

## **ANNUAL FINANCIAL STATEMENTS**

**RELATING TO THE OPERATIONS UNDER THE 2005 BUDGET  
OF THE EUROPEAN TRAINING FOUNDATION**

The ETF is one of the European Community agencies, whose mission is to assist partner countries in developing quality education and training systems and in putting them into practice.

The ETF also assists the European Commission in the implementation of the Tempus Programme.

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# GLOSSARY

<b>Accounts payable</b>	<i>An organisation's current payables due within one (1) year. Accounts payable are current liabilities.</i>
<b>Accrual accounting</b>	<i>Accounting methodology based on the use of the generating events for recording a transaction (following the adoption of the new Financial Regulation), i.e. transactions and other events are recognised when they occur (and not only when cash or its equivalent is received or paid)</i>
<b>Assets</b>	<i>Assets are owned by an individual or an organisation, which have commercial or exchange value. Assets may consist of specific property or claims against others.</i>
<b>C1/Current credit appropriations</b>	<i>Current year approved credits or funds set aside for current year operations and activities</i>
<b>C8/Carried forward</b>	<i>Automatically carried-forward credits. Carry over of credits committed but not paid during the previous exercise, also called "Reste à liquider" (RAL) standing for "remainder credits to be paid".</i>
<b>Cash accounting</b>	<i>Accounting methodology based on cash flows, i.e. transactions are recognised when cash is received or paid.</i>
<b>Convention</b>	<i>Conventions are considered agreements between the European Commission and ETF</i>
<b>Current asset</b>	<i>The group of assets considered being liquid, in that they can be turned into cash within one (1) year. Balance sheet line items include: cash, accounts receivable and inventory.</i>
<b>Current liability</b>	<i>Current liabilities are liabilities to be paid within one year of the balance sheet date.</i>
<b>Financial Statements</b>	<i>Written reports which quantitatively describe the financial health of an organisation. They comprise an Economic outturn account (equivalent to a profit and loss statement), a balance sheet, a cash flow statement, a statement of changes in capital and explanatory notes.</i>
<b>Imprest account</b>	<i>Bank accounts and/or cash used for the payment of low value expenses.</i>
<b>Liability</b>	<i>A financial obligation, debt, claim or potential loss.</i>
<b>R0/Earmarked funds</b>	<i>Funds received from other than the European Commission for a specific purpose.</i>



# 1. INTRODUCTION

## Basis for preparation

The objectives of financial statements are to provide information about the financial position, performance and cash flows of the European Training Foundation (hereinafter ETF) that is useful to a wide range of users.

The ETF has moved from a cash based accounting to an accrual based one, implemented as of the opening of the financial year 2005.

The financial statements, which follow, have been prepared as of 2005 according the accounting rules adopted by the European Commission's accountant, following the principles of accrual based accountancy where the economic outturn, balance and cash flow are concerned. For further information on accounting rules and principles refer to Section V, notes to the financial statements. The budget execution is prepared on the basis of a modified cash accounting. Further information on the basis for budgetary data can be found in Section VI, notes on budget execution and financial management.

The accounting policies have been applied consistently throughout the period. The financial figures of 2004 are not comparable with those presented for year 2005, due to changes in the opening balance 2005 according accrual accounting principles, where the closing balance 2004 was still according to cash based accounting.

Where convention funds were previously shown only in an Annex to the Financial Statements as of 2005 these funds are fully integrated in the financial statements.

## Reporting entity

These financial statements are for the ETF, a public sector entity established by the European Council Regulation 1360/90 of 7 May 1990.

The ETF's principal activity is to provide services to the European Commission and to a number of partner countries of the European Union in the support of the reform of vocational education and training systems.

The ETF receives an annual subsidy from the general budget of the Commission and can also receive contributions from other public and private organisations as well as from Governments. The ETF is entrusted with the management of other funds by the Commission, for the implementation of the Tempus Programme and other vocational education and training projects under the CARDS (Western Balkans), Tacis (Eastern Europe and Central Asia) and MEDA (Mediterranean region) programmes.

## 2. SUMMARY DATA

### Economic outturn account

The result of 2004 is not comparable with the result of 2005 because the methodology for calculation of expenditure as of 2005 has changed. This is due to the application of accrual based accountancy. As a result the economic outturn account 2004 has not been included above.

### Balance sheet

Additional information on the balance sheet as of 1<sup>st</sup> January 2005 has been included below. This is due to the fact that the data from 2004 would effectively appear differently with the application of accrual based accountancy. The reference values for 31<sup>st</sup> December 2005 are those of 1<sup>st</sup> January 2005

### Statement of cash flow

The difference in cash at year end 2004 and the cash at beginning 2005 is due to the fact that ETF integrated data on its outstanding conventions during 2005.

### Budget outturn

The budget outturn refers to the difference between payments credits made available and payments executed.

<b>a. Economic outturn account - Table 1</b>	<b>31/12/2005</b>		
Operating revenue	26,326,037.58		
Administrative and operational expenses	-26,112,398.26		
Non operating activities	-834.37		
Outturn for the year	212,804.95		

<b>b. Balance sheet - Table 3</b>	<b>31/12/2005</b>	<b>01/01/2005</b>	<b>31/12/2004</b>
Intangible fixed assets	3,213,993.87	3,380,177.42	3,364,664.37
Tangible fixed assets	212,532.36	250,074.83	151,633.35
Stocks	36,501.11	75,837.49	0.00
Current assets - Short term pre-financing	1,266,274.16	1,631,710.02	0.00
Current assets - Short term receivables	174,205.08	65,401.24	25,664.22
Cash account	23,664,596.55	23,169,979.81	1,582,651.56
	<b>28,568,103.13</b>	<b>28,573,180.81</b>	<b>5,124,613.50</b>
Capital	3,670,495.32	3,457,690.37	2,757,375.04
Provision for risks and liabilities	205,000.00	205,000.00	0.00
Employee benefits	132,451.67	104,000.00	0.00
Accounts payable	24,560,156.14	24,806,490.44	2,367,238.46
	<b>28,568,103.13</b>	<b>28,573,180.81</b>	<b>5,124,613.50</b>

