)

	2015	2016	2017	2018	2019	%	%
						2015 - 2019	2018 - 2019
Al	12,567,243	11,848,348	12,028,295	12,538,732	12,777,062	1.67%	1.90%
Be	8,216,236	8,433,710	8,658,134	8,349,276	8,553,099	4.10%	2.44%
Br I	33,962,365	36,222,624	37,150,244	38,784,565	40,481,242	19.19%	4.37%
Br II	31,435,734	32,385,415	33,609,147	33,372,297	32,473,578	3.30%	-2.69%
Br III	28,247,734	30,461,549	30,970,596	30,699,102	30,479,520	7.90%	-0.72%
Br IV	18,465,595	21,937,348	25,359,782	25,923,295	27,218,258	47.40%	5.00%
Cu	8,384,171	7,522,360	5,820,472	N/A	N/A	N/A	N/A
Ff	13,899,668	14,797,076	15,364,351	16,904,092	17,337,167	24.73%	2.56%
Ka	11,259,301	11,050,211	11,434,847	11,843,633	12,365,157	9.82%	4.40%
Lux I	28,494,145	29,876,346	30,857,547	31,232,108	33,276,800	16.78%	6.55%

Lux II	23,503,221	25,155,940	26,754,045	26,602,011	27,912,177	18.76%	4.93%
Mol	10,905,323	11,134,042	11,807,928	11,394,480	11,810,814	8.30%	3.65%
Mun	24,724,624	24,669,904	25,617,726	27,867,568	28,098,202	13.64%	0.83%
Var	17,988,552	18,110,937	18,599,241	18,696,803	19,508,097	8.45%	4.34%
OSG	11,080,526	10,906,228	11,644,693	12,461,854	12,669,734	14.34%	1.67%
TOTAL	283,134,438	294,512,038	305,677,048	306,669,816	314,960,907	11.24%	2.70%

The figures for 2015-2018 depict the commitments for the year minus the difference (credits bought forward and cancelled) shown in the following year closing report for each schools

The figures for 2019 (subject to possible adjustments), depict commitments approved (including the carried forward to the next year).

* Since Culham has definitely been closed in the month of August 2017 the expenditure is equal to zero as from year 2018 on.

2015-2018 Data processed on 20/03/2020 - Closing reports in SAP

2019 Provisional Data processed on 03/04/2020 9am - Closing reports in SAP

Table 4 shows the development of the cost per pupil over the same five-year period. It should be mentioned that Brussels IV has occupied years from 1 up to 7 of the secondary cycle, progressively since 2010, so its cost is not fully comparable with that of the rest of the Schools. The highest increases of total cost per pupil over the period 2015-2019 are noticed in the Schools of Frankfurt, Munich, Mol and Varese 15,89%, 14,91%, 13,98 % and 13,26% respectively. Mol shows a 8,48 % increase compared to 2018, due to a decrease in number of pupils together with an increase in expenditure. The table shows as well aggregated costs for Luxembourgish, German and Brussels Schools, apart from the cost in the individual

School. In 2019, the cost per pupil for the Brussels Schools was 9.972 € showing a slight decrease of 1,10% since the previous year, while for the Schools in Luxembourg and in Germany an increase of 5,35% and of 2,18% respectively is noticed.

The cost per pupil for year 2019 across the Schools, including the costs of the Office of the Secretary-General, is € **11.515**, showing an increase of 147 €, in absolute figures compared to 2018. For the period 2015-2019, a 3,94 % increase is recorded. Taking into account the weighted average cost per pupil across all the Schools only, an increase of 1,33% is noticed since last year.

Table 4 : Cost per pupil 2015 to 2019 (€)

Entity	2015	2016	2017	2018	2019	% 2015 - 2019	% 2018 - 2019
Alicante	12,592	11,968	11,819	12,072	12,207	-3.06%	1.12%
Bergen	15,021	15,813	16,513	15,853	15,402	2.54%	-2.85%
Brussels I	10,240	10,565	10,378	10,177	10,147	-0.90%	-0.29%
Brussels II	10,580	10,733	10,940	10,791	10,460	-1.13%	-3.07%
Brussels III	9,629	10,132	10,164	9,994	9,744	1.20%	-2.50%
Brussels IV	7,887	8,548	9,297	9,272	9,453	19.86%	1.96%
Brussels I, II, III & IV	9,696	10,068	10,227	10,083	9,972	2.85%	-1.10%
Frankfurt	9,697	10,161	10,365	11,136	11,238	15.89%	0.92%
Karlsruhe	13,304	13,459	13,635	13,983	14,295	7.45%	2.23%
Munich	11,013	10,828	11,124	12,293	12,655	14.91%	2.95%
Germany	11,025	11,089	11,336	12,223	12,489	13.28%	2.18%

Luxembourg I	9,472	9,513	9,379	9,327	9,958	5.14%	6.77%
Luxembourg II	10,317	10,442	10,477	10,169	10,540	2.15%	3.64%
Luxembourg I & II	9,836	9,916	9,859	9,696	10,215	3.85%	5.35%
Mol	15,090	15,294	16,007	15,855	17,200	13.98%	8.48%
Varese	12,803	13,373	14,097	14,114	14,501	13.26%	2.74%
Culham	16,407	17,253	14,924				
All schools	10,645	10,839	10,991	10,906	11,051	3.82%	1.33%
All Schools + Central Office (Total)	11,078	11,256	11,426	11,368	11,515	3.94%	1.29%

Figures based on Table 3

Number of pupils calculated on a basis of a weighted average (N° in October of the year $n-1 * 8/12 + N^{\circ}$ in October of the year $n * 4/12$)

Figures confirmed on 01/04/2020 for the draft of Ref.: "2019-10-D-32-en-2" "Facts and Figures on the Beginning of the 2019-2020 School Year in the European Schools".



Table 5 shows a more detailed breakdown of the expenditure per type of cost.

The highest percentage of the total expenditure is attributed to Salaries for Seconded Staff, Locally Recruited Teachers and Educational Support -mainly including SEN support-, more precisely the 73,78 %. The remuneration of Administrative and Ancillary Staff and expenditure connected to Buildings (Cleaning, Electricity, Heating, Maintenance etc.) follow with 12,86 % and 6,39% respectively. The final three categories of Miscellaneous expenditure (including BSGEE for the Office of the Secretary General), Pedagogical Expenditure and Educational Support (Products for classes, Expenses related to photocopiers, Library expenditure, Material and Training for Educational Support) and ICT represent 3,92%, 2,37 % and 0,68 % respectively.

