

CONSOLIDATED ANNUAL ACTIVITY REPORT 2018 - ANALYSIS AND ASSESSMENT

The Governing Board has analysed and assessed the Director's report on the results for the 2018 financial year as presented in the Consolidated Annual Activity Report.

ANALYSIS

The Consolidated Annual Activity Report records the achievement of the ETF's objectives for the year in accordance with the ETF Annual Work Programme 2018.

In 2018, the ETF successfully engaged partner countries in the reform of their human capital development systems with 86% of countries showing progress in the areas of qualifications, governance, employability, VET provision, entrepreneurial learning and policy analysis as measured by the qualitative Country Progress indicators (CPIs) annual assessment. The completion rate of the activities planned in the work programme was above target at 91%, reflecting a high level of planning and implementation discipline, but at the same time not compromising the Agency's ability to respond to the changing needs of the partner countries and respond to requests from the European Commission and EU delegations.

Part I of the report summarises the **objectives achieved** in the targetted thematic areas of the operational work carried out in the partner countries and confirms the **added value** of the ETF compared to other relevant actors from external evaluation findings. **Outcome indicators** with targets in each of the thematic areas confirm the successful achievement of the objectives in Annex 12 as well as the utilisation of resources in the activity based budget tables presented in Annex 8. Overall, the actual budget expenditure is in line with the planned resource allocation with very small variations in a few budget lines which can be justified by the adaption of the work programme implementation to respond to new requests, changing needs and priorities of the partner countries.

In the context of **support to the EU external policies** in the partner countries, the ETF has been involved in the identification, formulation, implementation, monitoring and evaluation of EU external programmes in skills and human capital development and employment amounting to approximately € 955 million, carried out through 106 targeted requests from EU services and Delegations. As in previous years, the ETF received positive feedback from EU services on the quality of ETF support with 100% of respondents confirming the quality and timeliness of ETF support.

The ETF contributed to **EU policy dialogue** in the regions in monitoring the progress of reforms in the **Enlargement** region through input to the monitoring of Riga mid-term deliverables (in close cooperation with Cedefop) and input to the Commission assessment of the national Economic Reform Programmes (ERPs, as a 'light' European Semester approach) and contributions to relevant bilateral Sub-Committees (Acquis Chapters 26 and 19) under the coordination of DGs NEAR and EMPL.

In the **Southern Eastern Mediterranean**, the ETF has continued to provide technical advice, including participation in steering committee meetings, during the inception and implementation phases of the Youth Employment for Mediterranean (YEM) regional project implemented by UNESCO.

In the **Eastern Partnership** countries, the ETF has been active in providing inputs for the meetings of Platform 4 and Platform 2 as part of the EU4Youth and EU4Digital steering committees and the Make it Match initiative, leading the work for the organization of the seminar for all Eastern Partnership countries on improving skills anticipation in the era of digital data and industry 4.0 and prepared the Eastern Partnership regional report to map youth school-to-work transition and review the youth policy framework and measures in the Eastern Partnership region.

In **Central Asia**, the ETF provided expert input to the actions of the Central Asia Education Platform (CAEP) under DG DEVCO.

The **‘Skills for the Future’** conference held in Turin in November, with more than 350 delegates from 50 countries, highlighted the specific challenges and opportunities for transition and development countries in addressing skills needs in the labour market through identifying sustainable and inclusive solutions for socioeconomic development and cohesion.

From a qualitative perspective the Governing Board acknowledges the findings and recommendations from the two evaluations commissioned by the ETF in 2018 on the Torino Process and the Meta-analysis of ETF evaluations (Annex 9). The meta-analysis concluded that the ETF was valued by stakeholders in the partner countries for the unique mix of competences and approaches used; the relevance and ability to deliver in several key areas of human capital development in countries in dynamic and unstable environments; and the high level of complementarity with EU external action policies and activities in the partner countries. The stakeholder consultation, conducted as part of the meta-analysis demonstrates the ETF commitment for accountability in using feedback from key stakeholders to develop the ETF strategy post-2020.

Part II of the Report details the internal controls that the ETF uses to ensure its effective and efficient functioning as an EU agency and notes in particular, the high level of achievement of the Key Performance Indicators (KPIs) which are in all cases, except for one, above target.