<b>c. Statement of cash flow - Table 4</b>	<b>31/12/2005</b>		<b>31/12/2004</b>
Cash at beginning of the year	23,169,979.81		722,284.46
Increase in cash	494,616.74		860,367.10
Cash at end of the year	23,664,596.55		1,582,651.56

<b>d. Budget outturn - Table 6</b>	<b>31/12/2005</b>		<b>31/12/2004</b>
Revenues	23,251,879.84		18,479,824.88
Expenditures	-22,807,895.32		-18,121,616.91
Outturn for the year	<b>443,984.52</b>		<b>358,207.97</b>
Balance carried over previous year	-758,922.68		-1,317,732.02
Appropriations carried over and cancelled	387,801.79		204,409.92
Changes in Capital	0.00		0.00
Exchange gains/losses	1,452.30		-3,808.55
<b>Balance for the financial year</b>	<b>74,315.93</b>		<b>-758,922.68</b>

### **3. GOVERNING BOARD AND MANAGEMENT TEAM**

#### **The Governing Board**

The ETF is governed by a Board comprising one representative for each of the EU Member States, plus observers from the candidate countries and representatives from the European Commission - which also chairs the meetings.

This Governing Board convenes twice a year, normally in Turin. It is responsible for adopting the draft annual Work Programme of the ETF and its budget, subject to the approval of the European Parliament in the context of the overall European Union budget.

#### **Meeting held on 14 June 2005**

Governing Board members were updated by Commission services on developments in EU policies and programmes which are relevant to ETF and which will influence the future role of the organisation. The Board also discussed current trends in ETF activities and organisational developments following an oral report by the ETF's Director.

The Board confirmed the main achievements of the ETF in 2004 in comparison with the objectives set in its planning perspectives for ETF 2004-2006 and the Annual Work Programme 2004 by adopting the Annual Activity Report 2004 and its own analysis and assessment of the Report.

The meeting also featured a presentation of the Foundation's Year Book which is a main knowledge sharing and expertise development instrument for ETF. The 2005 Year Book focuses on Teachers and Trainers: Professionals and Stakeholders in the reform of Vocational Education and Training.

The meeting was closed after a number of tributes by the Chairman and other members of the Board to the contribution of Mr Ulrich Hillenkamp over the last 10 years as Deputy Director of ETF.

#### **Meeting held on 29 November 2005**

The Board examined and adopted ETF's draft budget and Work Programme for 2006. The final adoption of the budget and work programme will depend on the decision of the budgetary authority on the overall budget of the European Union for next year.

The Board adopted the revised Rules of Procedure for the Governing Board. These changes bring the activities of the Governing Board in line with recent changes in the ETF's Council Regulation deriving from its Financial Regulation.

The Board adopted the revised Rules of Procedure for ETF Advisory Forum. These changes bring the work of the Advisory Forum in line with the new role of the Advisory Forum agreed with the Governing Board in March 2004.

Finally, Board Members marked the resignation of its chair, Mr Van der Pas, who has taken up new duties as Director General of DG Employment in January 2006. Ms Odile Quintin has taken over as Director General of DG Education and Culture and Chair of ETF Governing Board from January 2006.

## ETF Structure

At the beginning of the year, ETF was organised on a geographical basis with three departments covering the future Member States and the Western Balkans; Eastern Europe, the Caucasus and Central Asia; and the Mediterranean region. A separate department provided technical assistance to the Commission for the implementation of the Tempus programme.

During the year, in response to similar exercises within the Commission, ETF launched an internal re-organisation in preparation for the emerging external relations instruments due to come into force in 2007. In parallel, ETF opted to merge its operational staff into single team-based department to benefit from greater flexibility in deploying its specific expertise and to reinforce knowledge sharing. Sandra Stefani has been appointed as new Head of the Operations Department. As of the 1st of July 2005; she has been responsible for all ETF operational activities and member of the Senior Management Team at the ETF.

Underpinning all ETF operations is the Planning, Monitoring and Evaluation Unit, the Administrative and Central Services Department and the External Communications Unit that provide technical and administrative support to the whole organisation. The main structure was as follows:



Other staff members may be asked to attend the MT according to the topics under discussion.

## 4. FINANCIAL STATEMENTS 2005

at 31 December 2005

### 1. Economic outturn account

	<b>2005</b>
Operating revenue	26,326,037.58
<i>Operating revenue - Commission subsidy</i>	<i>18,483,545.94</i>
<i>Operating revenue - Italian Trust Fund</i>	<i>479,231.55</i>
<i>Operating revenue - ETE MED</i>	<i>5,000,000.00</i>
<i>Operating revenue - Tempus TA 2004/05</i>	<i>2,363,260.09</i>
<b>Total operating revenue</b>	<b>26,326,037.58</b>
Administrative expenses	-13,875,890.80
Staff expenses	-11,784,717.03
Fixed asset related expenses	-362,039.07
Other administrative expenses	-1,729,134.70
Operational expenses	-12,236,507.46
<i>Operational expenses - Commission subsidy</i>	<i>-4,394,015.82</i>
<i>Operational expenses - Italian Trust Fund</i>	<i>-479,231.55</i>
<i>Operational expenses - ETE MED</i>	<i>-5,000,000.00</i>
<i>Operational expenses - Tempus TA 2004/05</i>	<i>-2,363,260.09</i>
<b>Total administrative and operational expenses</b>	<b>-26,112,398.26</b>
<b>Surplus from operating activities</b>	<b>213,639.32</b>
Financial expenses	-834.37
<b>Deficit from non operating activities</b>	<b>-834.37</b>
<b>Surplus from ordinary activities</b>	<b>212,804.95</b>
<i>Surplus/(deficit) from extraordinary items</i>	<i>0.00</i>
<b>Economic result of the year</b>	<b>212,804.95</b>