Table 5 Total Cost per type of expenditure 2019

	A	B	C	D	E	F	G	H
	Salaries (Seconded Staff, Locally Recruited Teachers and Educational Support)	Remuneration of Administrative and Ancillary Staff	Pedagogical Expenditure and Educational Support	Buildings	ICT	Total:	Other	Total expenditures
						A+B+C+D+E	(Miscellaneous+BSGEE)	
Alicante	9,813,881	1,649,938	273,675	683,035	35,847	12,456,376	320,686	12,777,062
Bergen	6,545,545	1,229,822	161,276	475,644	17,859	8,430,146	122,953	8,553,099
Brussels I	31,447,242	4,610,364	1,001,322	1,898,172	85,348	39,042,448	1,438,794	40,481,242
Brussels II	25,239,137	3,977,045	749,252	1,624,280	16,534	31,606,248	867,330	32,473,578
Brussels III	23,703,065	3,316,271	767,678	1,882,599	59,032	29,728,645	750,875	30,479,520
Brussels IV	21,368,817	2,696,935	711,722	1,450,055	56,445	26,283,974	934,284	27,218,258
Culham						0	0	0

Frankfurt	13,268,552	1,895,575	381,013	994,706	36,740	16,576,586	760,581	17,337,167
Karlsruhe	8,905,527	1,576,781	451,709	1,015,203	68,012	12,017,232	347,925	12,365,157
Luxembourg I	26,264,103	3,951,097	533,966	1,880,808	35,939	32,665,913	610,887	33,276,800
Luxembourg II	21,317,236	3,310,835	622,152	2,020,997	64,596	27,335,816	576,361	27,912,177
Mol	8,185,867	1,707,631	338,373	1,366,754	12,280	11,610,905	199,909	11,810,814
Munich	21,326,107	2,454,207	915,896	1,590,163	30,362	26,316,735	1,781,467	28,098,202
Varese	13,967,500	2,440,597	487,000	2,138,970	72,530	19,106,597	401,500	19,508,097
OSG	1,031,215	5,688,605	70,657	1,107,651	1,550,653	9,448,781	3,220,953	12,669,734
Total	232,383,794	40,505,703	7,465,691	20,129,037	2,142,177	302,626,402	12,334,505	314,960,907
% of the Total Expenditure	73.78%	12.86%	2.37%	6.39%	0.68%		3.92%	100.00%

Figures based on Table 3



Key to table 5

A: Commitment items 60110100, 60110200 and 60110400: Expenditure related to seconded Staff, Expenditure related to Locally Recruited Teachers and Remunerations related to educational Support respectively.

B: Commitment item 60110300 : Expenditure related to Administrative and Ancillary Staff.

C: Commitment items 60210100 and 60220100: Respectively, expenditure related to Pedagogical Expenditure (including ICT material/software for pedagogical purposes) and Educational Support.

D: Commitment item 60120100 Expenditure related to Buildings.

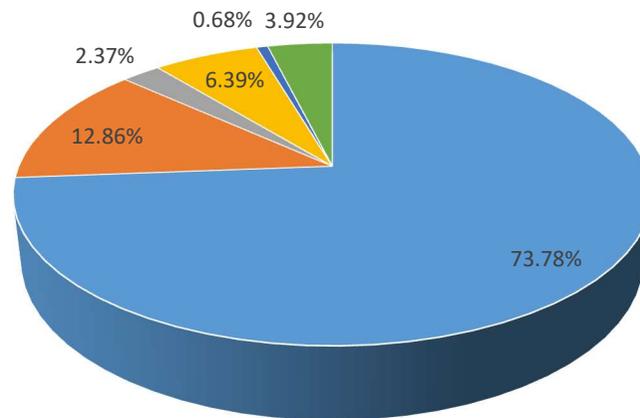
E: Commitment item 60120200 Expenditure related to ICT (in particular, software for administration and training).

F: Total of Columns A,B,C,D and E.

G: Commitment items 60120400 Miscellaneous administrative expenditure and 60120300 BSGEE for the OSGES

H: Total Expenditures.

Chart I
Expenditure per cost type



- Salaries (Seconded Staff, Locally Recruited Teachers and Educational Support)
- Remuneration of Administrative and Ancillary Staff
- Pedagogical Expenditure and Educational Support
- Buildings
- ICT
- Other



Table 5 bis shows a numerical analysis of the evolution of the expenditure per type of cost during the period 2015-2019.

The total expenditure for the period 2015 to 2019 has increased by 11,16 %. The other expenses related to the miscellaneous + BSGEE depict an increase of 75,87 % in 2019 compared to 2015.

The expenditure for Administrative Staff follow with an increase of 20,39% over the five-year period (33,6 € million in 2015 to 40,5 € million in 2019) and can be justified by the salary adjustments and the salary steps which have to be attributed according to the Staff regulations well as by the increase of the AAS posts by 9,98% over the five-year period (473.89 in 2015 to 521.17 in 2019 for AAS staff-doc, based on Facts and figures 2018-10-D-17-en-3 and Figures confirmed on 01/04/2020 for the draft of Ref.:” 2019-10-D-32-en-2” “Facts and Figures on the Beginning of the 2019-2020 School Year in the European Schools”.)

The expenditure for Salary (Seconded Staff, Locally Recruited Teachers and Educational Support) depicts an increase of 9,13% from 212,9 € millions in 2015 to 232,4 € millions in 2019. The main reason is due to an increase of expenditure related to Locally Recruited Teachers by 49% since 2015 that more than compensates the decrease of salary expenses of Seconded Staff and was necessary in order to satisfy the increasing need due to a greater student population.

Table 5 bis Total Cost per type of Expenditure 2015-2019

Type of expenditure	2015	2016	2017	2018	2019	2015 – 2019 %	2018 – 2019 %
Salaries (Seconded Staff, Locally Recruited Teachers and Educational Support) = A	212,941,634	219,367,058	230,102,734	227,053,029	232,383,794	9.13%	2.35%
Remuneration of Administrative and Ancillary Staff = B	33,645,874	35,542,375	37,942,544	38,156,476	40,505,703	20.39%	6.16%
Total Salary Expenses A+B	246,587,508	254,909,433	268,045,278	265,209,505	272,889,497	10.67%	2.90%
Pedagogical Expenditure and Educational Support = C	6,693,376	7,146,096	6,107,551	7,142,755	7,465,691	11.54%	4.52%
Buildings = D	20,176,143	23,814,588	21,923,383	24,883,277	20,129,037	-0.23%	-19.11%
ICT = E	2,865,419	1,773,420	2,345,126	2,703,094	2,142,177	-25.24%	-20.75%



