



ANNUAL ACTIVITY REPORT 2005 – ANALYSIS AND ASSESSMENT

The Governing Board has assessed the report of the Director on results for the financial year 2005. It notes that the agency has:

- Continued to make progress in implementing its Mid-term perspective 2004-2006
- Implemented its 2005 Work Programme in line with the objectives and expected results agreed with its Governing Board. The report indicates that the ETF delivered 95% of the expected results defined in the Work Programme, of which 75% were delivered by the end of 2005, and a further 20% finalised in early 2006.
- Executed its activities within the resource framework adopted by the Board. In particular, the ETF committed over 98.54% of its annual subsidy of €18,500,000 from the Commission. In this context, the Board notes the benchmark of cost-effectiveness set by the ETF whereby over 80% of its revenue has been invested directly in operational activities and under 20% in administrative overhead costs.
- Maintained a high level of response to 127 requests from the Commission for services. The Board notes that this represents a slight reduction from the 169 requests in 2005, largely due to the programming transition between the current external relations instruments and the new ones expected to come into force in 2007. However, the Board also appreciates the 97% satisfaction rate expressed by Commission services on the ETF's response to requests.
- Continued to develop its expertise through scientific contributions to conferences, flagship publications, knowledge sharing and internal training initiatives.
- Consolidated its visibility and communication capacity through support to EU institutions, study tours and events for partner country stakeholders and the further improvement of its website. The Board noted that the ETF had directly involved 1,400 stakeholders in its activities and hosted over 450,000 visits to its website in 2005
- Maintained a high level of technical assistance to the Tempus programme involving the processing of over 2,500 applications, 1,800 reports and providing support to over 2,200 running projects
- Developed a pilot framework to enable donors, especially in Member States, to benefit from the expertise and products generated by the ETF. The Board looks forward to the results of the resulting project in 2006.

The Board welcomes the progress made by the Agency in assessing the risks deriving from the ETF's environment. The Board notes in particular, the risks which are endemic to the ETF's operational environment, and especially to the political instability its partner regions in 2005 which led to some delays in the execution of the work programme. The Board also acknowledged the risks arising from the ETF's complex financial management and governance environment. The Board requests that ETF puts in place an adequate system to mitigate its risks.

The Board appreciates the progress made by the ETF in its management and internal control systems. It also acknowledges the steps made by the ETF to resolve the Reservations on the management of operational finances and staff contracts made in the previous Annual Activity Report. However, the Board also notes the outcomes of the report from the Internal Audit Service and the 19 recommendations it makes to strengthen the ETF's management system. It welcomes the nomination of the ETF's internal audit capacity and calls on the ETF to address the issues raised by the Internal Audit Service in 2006 by implementing a dedicated action plan and through regular reporting to the Board.

The Board also acknowledged the final report from the ETF on the action plan from the 2002-03 external evaluation, and the steps taken by the organisation to address the observations made by the European Court of Auditors on the 2004 accounts. The Board looks forward to the results of the 2005-06 external evaluation and the Court's observations on the 2005 accounts to measure the progress made by the agency in these fields.

The Board welcomes the declaration by the Director of reasonable assurance that the resources assigned to the activities described in the 2005 Annual Activity Report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions. However, the Board also takes note of the reservations expressed by the Director regarding ETF's operational and financial management environment. The Director is called upon to put in place mechanisms to mitigate the risk arising from the reservations where necessary in consultation with the Commission. The Board asks the Director to report on progress in this field.

In the light of the above remarks, the Governing Board adopts the ETF Annual Activity Report 2005, subject to further clarifications on the draft provisional Accounts in Annex 5.1 and subject to the opinion of the European Court of Auditors on the Accounts. On these conditions the Governing Board requests that it be forwarded, together with this analysis, to the European Parliament, the Council, the Commission, the European Economic and Social Committee and the Court of Auditors.

Turin, 06 June 2006



Odile Quintin
Chair of the Governing Board