## 2. Statement of changes in capital

Capital	Accumulated Surplus / Deficit	Economic result of the year	Capital (total)
<b>Balance as of 31 December 2004</b>	<b>2,757,375.04</b>		<b>2,757,375.04</b>
Changes in accounting policies	700,315.33		700,315.33
<i>Adjustments - Eliminations of budgetary items (Carry forward)</i>	1,537,855.35		1,537,855.35
<i>Adjustments - Fixed assets and stocks</i>	189,792.02		189,792.02
<i>Adjustments - Prefinancing</i>	1,631,710.02		1,631,710.02
<i>Adjustments - Accounts payable (re-evaluation prefinancing)</i>	-1,447,720.52		-1,447,720.52
<i>Adjustments - Accounts payable (re-evaluation carry forward)</i>	-960,272.58		-960,272.58
<i>Adjustments - Eliminations of budgetary items (earmarked revenues)</i>	651,484.84		651,484.84
<i>Adjustment - Neutralisation of the revenue cashed</i>	-651,484.84		-651,484.84
<i>Adjustments - Sundry payable (holidays not taken)</i>	-104,000.00		-104,000.00
<i>Adjustments - Deferrals and accruals</i>	34,197.36		34,197.36
<i>Adjustments - Current receivables</i>	23,753.68		23,753.68
<i>Adjustments - Other (provision legal case)</i>	-205,000.00		-205,000.00
Fundamental errors			0.00
Other revaluations			0.00
Reclassifications	0.00		0.00
Economic result of the year 2005	0.00	212,804.95	212,804.95
<b>Balance as of 31 December 2005</b>	<b>3,457,690.37</b>	212,804.95	<b>3,670,495.32</b>

NB: The ETF holds no reserves

### 3. Balance sheet at 31 December 2005, 1 January 2005 and 31 December 2004

ASSETS	31/12/2005	01/01/2005	31/12/2004	LIABILITIES	31/12/2005	01/01/2005	31/12/2004
<b>A. NON CURRENT ASSETS</b>				<b>A. CAPITAL</b>			
Intangible fixed assets				Accumulated surplus/deficit	3,457,690.37	3,457,690.37	<b>3,516,297.72</b>
Occupational right	5,000,000.00	5,000,000.00	5,000,000.00	Economic result of the year	212,804.95		<b>-758,922.68</b>
Software licenses	209,080.02	180,126.90	174,066.90	<b>TOTAL CAPITAL</b>	3,670,495.32	3,457,690.37	<b>2,757,375.04</b>
Depreciation	-1,995,086.15	-1,799,949.48	-1,809,402.53	<b>C. NON CURRENT LIABILITIES</b>			
<b>Subtotal</b>	<b>3,213,993.87</b>	<b>3,380,177.42</b>	<b>3,364,664.37</b>	Provision for risks and liabilities			
Tangible fixed assets				Legal cases	205,000.00	205,000.00	<b>0.00</b>
Equipment and furniture	227,603.97	287,738.06	287,738.06	<b>TOTAL NON CURRENT LIABILITIES</b>	205,000.00	205,000.00	<b>0.00</b>
Computer equipment	1,254,831.92	1,191,693.72	1,189,349.22	<b>D. CURRENT LIABILITIES</b>			
Depreciation	-1,269,903.53	-1,229,356.95	-1,325,453.93	Employee benefits	132,451.67	104,000.00	<b>0.00</b>
<b>Subtotal</b>	<b>212,532.36</b>	<b>250,074.83</b>	<b>151,633.35</b>	Accounts payable			
<b>TOTAL NON CURRENT ASSETS</b>	<b>3,426,526.23</b>	<b>3,630,252.25</b>	<b>3,516,297.72</b>	Current payables	3,500,409.57	2,416,228.36	<b>43,015.29</b>
<b>B. CURRENT ASSETS</b>				Carry forward 2004 -> 2005 <sup>1</sup>	0.00	0.00	<b>1,537,855.35</b>
Stocks				Carry forward 2004 -> 2005 Italian Trust Fund <sup>1</sup>	0.00	0.00	<b>651,484.84</b>
Publications	36,501.11	75,837.49	0.00	Sundry payables	135,284.89	133,911.43	<b>133,999.09</b>
<b>Subtotal</b>	<b>36,501.11</b>	<b>75,837.49</b>	<b>0.00</b>	Deferral and accruals	665,408.19	652,368.73	<b>883.89</b>
Short-term pre-financing				Prefinancing received from consolidated EC entities	5,833,547.72	18,010,849.91	0.00
Short-term pre-financing	1,266,274.16	1,631,710.02	0.00	Other accounts payable against consolidated EC entities	14,425,505.77	3,593,132.01	<b>0.00</b>
<b>Subtotal</b>	<b>1,266,274.16</b>	<b>1,631,710.02</b>	<b>0.00</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>24,692,607.81</b>	<b>24,910,490.44</b>	<b>2,367,238.46</b>
Short-term receivables							
Current receivables	48,364.05	23,753.68	23,753.68				
Sundry receivables	67,591.53	0.00	0.00				
Other	51,070.88	34,197.36	1,910.54				
<b>Short-term receivables with consolidated entities</b>	<b>7,178.62</b>	<b>7,450.20</b>	<b>0.00</b>				
<b>Subtotal</b>	<b>174,205.08</b>	<b>65,401.24</b>	<b>25,664.22</b>				
<b>Cash and cash equivalents</b>							
Bank accounts	23,664,146.55	23,167,361.11	1,580,032.86				
Imprest account	450.00	2,618.70	2,618.70				
<b>Subtotal</b>	<b>23,664,596.55</b>	<b>23,169,979.81</b>	<b>1,582,651.56</b>				
<b>TOTAL CURRENT ASSETS</b>	<b>25,141,576.90</b>	<b>24,942,928.56</b>	<b>1,608,315.78</b>				
<b>TOTAL</b>	<b>28,568,103.13</b>	<b>28,573,180.81</b>	<b>5,124,613.50</b>		<b>TOTAL</b>	<b>28,568,103.13</b>	<b>28,573,180.81</b>
							<b>5,124,613.50</b>