Total: A+B+C+D+E = F	276,322,446	287,643,537	298,421,338	299,938,631	302,626,402	9.52%	0.90%
Other (miscellaneous + BSGEE) = G	7,013,607	7,078,266	7,453,029	7,533,806	12,334,505	75.87%	63.72%
Total expenditures (Commitments) = H	283,336,053	294,721,803	305,874,367	307,472,437	314,960,907	11.16%	2.44%
Difference (CREDITS BROUGHT FORWARD AND CANCELLED)	-201,615	-209,765	-197,318	-802,625	NA		
Total expenditures (same as Table 3)	283,134,438	294,512,038	305,677,049	306,669,812	314,960,907		

Table 6 shows the distributions, both in euros and in percentages of the total contributions (excluding the surplus carried forward and the use of reserve fund) to the budgets of the European Schools made by the various partners in the system since 2015. The contribution of the European Commission represents the highest part of the contributions and more specifically the 58,06%. The contribution of the Member States shows a decrease of 8,17% in the course of the last 5 years and can be attributed to the decrease of 7,28 % of the number of the seconded staff members in the 2019/2020 school year (1.324 in total) in comparison with the 2015/2016 school year (1.428 in total), based on figures confirmed on 01/04/2020 for the draft of Ref.:” 2019-10-D-32-en-2” “Facts and Figures on the Beginning of the 2019-2020 School Year in the European Schools”.

The European Patent Office’s and Parents’ contributions (Category III School Fees plus other contributions from Parents such as inscription to Baccalaureate, contribution to cost of photocopies etc) follow with 7,46 % and 7,20 % of the total contributions respectively. The revenues from the other sources, “Other contributions and miscellaneous revenue” represent the 1,20 %. The main source under this category is the temporary contribution/ the ‘solidarity levy”, in accordance with Article 50 of the Regulations for Members of the Seconded Staff of the European Schools (under budget line 70320100).

Table 6 Budget contributions (excluding surplus carried forward and use of reserve fund)						
		2015	2016	2017	2018	2019
Member States	€	55.008.107	53.339.888	51.626.805	49.961.963	50.512.637
	%	19,55	18,11	16,76	16,22	15,96
Commission	€	168.871.946	177.859.779	189.878.637	176.112.202	183.801.545
	%	60,02	60,40	61,65	57,18	58,06
EPO	€	20.645.000	21.045.000	21.469.005	25.780.000	23.615.270
	%	7,34	7,14	6,97	8,37	7,46
European Southern Observatory (ESO)	€	1.049.327	912.816	985.587	969.458	1.188.418
	%	0,37	0,31	0,32	0,31	0,38
Eurocontrol	€	1.429.888	1.449.301	1.531.725	1.503.988	1.394.764
	%	0,51	0,49	0,50	0,49	0,44

Other financing agreement	€	9.677.485	9.611.448	8.666.445	7.945.870	7.804.297
	%	3,44	3,26	2,81	2,58	2,47
European School of Munich	€	825.733	907.922	966.978	1.070.007	1.015.709
	%	0,29	0,31	0,31	0,35	0,32
E.I.B. Group	€	0	4.602.245	5.412.826	5.502.183	6.392.086
	%		1,56	1,76	1,79	2,02
European Stability Mechanism (E.S.M.)	€	0	210.529	182.102	244.374	263.327
	%	0	0,07	0,06	0,08	0,08
European Union Intellectual Property Office	€	0	0	560.555	7.165.680	7.049.861
	%	0	0	0,18	2,33	2,23
European Central Bank	€	0	0	1.896.285	6.293.751	6.914.868
	%	0	0	0,62	2,04	2,18
Parents Contributions	€	20.107.958	20.918.559	20.822.809	21.804.012	22.804.787
	%	7,15	7,10	6,76	7,08	7,20
Other contributions and miscellaneous revenue	€	3.726.911	3.612.753	4.002.859	3.622.124	3.806.154
	%	1,32	1,23	1,30	1,18	1,20
TOTAL	€	281.342.355	294.470.240	308.002.618	307.975.612	316,563,723
Figures processed on 20/03/2020 for the year 2015 to 2018 Figures processed on 03/04/2020 9am for the year 2019 Closing consolidated reports SAP						

Table 7 depicts a summary of receipts (Recovery Orders), expenditure (Commitments) and the provisional balance for the execution of the budget 2019. The figures for 2019 are still provisional (data based on closing reports from SAP processed on the 3rd of April 2020 and thus are subject to changes/confirmation).

For clarification purposes it should be noted that the Column E of the table 7, that concerns the expenditure of the financial year under question, 2019, is based exclusively on the commitments approved using 2019 budget (therefore excluding the credits carried forward from the previous financial year 2018, but including the carry forwards from 2019 to the next financial year, 2020). In the same sense, column C related to revenue is based exclusively on the recovery orders approved using the 2019 budget (therefore excluding the revenue actually received on 2019 on the basis of recovery order issued on 2018 budget, but including the recovery orders based on the 2019 budget that will be actually received in the year 2020).

Under the Financial Regulation (articles 89 and 91 of FR 2017), any surplus remaining after the Reserve Fund has been replenished must be entered as budget revenue for the following financial year. For these purposes, the surplus (balance of revenue) is defined as *the balance of revenue, after carryovers have been covered, on the revenue and expenditure accounts as approved by the Secretary-General and the Administrative Boards*. This in practise is identified with the revenue and expenditure actually received/made in the calendar year, including thus eventually revenue/expenditure corresponding to credits related to the budget for the year n-1, and excluding recovery orders/commitments issued on the basis of the budget n but not actually received/spent.

One point of concern should perhaps be the fact that there is nothing in the Financial Regulation that prevents the possibility of ending the year with a deficit. If the schools do not receive the revenue as estimated in the budget, they can nevertheless continue with the total amount of expenditure as originally foreseen. In practice, the Office of the Secretary-General monitors the situation to ensure that the system as a whole does not end the year in deficit, but it is a potential risk that might usefully be examined.