Of the €20,144,018 available for commitment appropriations in 2018, the ETF achieved:

- A commitment appropriation rate for subvention funds of 99.99% (99.93% in 2017) demonstrating that as it enters its 25th year of operation the ETF continues to perform very well on financial indicators, as underlined by the European Parliament in the latest discharge for 2017.
- A high level of financial management performance with both cancellation of payment appropriations and the total amount to be reimbursed at the best levels in the past six years:
- Rate of payment appropriations cancellation of 0.11%, a further improvement from 2017 of 0.29%;
- Rate of payments within deadline 93% (94% in 2017);
- Reduction in Carry Forward of 2.5%, a further improvement from 2.5% in 2017 and 3.1% in 2016, as well as in Reste a Liquider (RAL) at 27.8% substantially lower from (30.8% in 2017 and 30.3% in 2016)
- An efficiency indicator of 81.92% of staff directly supporting operations at a constant level as last year with 81.4% in 2016.
- The average vacancy rate of ETF staff in authorised posts at the end of 2018 was 1%, also an improvement from 3% in 2017,
- The Governing Board takes note of the staff engagement indicator which has remained at the same level at 55% compared to 56% in 2015, and the actions already put in place to address the situation.

An assessment of the outcomes of audits of ETF by the European Court of Auditors and the Internal Audit Service and ETF Audit team is included in Part II and indicates the Agency's high level of compliance with its regulatory framework, in particular financial and procurement procedures, and

100% incidence of recommendations implemented within agreed deadlines for three consecutive years.

The ETF's internal control system is in place and is functioning correctly, including internal transactional ex-post controls, risk management process, management self-assessment and procedure to register exceptions and/or control weaknesses. The register of exceptions resulted in 4 exceptions/non-compliances in 2018, with a combined value of €93,139.86, representing 0.46% of the total 2018 budget compared to 6 exceptions/non-compliances in 2017 (financial value of 0.24%). This exception is below the materiality threshold established by the ETF policy on materiality.

Details are also provided of the building blocks towards the Director's declaration of assurance that the ETF used the resources assigned to the activities described in the report for their intended purpose and in accordance with the principles of sound financial management. According to the ETF policy on materiality drawn up following the IAS recommendation¹, there are no reservations on ETF performance.

Given the high level of achievement of operational results and the positive outcomes of the annual review of the internal control system and organisational performance, the 2018 Consolidated Annual Activity Report concludes that there is reasonable assurance without reservation that the ETF used the resources for their intended purpose.

ASSESSMENT

The Governing Board takes note of the 2018 Consolidated Annual Activity Report and:

Recognises the overall high level of achievement of completion of ETF activities of 91% in 2018, and the timeliness in delivery of the Work Programme actions of 94% and the high quality of work concerning the fulfilling of the more than 100 requests from the European Commission, illustrating the high level of discipline in planning, but also the level of flexibility to respond to the challenging and dynamic environment in which ETF operates;

Notes the relevance and impact of the work of the ETF in the partner countries, in the reform of their human capital development systems as demonstrated by 86% of countries showing progress in the areas of qualifications, governance, employability, VET provision, entrepreneurial learning and policy analysis as measured by the annual assessment of the qualitative Country Progress Indicators (CPIs);

Encourages the continued involvement of the ETF in the identification, formulation, implementation, monitoring and evaluation of EU external aid programmes at the request of the European Commission and EU delegations;

Supports the evidence of the ETF's effectiveness and added value to partner countries in implementing their policy reforms as confirmed in the Consolidated Annual Activity Report and by the external evaluations. The Board encourages the ETF to implement the recommendations and action plans of each of the evaluations;

¹ Final Report on the Audit of "Building Blocks of Directors Declaration of assurance with the ETF". IAS.A-2009-W ETF-001

Commends the ETF's efforts to disseminate its activities and actively consult and engage with stakeholders in partner countries, the EC and EU member states and international development actors through online surveys, workshops and events ;

Welcomes the efforts made by the ETF to increase its outreach, notably through the #Skills4Future conference and the use of digital media and live interactions on social platform ;.

Appreciates the ETF's continued active engagement with other EU agencies in particular Cedefop and Eurofound;

Acknowledges the overall achievement in organisational performance in respect of the Key Performance Indicators;

Commends the Agency for the sustained high level of performance in resource management in terms of commitment and payment and calls on the ETF to maintain its performance in this regard;

Takes account of the comprehensive internal control system put in place by the ETF, which has concluded that ETF has no reservations or critical issues to report for 2018;

Stresses the importance of ensuring adequate staff and financial resources allowing the Agency to implement its tasks;

The Board confirms that the information provided in the report gives the Governing Board reasonable assurance that the resources assigned to the ETF in 2018 have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

In light of the above, the Governing Board adopts the ETF Consolidated Annual Activity Report 2018, and requests that it is forwarded, together with this analysis and assessment, to the European Parliament, the European Council, the European Commission, the European Economic and Social Committee and the Court of Auditors.