<sup>1</sup> As of 2005 the item carry forward is no longer used

#### 4. Statement of cash flow

<b>Cash Flows from operating activities</b>	<b>2005</b>
Surplus from operating activities	213,639.32
Adjustments	
Amortization (intangible fixed assets) +	195,136.67
Depreciation (tangible fixed assets) +	166,902.40
Increase in employee benefits	28,451.67
Decrease in value reduction for doubtful debts	3,415.69
Decrease in stock	39,336.38
Decrease in short term pre-financing	365,435.86
Increase in short term receivables	-112,491.11
Decrease in receivables related to consolidated EC entities	271.58
Decrease in accounts payable	1,098,594.13
Increase in liabilities related to consolidated EC entities	-1,344,928.43
Loss on sale of property, plant and equipment	451.25
<i>Net cash flow from operating activities</i>	<i>654,215.41</i>
Cash flows from investing activities	
Purchase of tangible and intangible fixed assets (-)	-158,764.30
<i>Net cash flow from investing activities</i>	<i>-158,764.30</i>
Financing activities	
Financial expenses	-834.37
<i>Net cash flow from financing activities</i>	<i>-834.37</i>
Net increase in cash and cash equivalents	494,616.74
<i>Cash and cash equivalents at the beginning of the period</i>	<i>23,169,979.81</i>
<i>Cash and cash equivalents at the end of the period</i>	<i>23,664,596.55</i>

The cash flow analysis 2005 can not be compared with the cash flow analysis 2004. The change from cash based accountancy to accrual based accountancy does not allow for a year on year comparison.

Where operating activities are concerned, ETF holds no provision for long term liabilities, receivables, pre-financing and extraordinary items.

Where investing activities are concerned ETF had no revenue related to proceeds from fixed assets, financial activities or reclassification.

## 5. Budget outturn account

	31/12/2005	31/12/2004
<b>Revenue</b>		
EC subsidy	18,500,000.00	17,600,000.00
Other donors - Italian Ministry Foreign Affairs	479,231.55	800,000.00
Other donors - EC - ETE MED convention	2,500,000.00	0.00
Other donors - EC - Tempus TA 2004/05 convention	1,739,104.04	0.00
Miscellaneous revenue	33,544.25	79,824.88
<b>Total revenue (a)</b>	<b>23,251,879.84</b>	<b>18,479,824.88</b>
<b>Expenditure</b>		
<i>Staff - Title I of the budget</i>		
Payments	11,309,760.87	11,121,967.10
Appropriations carried forward	477,594.00	122,768.09
<i>Administration - Title II of the budget</i>		
Payments	1,232,309.16	1,212,795.76
Appropriations carried forward	326,220.59	247,130.61
<i>Operating activities - Title III of the budget</i>		
Payments	2,818,340.84	3,448,998.70
Appropriations carried forward	1,925,334.27	1,167,956.65
<i>Earmarked funds - Title IV</i>		
Payments	123,005.87	260,126.31
Appropriations received - not paid in 2005	356,225.68	539,873.69
<i>EC - ETE MED convention - Title V</i>		
Payments	135,432.60	0.00
Appropriations received - not paid in 2005	2,364,567.40	0.00
<i>EC - Tempus TA 2004/05 convention - Title VI</i>		
Payments	677,042.12	0.00
Appropriations received - not paid in 2005	1,062,061.92	0.00
<b>Total expenditure (b)</b>	<b>22,807,895.32</b>	<b>18,121,616.91</b>
<b>Budget out-turn for the financial year (a-b)</b>	<b>443,984.52</b>	<b>358,207.97</b>
<b>Balance carried over from the previous financial year</b>	<b>-758,922.68</b>	<b>-1,317,732.02</b>
<b>Appropriations carried over and cancelled</b>	<b>387,801.79</b>	<b>204,409.92</b>
<b>Reimbursements to the European Commission</b>	<b>0.00</b>	<b>0.00</b>
<b>Changes in capital</b>	<b>0.00</b>	
<b>Exchange-rate differences</b>	<b>1,452.30</b>	<b>-3,808.55</b>
<b>Balance for the financial year</b>	<b>74,315.93</b>	<b>-758,922.68</b>

## 6. Reconciliation budget outturn versus economic outturn

	2005	2004
<b>Budgetary outturn</b>	<b>443,984.52</b>	<b>-758,922.68</b>
<b>Impact of budgetary result</b>	<b>443,984.52</b>	<b>-758,922.68</b>
<b>Impact of purchase of fixed assets and depreciation</b>	<b>-203,726.02</b>	<b>113,954.53</b>
Purchase of intangible fixed assets	28,953.12	6,060.00
Purchase of tangible fixed assets	129,811.18	2,344.50
Disposals of tangible fixed assets	-126,807.07	0.00
Depreciation	-362,039.07	105,550.03
Disposals on depreciation	126,355.82	0.00
<b>Impact of the activation of some items</b>	<b>-39,336.38</b>	<b>75,837.49</b>
Stock	-39,336.38	75,837.49
<b>Impact of accrued expenses of the year</b>	<b>386,215.41</b>	<b>761,572.27</b>
Carry overs	373,513.76	577,582.77
Accrued expenses on pre-financing	12,701.65	183,989.50
<b>Reversal of previous year accrued expenses</b>	<b>-761,572.27</b>	
Carry overs	-577,582.77	
Accrued expenses	-183,989.50	
<b>Creation of provisions</b>	<b>0.00</b>	<b>-205,000.00</b>
<b>Cancellation of provisions</b>	<b>0.00</b>	<b>0.00</b>
<b>Negative budget result previous years</b>		<b>758,922.68</b>
<b>Other impacts</b>	<b>331,298.38</b>	<b>3,470,248.76</b>
Deferred expenses	51,070.88	34,197.36
Italian Ministry of Foreign Affairs	0.00	0.00
Pre-financing received from EC entities	0.00	0.00
Sundry payables	-132,451.67	-104,000.00
Sundry receivables	24,877.38	23,753.68
Reclassifications	0.00	3,516,297.72
Cancelled carry forwards	387,801.79	0.00
<b>Result to be paid back to DG EAC</b>	<b>74,315.93</b>	
<b>Total adjustments</b>	<b>231,179.57</b>	<b>4,216,613.05</b>
<b>Economic result</b>	<b>212,804.95</b>	<b>3,457,690.37</b>