Table 7 BUDGET 2019
 RECEIPTS AND EXPENDITURE: €
 (provisional figures at 03/04/2020)

	A Initial Budget 2019 Expenditure & receipts	B Final Budget 2019 Expenditure & receipts	C Actual Receipts (Recovery Orders Budget 2019)	D Difference C - B	E Expenditure (Commitments Budget 2019)	F Difference B - E	G Balance D + F or C - E	H Exchange difference	I Total Provisional Balance Budget 2019 G+H
Alicante	13,193,957	12,922,728	12,927,707	4,979	12,777,062	145,666	150,645	-	150,645
Bergen	8,685,076	8,872,436	8,844,946	-27,490	8,553,099	319,337	291,847	-	291,847
Brussels I	40,135,145	40,531,757	40,707,708	175,951	40,481,242	50,515	226,466	-	226,466
Brussels II	33,954,490	33,249,045	33,360,099	111,054	32,473,578	775,467	886,521	-	886,521
Brussels III	31,842,508	30,901,425	31,002,008	100,583	30,479,520	421,905	522,488	-	522,488
Brussels IV	27,781,375	27,982,966	28,042,161	59,195	27,218,258	764,708	823,903	-	823,903
Frankfurt	19,413,159	18,403,424	18,441,212	37,788	17,337,167	1,066,257	1,104,045	-	1,104,045
Karlsruhe	12,889,000	12,889,000	13,285,005	396,005	12,365,157	523,843	919,848	-	919,848
Luxembourg I	33,455,001	33,775,855	33,712,792	-63,063	33,276,800	499,055	435,992	-	435,992

Luxembourg II	28,139,248	27,917,215	28,253,420	336,205	27,912,177	5,038	341,243	-	341,243
Mol	12,928,252	12,448,845	12,605,034	156,189	11,810,814	638,031	794,220	-	794,220
Munich	27,387,360	28,368,580	27,216,760	-1,151,820	28,098,202	270,378	-881,442	-	-881,442
Varese	20,172,400	19,842,400	19,809,304	-33,096	19,508,097	334,303	301,207	-	301,207
OSG	14,988,417	13,039,891	13,037,974	-1,917	12,669,734	370,157	368,240	-	368,240
Total	324,965,388	321,145,567	321,246,130	100,563	314,960,907	6,184,660	6,285,223	-	6,285,223

Figures based on closing reports on 03/04/2020 9am

One of the functions of the financial controller, specified in article 100 of the Financial Regulation of 2006 (article in force until 31 December 2019, in accordance with the new Financial Regulation of 5 September 2017), was to give advance approval to the use of the Reserve Funds to meet short-term cash-flow problems in the schools. There are two Funds: a centralized Fund for all schools, except Munich, and a separate Fund for Munich. In 2019, there was no use of the Centralized Fund.

8. Expenditure

8.1 Seconded staff - salaries and allowances

At the end of the financial year 2019, on the basis of the ex-ante control put exceptionally in place, certain postings of the salaries were controlled for the Schools where a threshold had been applied, irrespectively of the amount, meaning that for the Schools where ex-ante control was in place and during the concerned period every posting related to salaries was arriving at Financial Control inbox for processing.

As far as the **explanations about the elements that are included in the national salary slips** are concerned, in line with the recommendations of the IAS, the Board of Governors agreed in December 2017 with the proposal (document 2017-10-D-43-en-2) to create a task force integrated by a group of experts of the Schools on calculation of salaries of seconded staff, to be coordinated by the OSG. The group of experts made an interpretation of the different elements of the national pay slips, which was submitted to the Budgetary Committee for consultation and finally to the Board of Governors for final approval in December 2019. The objective is to have a coherent and homogenous interpretation of the elements included in the national pay slips to be applied throughout the whole European Schools system.

On the other hand, it should be mentioned that the Unit is frequently consulted by the Schools for giving an interpretation on the different types of allowances.

8.2 Locally recruited administrative and ancillary staff (AAS)

At its meeting on 9 – 12 April 2019 the Board of Governors adopted a new salary and progression system for the Administrative and Ancillary Staff (AAS) (single spine) with the aim the harmonization of the staff member recruited before and after April 2007, under Annex II and Annex III, the harmonization of the mechanism of annual salary adjustment and the introduction of a more merit based progression system. The AAS Working group met 4 times during 2019 in February, June, October and November discussing the implementation of the new AAS Salary and Progression system (applicable as of January 2020) and concluding on the Memorandum “New AAS Salary and Progression System” ref. 2019-06-M-2-en intending to support the schools in implementing the new system which enter into force on 1 January 2020.

8.3 Seconded Staff

In the context of the “Deputy Directors for Finance and Administration Working Group” and taking into consideration the legal ambiguity of the current legal framework for the locally recruited DDF&As and the need of a legal framework for potential future locally recruited DDF&A and locally recruited members of the managerial staff in the OSG, the WG has worked on a proposal of establishing a coherent framework applicable to locally recruited DDF&A and locally recruited members of the managerial staff in the OSG, submitted in the Budgetary Committee of March.

Three possible approaches were considered. The first approach would be to add particular provisions to the Service Regulations for the Administrative and Ancillary Staff. The second would be to add particular provisions to the Regulations for Members of the Seconded Staff. Finally, the third possible approach would be to create a unique statute for locally recruited DDF&A and locally recruited members of the managerial staff in the European Schools.

8.4 Appeals

Seconded staff (teachers or others) and part-time teachers (except AAS staff) have the right to take disputes to the Complaints Board in accordance with article 80 of the Regulations for Members of the Seconded Staff of the European Schools and article 51 of the Service Regulations for the Locally recruited teachers in the European Schools.

In 2019, 3 appeals have been lodged by seconded staff / locally recruited teachers before the Complaints Board: 1 has been dismissed and 2 are still pending for a decision.

Complete information is contained in the “Annual report for the year 2019 of the Chairman of the Complaints Board of the European Schools”.

(Information provided by the Complaints Board Unit)

8.5 Sickness insurance fund

The Financial Controller is a member of the management committee of the Sickness Insurance Fund. Until 2007, the rate of contribution to the Fund was deliberately set below the level needed to cover expenditure in order to reduce a substantial surplus that had been built up. In April 2007, the Board of Governors agreed with a proposal from the committee to increase the contribution rate with the intention of balancing income and expenditure and thus stabilising the reserves. The increase took effect from January 2008. As shown in Table 8, income and expenditure were almost equal in 2008. In 2009, there was a significant reduction in expenditure which resulted in a net surplus of €1,3 million (including an additional €0.2 million as a result of the adoption of new accounting standards). For 2010, the surplus amounted to €0.7 million. The figures for 2011 showed a surplus of 0.8 million.

The figures for 2012 showed a surplus of €1,3 million, mainly due to less expenditure by almost € 1 million, compared to the previous year. The figures for 2013 showed a surplus of € 1,1 million. The figures for 2014 showed a surplus of €1,1 million in line with the development in the last years. The figures for 2015 showed, as in the previous years, a surplus of € 1,2 million.

During 2015, it was under discussion at the management committee the possibility of reduction of the contributions, although the opinion of the majority of the members was to keep them at the existing level, for reasons of prudence. The Board of Governors agreed with this approach not to make changes on the level of contributions.

In 2016 there was a surplus of 0,8 million showing a decrease of 0.4 million from 2015 and in 2017 there was a surplus of 0.6 million showing a decrease of 0.2 million since 2016. This was partially due, in both years, to the decrease in revenue from non-operating activities together with the slight increase in operating expenses.

In 2018, a surplus of 0,1 million is noticed.

For 2019, the figures are based on provisional data, confirmed as at 1st April 2020, and may be subject to changes.

The net assets at year end are expected at 13 million. This however might change as a result of the closure bookings which are still being finalized and as a result of the difference in treatment of the portfolio.

Table 8 Sickness insurance fund (€ million)												
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
- Contributions	3,6	3,7	3,7	4,0	3,7	3,7	3,6	3,4	3,3	3,3	3	3
-Interest	<u>0,2</u>	<u>0,2</u>	<u>0,2</u>	<u>0,3</u>	<u>0,3</u>	<u>0,2</u>	<u>0,4</u>	<u>0,3</u>	<u>0,2</u>	<u>0,1</u>	<u>0,2</u>	0,06
-Total income	3,8	3,9	3,9	4,4	4,0	3,9	4,0	3,7	3,5	3,4	3,2	3,06
Expenditure	3,7	2,6	3,2	3,6	2,7	2,8	2,9	2,5	2,6	2,7	3,1	2,9
Annual surplus / deficit	+ 0,1	+ 1,3	+ 0,7	+0,8	+1,3	+1,1	+1,1	+1,2	+0,8	+0,6	+0,1	0,2
Net assets at year end**	3,7	5,3	5,8	6,5	7,8	9,1	10,2	11,2	12,1	12,8	12,8	13

Based on provisional data confirmed as of 1st April 2020 where closure bookings were not yet made. Final set of accounts (after audit) will be available beginning of May 2020 at the earliest.

** The net assets at year-end, for 2018, includes only the results of the previous years and the provisional result of the year.

8.6 Other running costs and capital expenditure

The recommendations issued by the Unit in this regard, in particular in the field of procurement, had mainly to do with the necessity for the Schools to program and justify their needs, with using the right supporting documentation, and with introducing a pre commitment well in advance before the signature of any contract, in accordance with Article 54 of the Financial Regulation. Special attention was given to the right implementation of the European Court of Auditors' observations

concerning procurement procedures in this context. Concerning framework contracts and inter-institutional procurements, it may be also underlined that a specific Memorandum was distributed in December 2017 setting rules for the central management of the participation of the Schools in framework contracts resulting from inter-institutional procurements.

9. Receipts

9.1. School fees – administration

The three main elements in the correct calculation and collection of school fees are:

- the classification of pupils into one of the three categories fixed by the Board of Governors, which determine the level of the fees payable;
- decisions on reductions in school fees, on grounds of financial hardship and family component;
- the follow-up of unpaid invoices.

9.1.1. Classification of pupils

The Court of Auditors has emphasised the need for an annual check to verify the status of pupils in Category I (parents employed by EU institutions or other qualifying employers, not subject to school fees). The Directors now countersign a summary record of these checks, and these are normally supplied to the financial control unit as confirmation. Cases where the pupils change category during the course of the year have continued to cause difficulty. There has been some confusion over the status of temporary officials who continue to receive unemployment and family allowances when their employment is terminated. Nevertheless, the rule is that as from the date of termination of the contract, temporary agents do not meet the condition of being directly employed by an EU institution. These parents therefore are considered Category III immediately from the date when their contract of employment terminates, irrespective of any benefits they get after the termination of their services. With regard to staff of the Permanent Representations, the schools need to verify that only national officials, excluding staff recruited locally, are given Category I status.

9.1.2. Fee reductions

Reductions in school fees on grounds of financial hardship require the Schools to verify the annual income of applicant parents. This can be a complicated and time-consuming process.

Tables 9 and 10 show the number of pupils receiving a reduction of fees and the amount of revenue foregone, respectively for the school years 2014/2015 to 2018/2019.

Table 9 Reductions in school fees (number of pupils) – 2014/2015 to 2018/2019							
	14/15	15/16	16/17	17/18	18/19	5 year change	18/19
						%	Reduction / Cat III population %
Alicante	11	1	5	4	1	-90.91%	0.34%
Bergen	36	36	33	25	20	-44.44%	5.43%
Brussels I	4	2	4	0	1	-75%	1%
Brussels II	8	2	1	0	0	-100%	NA
Brussels III	3	3	2	2	1	-66.67%	1.79%
Brussels IV	0	0	0	1	1	100%	1.43%
Frankfurt	0	5	0	0	4	100%	2%
Karlsruhe	24	27	30	25	28	16.67%	5.26%
Luxembourg I	9	10	4	5	1	-88.89%	0.22%
Luxembourg II	0	0	0	0	0	NA	NA
Mol	93	87	71	66	69	-25.81%	13.35%
Munich	20	0	0	0	0	-100%	NA
Varese	30	28	26	26	27	-10.00%	5.72%
Total	277	236	202	154	153	-44.77%	3.99%

Figures provided on 23/03/2020 by ICT Unit

Figures confirmed on 01/04/2020 from the draft of Ref.:” 2019-10-D-32-en-2” “Facts and Figures on the Beginning of the 2019-2020 School Year in the European Schools”.

As it results from Table 9, the number of pupils being granted a reduction in school fees has gradually decreased over the years and this trend has continued also in 2018/2019 school year. The number of the pupils having received a reduction in school fees diminished by 44,77% over the last five years’ period (153 pupils in 2018/19, in relation to 277 pupils in 2014/2015 school year). The reduction in the absolute number of cases can also relate to the reduction in the number of Category III pupils over the same period, around 10,59 % decrease since 2015.

The school of Mol, like in the previous school year, has the highest proportion of reductions equal to 13,35% followed by Varese, Bergen and Karlsruhe Schools with 5,72%, 5,43% and 5,26% respectively.

In 2019, 3.99 % of the total Category III pupils, received a reduction in school fees, percentage similar to last year.

The decrease in the number of Category III pupils is reflected as well in the value of the total amount in euros of these reductions depicted in Table 10, below. In 2018/2019 the total revenue foregone has reached the amount of 523.904 €, (showing a slight increase of 25.635 euros compared to 2017/2018 for the whole system) , reduced by 31,00 % since 2014/2015. The Schools of Brussels II, Luxembourg II and Munich had no reduction in the school fees during 2018 / 2019 School year. The Schools that significantly reduced the granting of reduction in the system are the ones of Luxembourg I, Alicante and Brussels III in the level of -74,43%, - 69.50% and -66,71% respectively compared to the previous school year. On the other hand, the Schools of Brussels I, Frankfurt, Karlsruhe and Varese show an increase compared to previous year of 100%, 100%, 30,57% and 26,15% respectively. In total, in the whole system, a slight increase in reductions (+5,14%) is present compared to the previous school year.