## 7. Bank balances

	31.12.2005	Consolidated 31.12.2004
<b>ETF</b>		
ETF domestic Euro	982,701.63	9,603.88
ETF Euro	1,951,348.62	877,941.67
ETF Italian Ministry Foreign Affairs	701,301.30	692,487.31
ETF Imprest account	450.00	2,618.70
	<b>3,635,801.55</b>	<b>1,582,651.56</b>
<b>VET conventions</b>		
Royamount	18,208.75	17,888.73
BI-98.01	0.00	39,313.11
	<b>18,208.75</b>	<b>57,201.84</b>
<b>ETE MED convention</b>		
ETE MED	2,397,266.87	0.00
	<b>2,397,266.87</b>	<b>0.00</b>
<b>Tempus Technical Assistance conventions</b>		
Tempus TACIS TA 2002	322,824.33	317,038.45
Tempus CARDS TA 2002	276,574.01	271,600.28
Tempus MEDA TA 2003	49,391.48	48,523.50
Tempus TA CARDS/MEDA/TACIS 2003-2004	669,594.76	1,217,990.54
Tempus TA CARDS/MEDA/TACIS 2004-2005	1,070,028.71	0.00
	<b>2,388,413.29</b>	<b>1,855,152.77</b>
<b>Tempus projects</b>		
Tempus Cards/Phare grants	7,541,524.28	10,026,835.06
Tempus Tacis grants	7,602,494.90	9,547,211.09
Tempus Meda grants	80,886.91	100,927.49
	<b>15,224,906.09</b>	<b>19,674,973.64</b>
<b>Total</b>	<b>23,664,596.55</b>	<b>23,169,979.81</b>

Conventions are agreements between the Commission and the ETF. These funds are of a multi-annual nature. They have no impact on the economic result for the ETF since they are paid to final beneficiaries or reimbursed to the Commission if they are unspent. The funds will appear in the balance under accounts payable. This also applies to gained interest. Please note that in the future, Tempus activities will decrease further, as the Commission executes payments related to Tempus projects directly from Brussels.

## 5. Notes to the financial statements

at 31 December 2005

### ***Accounting rules and principles***

The accounting principles adopted are in line with the associated provisions of the Financial Regulation of the ETF, adopted by the Governing Board of the ETF on 7 January 2003 and supplemented by the Implementing Rules adopted on 8 September 2003.

The basis for the ETF's accounting rules are those applied by the European Commission. These are established in respect to international accounting standards for the public sector (IPSAS) and published by the International Federation of Accountants (IFAC).

As from 2005 the accounts are presented on an accruals basis as opposed to a cash basis. Accrual basis is a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate. The elements recognized under accrual accounting are assets, liabilities, net assets/equity, revenue and expenses.

### ***Conversion into Euro***

The ETF budget is drawn up and implemented in euro and the accounts are presented in euro. A limited number of operations are converted to national currencies using the euro rates as published in the C series of the Official Journal of the European Communities and in accordance with the regulatory provisions on the issue. All budgetary and legal commitments are established in Euro.

### ***Components of the financial statements***

The financial statements include the following components:

1. Economic outturn account;
2. Statement of changes in capital;
3. Balance sheet;
4. Statement of cash flow.

The following statements are provided to give an additional contribution to the presentation of a true and fair view:

5. Budget outturn account;
6. Reconciliation budget outturn versus economic outturn;
7. Bank balances

#### **1. Economic outturn account**

The economic outturn account is equivalent to a 'Profit & Loss Statement'. It shows income, expenses, and net income/loss of the year i.e. the 'economic result'. The latter is determined by subtracting total expenses from total revenue. This difference is increased or reduced by the economic results of previous years and in particular the amounts paid back to the Commission.

### ***Operating revenue***

The revenue is accounted for when established. This means for the Commission subsidy at the moment of the approval of the annual budget or upon contract signature for other Commission funding. As regards non Commission funding, the revenue is established only upon receipt of payment.

The operating revenue is composed as follows:

- The Commission Annual Subsidy

The revenue associated with the Commission subsidy comprises the annual subvention from the Commission for an amount of Euro 18.500.000, minus the amount to be reimbursed i.e. Euro 74.315,93,

giving a total of Euro 18.425.684,07. To this accrued miscellaneous revenues for Euro 57.861,87 are added. These revenues are related for example to funds recovered from contractors and exchange rate income. The total amount of subsidy is therefore Euro 18.483.545,94.

The Commission subsidy comes from lines B7 664 (external relations activities) and B7 033 (enlargement activities) of the general budget of the CEC.

- Other operating revenue

Contributions from the Italian Trust Fund, the European Commission for the ETE MED project and the European Commission for the Tempus Technical Assistance 2004/05 project. This kind of funding is referred to as earmarked funds or earmarked revenue.

### ***Administrative and operational expenses***

For the purposes of calculating the result for the financial year, expenditure refers to payments made using payment appropriations of the same financial year, to which are added the accrued expenses on commitments of the same financial year that are carried forward to the following financial year.

The payments recorded in the accounts are those authorised and made by the accounting officer before 31 December 2005.

Appropriations are generally only carried forward to the following financial year, except in the case of earmarked funds. Appropriations for earmarked funds can be carried forward until the end date of the related agreement.

Carry forward is automatic where there is an outstanding legally binding commitment. Should this not be the case, eventual carry forward related to the ETF subsidy, are subject to the prior authorisation of the Governing Board.

Expenditure is sub-divided by typology into administrative, operational, financial and payments associated with the earmarked funding.