Table 10. Reductions in school fees (euro) – 2014/2015 to 2018/2019

Schools	14/15	15/16	16/17	17/18	18/19	5 year change %	17/18 to 18/19 change %
Alicante	18,787	2,570	12,877	8,779	2,678	-85.75%	-69.50%

Bergen	107,631	109,627	96,721	90,947	73,623	-31.60%	-19.05%
Brussels I	28,234	4,628	9,499	0	2,330	-92%	100.00%
Brussels II	25,858	16,136	3,600	0	0	-100%	NA
Brussels III	8,538	8,963	4,196	8,290	2,759	-67.68%	-66.71%
Brussels IV	0	0	0	5,245	5,350	100.00%	2%
Culham	90,140	81,850	66,588	0	0	-100%	NA
Frankfurt	0	9,188	0	0	10,694	100.00%	100.00%
Karlsruhe	61,662	84,577	87,987	74,606	97,415	57.98%	30.57%
Luxembourg I	24,111	22,809	13,296	17,073	4,366	-81.89%	-74.43%
Luxembourg II	0	0	0	0	0	0	NA
Mol	258,321	258,548	234,140	216,364	227,601	-11.89%	5.19%
Munich	62,845	0	0	0	0	-100%	NA
Varese	73,181	82,890	80,019	76,965	97,088	32.67%	26.15%
Total	759,308	681,786	608,923	498,269	523,904	-31.00%	5.14%
Figures provided on 23/03/2020 by ICT Unit							

9.1.3 Unpaid invoices

The Financial Control Unit monitors the decision of the Board of Governors that, if the fees are not paid at the end of the school year, the pupils in question should not be admitted for the following year, unless the Administrative Board grants an extension for payment (of up to three months) if a duly substantiated request is submitted. The outstanding fees at September 2019, according to the information available at the time of writing of this report, have decreased in total by 23 % compared to the previous year, without taking into the account the figure for the School of Munich.

Concerning the written off amount for the period 2015-2018, it reached **246.972** euros, and **78.209 euros** have been written off during the year 2019. It should be mentioned that the overall written offs for 2019 show a decrease of 20.813 € in

absolute figures compared to the ones effected in the period April 2018 to February 2019 (99.022 €) in which the School of Brussels IV shows an increase of 14.100€. The Unit will further monitor the issue of outstanding fees and of the written offs in the Schools, in order to receive the necessary justification for the written off amounts still due at the beginning of each school year.

It should be mentioned that to write off amounts not received it is in practise generally a decision that is taken by the Administrative Board, based on appropriate justification provided by the School. Financial Control Unit has requested the corresponding justification by the Schools.

The deadline for the advance payment of 25% of the fees for the following school year is 30th June. This date is generally respected; in practice, payment by instalments is sometimes accepted, but not beyond the start of the new school year. In accordance with the decision by the Board of Governors payment of school fees in instalments is allowed having as an essential prerequisite the payment of the first instalment of 25% by 30 June for a new enrolment to take effect or for a previous enrolment to continue

Table 11 Uncollected school fees and amounts written off (euro)							
Schools	Outstanding in Sep. 15	Outstanding in Sep. 16	Outstanding in Sep. 17	Outstanding in Sep. 18	Outstanding in Sep. 19	Written off 2015-2018	Written off 2019
Alicante	34.336	33.699	35.676	33.975	40.881	20.737	1.848
Bergen	23.396	23.686	42.633	65.900	40.371	5.907	4.437
Brussels I	112.346	103.405	98.075	154.486	126.452	40.309	22.573
Brussels II	8.804	7.934	2.884	2.303	2.303	4.624	0
Brussels III	13.129	16.684	16.959	23.396	10.902	30.082	2.130
Brussels IV	16.539	41.401	32.951	5.672	14.367	5.937	14.100
Culham	6.045	157	4.488	0	0	0	0
Francfort	10.482	0	0	0	0	0	0
Karlsruhe	4.468	3.316	0	3.170	3.711	4.468	0

Luxembourg I	45.022	36.542	41.013	14.590	13.364	33.546	9.653
Luxembourg II	3.955	2.501	2.171	9.651	21.189	8.628	0
Mol	119.454	82.840	49.544	61.738	24.329	70.709	18.374
Munich	30.345	4.162	0	7.741	*Remark	137	0
Varese	25.430	8.173	1.750	5.094	0	21.887	5.094
Total	453.751	364.500	328.144	387.716	297.869	246.972	78.209
Figures for Outstanding 2015 – 2018 based on 2019-02-D-25-en-3 unless the schools notified that there is a change. Figures for Outstanding 2019 and Written off amounts provided by the Schools within Feb/Mar of 2020							

*Remark: For the School of Munich: figure for outstanding 2019 is explained in the following paragraph:

Regarding the situation of the School of Munich, based on the information provided and confirmed by the Deputy Director of Finance and Administration as of 31 March 2020, the outstanding school fees for 2019 reached the amount of **773.010,98** euros (that includes school fees and some additional charges). It was explained that the situation is mainly causing from the frequent changes of accountants in the School. The accountant, who was responsible for school invoices, was not able to manage the tasks and started long term sick leave from June 2019, and this accountant quitted the accountancy function in September 2019. Even though during the absence period of this accountant, there was a temporary staff employed through an external agency, the situation did not get improved due to insufficient experiences and supports. Until October 2019, another temporary accountant was employed, the new temporary accountant helped correcting mistakes in the past and created new invoices for the school, he received good comments from the School Director and the PWC consultants as well. The description of the situation explained the reason why there is a long delay of the issue of invoices and cause a huge amount of outstanding balance for the year 2019. The employment and working difficulties in accountancy function were informed in the Administrative Board meeting in September 2019. Besides, this problem was continuing to be discussed in the Administrative Board meeting in January 2020 as well.

Taken into account by 773.010,98 euros of the outstanding 2019 for the School of Munich, the total amount of outstanding revealed in table 11 (297.869 euros), will then be increased to 1.070.880 euros for the total amount of all the schools, it leads to a 176% increase compared to the previous year.