- Administrative expenses include 1) payments associated with staff including accrued expenditure associated with staff holidays not taken within the year 2) costs associated with stocks and fixed assets including depreciation, and 3) other administrative expenditure notably related to infrastructure and equipment, including exchange rate losses.
- Operational expenditure is in the main, associated with the execution of ETF's work programme. It includes the amounts associated with the execution of the projects that are financed outside of the ETF's annual subvention i.e. the earmarked funding.
- Financial expenses comprise bank charges and roundings.

## **2. Statement of changes in capital**

In general, the statement of changes in capital comprises only the economic result of the year. However, due to the change in methodology in accounting, the opening balance 2005 resulted in extraordinary changes in the capital as of 31 December 2004.

The following adjustments are due to changes in accounting policy for a total amount of €700,315.33:

- Automatic carry forwards are eliminated as a budgetary item, where the estimation of expenses related to 2005 on automatic carry forwards is introduced against accounts payable. The result of this change is €1,537,855.35 for eliminated carry forwards and -€960,272.58 for the estimated expenses related to 2005.
- Fixed assets and stocks are combined and appear as one asset with a single net value. The depreciation method has changed from annual depreciation into monthly depreciation. This results in a total change of €189,792.02

- Pre-financing is eliminated as a budget expense item and is introduced against assets under the title "short-term pre-financing", where the estimation of work completed in 2005 is introduced under accounts payable. The result of this change is €1,631,710.02 for pre-financing and -€1,447,720.52 for the estimated work completed.
- Automatic carry forwards related to earmarked funds are eliminated as a budgetary item and are neutralized as cashed revenue. Consequently, there is no impact on the overall result. The amount reclassified is plus and minus €651,484.84.
- Holidays not taken up in 2005 are introduced under sundry payables. This results in a change of - €104,000.
- The amounts paid in 2004, related to activities of 2005 are introduced as an asset under deferrals and accruals. This results in a change of €34,197.36.
- The amount on outstanding forecasts of revenue is introduced as an asset under current receivables. This results in a change of €23,753.68.
- The provision for a legal case is introduced under liabilities as a provision for risks and liabilities. This results in a change of -€205,000.

### 3. Balance Sheet

The balance sheet is a detailed listing of all assets, liabilities and equity accounts showing the financial position of a firm at a specific date. For ETF this is 31 December 2005.

#### Assets

##### **Fixed assets**

Fixed assets are composed of tangible and intangible assets.

- Intangible assets are occupational rights on the premises and software licenses. Depreciation for the occupational rights on the premises is calculated on the basis of the 30 year duration of the rent agreement resulted from the financial contribution for reconstruction work. The annual rental cost is a symbolic amount of €1.
- Tangible assets are all movable property items (computer equipment, technical installations and furniture) which have an acquisition price of €420 or more and are valued at cost in national currencies, converted into Euro at the accounting exchange rate applicable on the purchase date.

To give a true and fair view of ETF's fixed assets, some methodological developments were applied in 2005. With the opening balance 2005, the depreciation was no longer calculated on the basis of the approval date of payment but on the date the usage started. During the course of 2005, it became evident that this method for depreciation would not give a correct value of ETF's assets. This is due to the fact that the inventory software, introduced in 2002, does not contain historical data of usage. As a result some old zero value items were erroneously given a value again. To counteract this, the delivery date was taken as the basis for the calculation of depreciation and a re-evaluation of all assets was made. The other important methodological development is associated with annual depreciations used until 2004. As of 2005, depreciation is calculated on a monthly basis.

As of 2005, the fixed assets are no longer charged to expenditure accounts, but are registered immediately as an asset in the balance. Depreciation is no longer a correction on the actual value but is now registered as expenditure. The depreciation has an influence on the result of the financial exercise. The net book value of the fixed assets is shown in the two following tables.

## Intangible assets

	Occupational rights premises	Software licences	Total
<b>A. Purchase price:</b>			
Preceding year:	5,000,000.00	174,066.90	5,174,066.90
Correction on opening balance:		6,060.00	6,060.00
Value at 1.1.2005	5,000,000.00	180,126.90	5,180,126.90
Changes during year:			
Additions		28,953.12	28,953.12
Withdrawals			
Correction on balance value			0.00
End of the year:	5,000,000.00	209,080.02	5,209,080.02
<b>B. Depreciation</b>			
Accumulated for previous years:	1,666,666.66	142,735.87	1,809,402.53
Correction on opening balance:		-9,453.05	-9,453.05
Value at 1.1.2005	1,666,666.66	133,282.82	1,799,949.48
Changes during year:			
Additions	166,666.66	28,470.01	195,136.67
Withdrawals			
Correction on balance value			0.00
End of the year:	1,833,333.32	161,752.83	1,995,086.15
<b>Net value (A + B)</b>	3,166,666.68	47,327.19	3,213,993.87

## Tangible assets

	Installations, machine and furniture	Computer equipment	Total
<b>A. Purchase price:</b>			
Preceding year:	287,738.06	1,189,349.22	1,477,087.28
Correction on opening balance:	0.00	2,344.50	2,344.50
Value at 1.1.2005	287,738.06	1,191,693.72	1,479,431.78
Changes during year:			
Additions	18,170.48	111,640.70	129,811.18
Withdrawals	78,304.57	48,502.50	126,807.07
End of the year:	227,603.97	1,254,831.92	1,482,435.89
<b>B. Depreciation</b>			
Accumulated for previous years:	262,400.67	1,063,053.26	1,325,453.93
Correction on opening balance:	-3,980.60	-92,116.38	-96,096.98
Value at 1.1.2005	258,420.07	970,936.88	1,229,356.95
Changes during year:			
Additions	16,829.19	150,073.21	166,902.40
Withdrawals	78,304.57	48,051.25	126,355.82
Correction on balance value	0.00	0.00	0.00
End of the year:	196,944.69	1,072,958.84	1,269,903.53
<b>Net value (A + B)</b>	30,659.28	181,873.08	212,532.36

The yearly depreciation rates applied to fixed assets are as follows:

Computer software and hardware	25%
Telecommunication and audiovisual equipment	25%
Printing, mail, security, buildings, tools	12.5%
Movables	10%

## **Stocks**

As of 2005, publications are considered as ETF stocks as opposed to 'costs'. Although the commercial value of the publications is nil, the replacement value is estimated at €36,501.11.