9.1.4 Other receipts

In the previous reports, attention was drawn to the cost of furniture and equipment at Brussels II, III and IV, which was charged to the budget although, in the view of the European Schools, it should have been provided free of charge by Belgium under the terms of the Agreement of 1962. The total amount requested by the Schools from 1995 onwards stood at over €1 million. In April 2006, the Board of Governors expressed the wish for an urgent resolution to this outstanding question. The Commission subsequently launched an infringement procedure in 2007 leading to an application to the European Court of Justice (ECJ) in 2009. In September 2010, the ECJ issued its judgement that it does not have the jurisdiction to rule on the matter. No information is available of further relevant action been adopted since this judgement.

It has been also reported for several years that, following a back-dated change in Belgian legislation on family allowances, a substantial payment was expected from Belgium to the Schools. As mentioned in these reports, the school of Mol served as a “test case” and, in accordance to the information provided by the at that time Bursar of the School, it was understood that the national authorities had accepted the form and content of the presentation of the data necessary to establish the amount payable, which were expected in early 2011, although not materialised. However, no written evidence has been found by the financial control unit about the concrete details of this matter, for which exist no information available of further relevant action been adopted during the last financial years.

10. Accounting and administrative procedures

10.1 in accordance with the reiterated recommendation of the European Court of Auditors, one of the main modifications made in the revision operated in the text of the Financial Regulation approved by the Board of Governors in December 2014 was the introduction of an accruals accounting system for the European Schools. As per the accounting framework, reference was included to internationally accepted accounting standards for the public sector. These principles were kept in the Financial Regulation of 5 September 2017 currently in force, where further convergence with the corresponding rules of the Financial Regulation applicable to the Budget of the EU was also achieved.

In order to assist the Schools in the process of closing the 2018 accounts under the new accounting framework, a consulting contract was in place with the company

Price Waterhouse & Coopers. In this framework, guidelines and templates were made available to the Schools to favour a harmonised approach in the closing of the 2018 accounts in line with the IPSASs (International Public Sector Accounting Standards). Moreover, an updated chart of accounts for the European Schools, in cooperation with the consultancy company PWC, was prepared with the main aim of introducing the accounts required for the purposes of the IPSASs adjustments, and was applicable as from the financial year 2019.

10.2 As far as payment procedures are concerned, Article 62 of the Financial Regulation of 5 September 2017 states, -in similar terms than the previous Financial Regulation of 2006-, that “(...) 3. *Payments shall be effected as a general rule through a bank account by electronic means (...). 4. Payments shall carry the signature on bank transfer orders of two authorised officials, one signature being necessarily that of the accounting officer, or an administrator of an imprest account. 5. By way of exception to the rule laid down in paragraph 4 in cases where an effective link is put in place between the accounting software and the electronic banking payment systems, payments may be executed with the sole signature of the accounting officer (...)*”

This principle is further developed in the Memorandum containing Guidelines for Segregation of Duties on Financial Circuits. The updated version released on 25 September 2018 (document 2018-09-M-2-en-1) –in similar terms than the original version issued in July 2015- determines that “(...) *The SAP system is linked to the online banking systems in all schools. The SAP system transfers payments processed via the transaction F110 and via the salary payment process automatically to the online banking software. Next to the payments that are initiated via SAP, it is still possible to introduce manually payments in the electronic payment system. The online banking systems do not distinguish between payments coming from SAP or manually introduced payments. This is why the current link can be regarded as automatic but not as effective. The requirements for executing payments with only one signature as defined in art. 62 FR 2017 are thus not fulfilled and each payment has to be signed by two signatures*”.

During the year 2017 the process of connection between SAP and the different electronic payment systems of the Schools was already completed. This was an important step forward in terms of mitigation of the risk of incorrect/irregular payments, although still cannot be considered as sufficient as to eliminate the rule of double signature. In effect, it is to be underlined, as explained in the mentioned Memorandum on Segregation of Duties, that since, according to the available

evidence, the architecture of ISABEL and of the other electronic payments systems already connected with SAP do not allow them to be configured in a way such as to accept only payments coming exclusively from the accounting software SAP (this is, to avoid thus the possibility of a payment manually introduced in ISABEL/other electronic payment systems), the rule of the two signatories needed for any payment is still kept as compulsory for the whole European Schools system, for reasons of security in payments.

Further analysis could be done about the fact whether the introduction of a SWIFT connection for payments (or an equivalent one), as in the European Commission, could be feasible in the future for the European Schools and the potential additional benefits/costs in comparison with the current system. In principle, the research made in the past on this regard did not appear to reveal this option as a reasonable approach for the European Schools, considering elements as the volume of costs involved and the complexity of maintenance.

It is to be finally highlighted that in the framework of the implementation of the centralised model for the accounting officer function, the centralisation of the second signature for all payments of the Schools has been progressively made effective as from the second half of 2019, in accordance with the Memorandum on Segregation of Duties on Financial Circuits (point XV) and point 12 of the Charter of Tasks and Responsibilities of the central accounting officer, of his/her assistants at the OSG and of the local accounting officers 'Correspondents', approved by the Board of Governors at its meeting of December 2018 (document 2018-10-D-67-en-3).

Further information on financial administration can be found in the latest report of the Court of Auditors, which was presented by the Court at the Board of Governors of December 2019 (document 2019-10-D-22-en-2), which gives a general overview of the accounts of the European Schools for 2018, together with observations arising from the on-site reviews carried out by the Court at the Schools of Bergen and Varese, and at the OSG.

As of 27 March 2020 reported by the project manager, the centralisation project is about to the stage of completion:

All SAP tasks were completed in 2019. Central accounting team was created and in full operation.



All Schools were planned to be live in first January 2020 with the new payment tool: ISABEL and done in all schools to reduce the bank account number to maximum two by each school.

Schools outside Belgium required a more complex solution (called mirror account) to be able to use the common Payment tool ISABEL using the SWIFT circuit instead of standard SEPA.

The following Schools are currently fully operational in ISABEL and payment is authorized centrally by the central accounting officer in OSG:

Belgium	Outside Belgium
OSG	Varese
Uccle	Alicante
Woluwe	Bergen
Ixelles	Karlsruhe
Laeken	Luxembourg
Mol	Mamer

Two schools have to be postponed due to external players not under project control:

- Frankfurt: should be migrated in near future
(commercial issues with their bank Commerzbank not really collaborative)
Status : waiting for Commerzbank ok to migrate
- Munich: date to be defined (due to personnel issue locally).
Status : waiting for a name of local approver in ISABEL.

10.3 Concerning the project related to the accounting software SAP, we could refer to the following main elements and the state of play:

- ✓ *Banking*: The link between the accounting software (SAP) and the electronic payment systems for the Schools is in place (detailed information is provided above under point 10.2).