## ***Short-term pre-financing***

Pre-financing are payments intended to provide the beneficiary with a cash advance. It may be split into a number of payments over a period defined in the particular pre-financing agreement. At year-end outstanding pre-financing amounts are valued at the original amount(s) paid less: amounts returned, eligible amounts cleared, estimated eligible amounts not yet cleared at year-end, and value reductions. In former years, prior to accrual based accounting, pre-financing was not registered as an ETF asset but as a cost.

## ***Short-term receivables***

Under short-term receivables amounts due from customers or other debtors, outstanding paid mission advances, deferred expenses and receivables with consolidated entities are registered.

## ***Cash account***

Cash and cash equivalents are carried in the balance sheet at cost. They include cash in hand, deposits held with banks, payments sent to bank and interest received in January related to 2005. An important change on former years is noted because of the inclusion of the convention funds this year.

## ***Liabilities***

### ***Capital***

The capital is composed of the accumulated surplus/deficit from previous years plus the economic result for the year. (See also table 2, statement of changes in capital.)

### ***Provision for risks and liabilities***

Under provisions are reported liabilities such as payables and accruals where there is uncertainty about the timing or amount of the future expenditure required for settlement of the legal obligation. In 2005 a provision of this kind for a legal case pending is made.

### ***Employee benefits***

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees. In ETF recognized as employee benefits are holidays not taken up during the year.

### ***Accounts payable***

Amounts owed to creditors for delivered goods or completed services (accrued expenses) and outstanding pre-financing received from the European Commission or other EC institutions.

The application of accrual based accountancy has lead to a considerable increase in the amounts recorded under accounts payable in 2005 compared to 2004. The main contributing factors to this increase are detailed below:

- Current payables for an amount of €3,500,409.57 mainly associated with estimated accrued expenses on carried forward to 2006 and the estimated accrued expenses on paid pre-financing by ETF to contractors. This amount is composed as shown below:

Description	Amount
Italian Trust Fund - gained interest 2005	14,280.32
Carry forwards - estimated expenses related to 2005	2,232,556.74
Estimated accrued expenses on paid pre-financing	1,253,572.51
<b>TOTAL</b>	<b>3,500,409.57</b>

- Pre-financing received from consolidated entities (the European Commission) notably in the context of the conventions managed by the ETF. These amounts were not known and/or recognised by the funding entity or still to be paid to contractors and thus are recorded as received pre-financing. The total amount concerned is €5,833,547.72:

Convention Description	DG or Service	Amount	Status/Comments
COMM (Tempus TA C-M-T 2004/05)	DG EAC	1062061.92	unspent funds
COMM (Tempus PHARE/CARDS grants)	DG EAC	832174.79	unspent funds
COMM (Tempus MEDA grants)	DG EAC	7817	unspent funds
COMM (Tempus TACIS grants)	DG EAC	1492610.68	unspent funds
COMM (ETE MED convention)	DG AIDCO	2364567.4	unspent funds
<b>SUB-TOTAL</b>		<b>5,759,231.79</b>	
EC subsidy	DG EAC	74,315.93	result 2005
<b>SUB-TOTAL</b>		<b>74,315.93</b>	
<b>TOTAL</b>		<b>5,833,547.72</b>	

- Under “other accounts payable against consolidated entities” the amounts registered that were due to the European Commission and known and confirmed by the entities are registered. The ETF was awaiting debit notes from the Commission in order to proceed with payment. The total amount concerned is €14,425,505 and it is mainly associated with unspent funds and interest gained on conventions and in particular with Tempus grants as shown below.

A lesser amount is associated with services provided by other Commission services and agencies e.g. associated with translations, €72,663.06

Convention Description	DG or Service	Amount	Status/Comments
Tempus Technical Assistance Conventions	DG EAC	1,318,384.58	4 conventions in closure
Tempus PHARE/CARDS Grants	DG EAC	6,676,404.20	Unspent funds on closed projects and gained interest
Tempus MEDA Grants	DG EAC	72,713.16	Unspent funds on closed projects and gained interest
Tempus TACIS Grants	DG EAC	6,076,329.62	Unspent funds on closed projects and gained interest
Royaumont Convention	DG AIDCO	18,208.75	Convention in closure
<b>SUB-TOTAL</b>		<b>14,162,040.31</b>	
ETF Subvention - interest to be recovered	DG EAC	190,802.40	
Services from various EC entities		72,663.06	TRAD-PMO-OIB-OPOCE
<b>SUB-TOTAL</b>		<b>263,465.46</b>	
<b>TOTAL</b>		<b>14,425,505.77</b>	

#### **4. Statement of cash flow**

The statement of cash-flow represents the treasury movements or in other words the cash receipts minus cash payments over a given period of time. In the opening balance 2005 there is a significant difference vis-à-vis the closing balance of 2004. This is due to the integration in 2005 of the cash movements related to the conventions managed by the ETF.

#### **5. Budget outturn account**

The budget outturn and reconciliation against the economic outturn is presented to give a more complete picture to the reader and to demonstrate the difference between economic and budget outturn. The inclusion of this data assists the reader in linking the cash based result of 2004 against the economic result of 2005. The economic outturn is reconciled versus the budget outturn in table 6.

The budget outturn for 2005 is the difference between:

- all the cashed revenue registered in this financial year;
- the volume of payments made from the appropriations of this financial year, plus the appropriations of the same financial year carried forward to the following financial year; and,
- the cancellations of appropriations carried forward from the previous financial year.

This difference is increased or reduced by:

- the balance resulting from exchange rate gains or losses recorded during the financial year.
- results from previous years paid back to the Commission.