- ✓ *Segregation of Duties*: The new configuration of SAP since November 2018 has been designed in a way that reflects the different roles in financial circuits as they are defined in the financial rules. The Financial Control (as of 1 January Internal Control Capability-Control) Unit validates, the internal control systems put in place by the Authorising Officers in order to provide reasonable assurance that financial transactions are authorised following appropriate segregation of duties of initiation and verification Article 20 of FR2006 in force until the end of December 2019). Any change on the mentioned structure has to obtain prior approval by the Unit.
- ✓ *Master Data*: They refer to all centrally stored data used by more than one application and several users / groups (e.g. Vendor master data, customer master data, bank accounts). The Central approval of Vendor and Customer financial Master Data is in place since November 2018 in accordance with the Memorandum of segregation of duties. Guidance was provided about what can be considered as valid supporting documentation for the processing of creation/modification of bank accounts. An overall review of the existing procedures on managing financial Master Data is under development.
- ✓ *Payments*: SAP was reconfigured so that the payment term field for vendors became mandatory.
- ✓ *Workflows*: The important topic of correct workflows in the system has been dealt with the configuration in SAP late 2018. All roles were reviewed and users were assigned to each one depending on their position in segregation of duties. Moreover, for a given transaction the same person can never intervene in two approval steps.

The workflow in place in SAP for revenues until the new configuration of SAP that went live in November 2018 was not fully in line with the financial rules, since according to the existing evidence all the relevant activity could be performed by the role of accounts receivable assistant (initiator).

For this reason, the Financial Control Unit requested for a paper based second level approval at the level of the School, at least done by the Authorising Officer, over the billing list to be generated, before the billing block that releases the document is removed. This billing list, also signed by the Authorising Officer, should be then sent to Financial Control, for possible ex-post controls on the matter. This remission of documents was however not followed by the Schools.

Another important development that addressed a previous weakness in the system concerns the non-possibility to modify attachments in a transaction after its' first approval and the fact that only new documents can be added after the first validation.

- ✓ Training: Training is considered an on-going process in order to achieve the highest possible degree of skills for the SAP end users. Trainings have taken place in October 2019 giving the opportunity to existing users to repeat it but also to the new staff entering the service to receive a complete training for their role. These trainings concerned the roles of Authorising Officers, Authorising Officers by delegation and Verificators.

Table 12 Total cost SAP project years 2013-2019

Services	2013	2014	2015	2016	2017	2018	2019
Education	23.218 €	416.376 €	-	-	-	-	-
Consulting Offers	1.068.848 €	2.244.465 €	1.184.524 €	350.745 €	782.578 €	809.308 €	29.141 €
Licenses/Maintenance	240.221 €	80.644 €	44.681 €	64.015 €	64.015 €	64.015 €	120.712 €
Total Cost	1.332.287 €	2.741.485 €	1.229.205 €	414.760 €	846.593 €	873.323 €	149.853 €

- Educational services/Trainings organized during 2019 were deployed and delivered by OSG's internal resources.
- Consulting services: For 2019 the cost refers to migration to SAP Azure.
- Licenses/Maintenance: Licenses referring to 2019 and 2020.

11. Conclusions and recommendations

The annual report, despite the above exhaustive analysis of several issues, focuses on a number of targeted priorities that should be at the core of action of all stakeholders in the European Schools dealing with financial matters.

It should be pointed out that, without prejudice to the important steps forward undertaken in 2019, several financial and administrative initiatives are still in progress in order to respond to the recommendations of the Internal Audit Service and of the Court of Auditors.

These targeted priorities are set out in the table below, which also notes the current state of play.

<p>1. Ex post controls by the central Internal Control Capability Unit-Control function.</p>	<p>A plan for ex-post controls after approval by the Authorising Officer of the European Schools should be implemented.</p> <p>The vacant posts need to be fulfilled in order for the Unit to be fully operational.</p>
<p>2. Procurement Procedures as required by the Financial Regulation.</p>	<p>Rules on procurement procedures should be respected. A proper plan of the needs in goods and services should be effected by the administrations of the Schools and by the Central Office.</p>
<p>3. Sufficient/proper (re)allocation of resources in the administration of the Schools</p>	<p>Certain Schools still appear to have exceptions in their segregation of duties in financial circuits. Appropriate (re) allocation of human resources should be made to ensure those exceptions do not occur.</p>
<p>4. Exceptions recorded throughout the financial year</p>	<p>Incidents creating an exception should be carefully analysed and appropriate action should be taken in order not to reoccur. Informative guidance was provided to the Schools in mid-2019 in this regard for a more effective follow-up. A central analysis and monitoring of the register of exceptions of the ES system should continue yearly, in the context of an effective internal control system.</p>
<p>5. Strict compliance with Article 54 of the Financial Regulation of 2017</p>	<p>The Schools and the Office should respect strictly the requirements under Article 54 of the Financial Regulation of 2017, related to commitments of expenditure and more particular to the prior existence of a budgetary</p>

	<p>commitment before entering into any legal obligation towards third parties. A memorandum has been issued early 2020 in this regard to strengthen the compliance and provide guidance in this sense.</p>
<p>6. The implementation of the budget must be based on Sound Financial Management.</p>	<p>The administration of the European Schools should pay particular attention to the proper utilization of appropriations based on the right prioritization, planning and justification of their needs.</p>
<p>7. Payment procedures.</p>	<p>In progress. The process to establish a link between SAP and the electronic payments systems was completed in 2017.</p> <p>In the framework of the centralization of the Accounting Officer function, a complete revision of the bank authorisations was made within the financial year 2019, to allow progressively the central execution of payments.</p> <p>Special attention should be paid in any case to the strict application of the rule of two signatures for payments, in line with Article 62 of the new Financial Regulation, the Memorandum on Segregation of Duties of September 2018 and the Charter of tasks and Responsibilities for the Accounting Officer function of December 2018. A Memorandum on Payment Procedures should be elaborated in the context of the centralized financial governance.</p>
<p>8. Management of school fees.</p>	<p>The Schools should apply strictly the rules for the exoneration procedures and should reduce the level of the outstanding school fees. High priority should be given to following up unpaid invoices, including the advance payment due before the start of the school year.</p>

	Special attention must be given to the procedure to write off amounts still due.
9. The Schools should continue to carry out careful checks to verify the status of pupils in Category I (pupils not subject to school fees).	Continuing.
10. The management of extra-budgetary accounts should be reviewed. A new Memorandum determining an harmonised approach should be issued.	Ongoing. Extra budgetary transactions should be recorded in the accountancy in line with Article 19 of the new Financial Regulation. The Memorandum as referenced under Article 19 of the Financial Regulation of 2017 has been developed and is under finalization and consultation with the main stakeholders.