## 6. NOTES ON BUDGET EXECUTION & FINANCIAL MANAGEMENT

### 1. Introduction

#### ***Budgetary principles***

The budgetary principles adopted by ETF are in line with the associated provisions of the Financial Regulation of ETF, adopted by the Governing Board of the ETF on January 7<sup>th</sup>, 2003 and supplemented by the Implementing Rules adopted on 8 September 2003. Thus the establishment and implementation of the budget of the Foundation comply with the principles of unity and budget accuracy, annuality, equilibrium, unit of account, universality, specification, sound financial management and transparency.

#### ***Budget structure***

The statement of expenditure of the ETF budget is set out on the basis of a nomenclature with a classification by purpose. It is thereby divided into 6 titles and each of the titles is broken down into Chapters, Articles and Items.

The ETF applies the nomenclature and structure used by the European Commission for Titles 1, 2 and 3. Titles 1 and 2 relate to 'Administrative Expenditure' whereas Title 3 is reserved for operational expenditure.

- Title 1 encompasses expenditure on staff authorised in the ETF establishment plan and expenditure on external staff (including auxiliary staff) and other management expenditure (including representation expenses and meeting expenses);
- Title 2 covers expenditure on buildings and other related expenditure, including cleaning and maintenance, rental, telecommunications, water, gas and electricity; and support expenditure.
- Title 3 covers expenditure for ETF's operations and notably the execution of its work programme.

Titles 4, 5 and 6 are related to the budgets of the earmarked funds or revenue associated with specific contracts or conventions with EC and other donors. They are defined as follows:

- Title 4 represents the contribution from the Italian Ministry of Foreign Affairs.
- Title 5 represents the ETE-MED convention from the European Commission.
- Title 6 represents the Tempus TA 2004/05 convention from the European Commission.

The budget execution table denotes an anomaly as regards the amounts introduced as "approved budget" and "available credits" under Title 6. This is due to the 2nd extension of this convention which was only approved on 16 December 2005. This extension will be introduced in the revised budget 2006, where the additional funds for an amount of €1,040,260.09, linked to this extension were still made available in 2005.

- Budget execution is prepared on the basis of a "modified cash accounting". The term 'modified' refers to the fact that the annual carry forward amounts are included in the budget.
- Amounts "carried forward" are associated with legal commitments entered into in the budgetary year. The carry forward amounts are related to payments due on such commitments at the year end.
- A "legal commitment" refers for example to contracts or other accords signed and orders placed.
- When referring to budgetary execution, the term "expenditure" refers to consumed commitment appropriations. Consumed commitment appropriations are made up of commitments paid in 2005 and commitments (partly) carried forward to 2006.

A summary of the budgetary execution for 2005 and 2004 is provided overleaf. A commentary on the most relevant aspects of budgetary execution by Title, Chapter and Item and full budgetary execution details for 2005 are provided later in this section and summarised in part 5 "Utilisation of appropriations".

## 2. Budgetary execution 2005 and 2004

2005								
	Authorised budget 2005	Available credits	Committed	Commitments paid in 2005	Commitments automatic carried forward	Non committed credits carried forward to 2006	Total expenses	Committed on credits
Title 1	11,942,000.00	11,942,000.00	11,787,354.87	11,309,760.87	477,594.00	0.00	11,787,354.87	98.71%
Title 2	1,563,150.00	1,568,027.56	1,558,529.75	1,232,309.16	326,220.59	0.00	1,558,529.75	99.39%
Title 3	4,994,850.00	4,989,972.44	4,743,675.11	2,818,340.84	1,925,334.27	0.00	4,743,675.11	95.06%
<b>Total annual subsidy</b>	<b>18,500,000.00</b>	<b>18,500,000.00</b>	<b>18,089,559.73</b>	<b>15,360,410.87</b>	<b>2,729,148.86</b>	<b>0.00</b>	<b>18,089,559.73</b>	<b>97.78%</b>
Title 4	479,231.55	479,231.55	357,075.90	123,005.87	234,070.03	122,155.65	357,075.90	74.51%
<b>Total Italian Trust Fund</b>	<b>479,231.55</b>	<b>479,231.55</b>	<b>357,075.90</b>	<b>123,005.87</b>	<b>234,070.03</b>	<b>122,155.65</b>	<b>357,075.90</b>	<b>74.51%</b>
Title 5	5,000,000.00	5,000,000.00	2,603,773.24	135,432.60	2,468,340.64	2,396,226.76	2,603,773.24	52.08%
<b>Total ETE MED</b>	<b>5,000,000.00</b>	<b>5,000,000.00</b>	<b>2,603,773.24</b>	<b>135,432.60</b>	<b>2,468,340.64</b>	<b>2,396,226.76</b>	<b>2,603,773.24</b>	<b>52.08%</b>
Title 6	1,323,000.00	2,363,260.09	1,327,018.46	677,042.12	649,976.34	1,036,241.63	1,327,018.46	56.15%
<b>Total Tempus TA 2004/05</b>	<b>1,323,000.00</b>	<b>2,363,260.09</b>	<b>1,327,018.46</b>	<b>677,042.12</b>	<b>649,976.34</b>	<b>1,036,241.63</b>	<b>1,327,018.46</b>	<b>56.15%</b>
<b>Total</b>	<b>25,302,231.55</b>	<b>26,342,491.64</b>	<b>22,377,427.33</b>	<b>16,295,891.46</b>	<b>6,081,535.87</b>	<b>3,554,624.04</b>	<b>22,377,427.33</b>	<b>84.95%</b>
for a detailed explanation on title 4,5 and 6 concerning commitment level and available credits see later in the notes.								
2004								
	Authorised budget 2004		Committed	Paid	Automatic carry forward		Total expenses	Committed on budget
Title 1	11,493,973.00		11,244,735.19	11,121,967.10	122,768.09		11,244,735.19	97.83%
Title 2	1,470,027.00		1,459,926.37	1,212,795.76	247,130.61		1,459,926.37	99.31%
Title 3	4,636,000.00		4,616,955.35	3,448,998.70	1,167,956.65		4,616,955.35	99.59%
<b>Total annual subsidy</b>	<b>17,600,000.00</b>		<b>17,321,616.91</b>	<b>15,783,761.56</b>	<b>1,537,855.35</b>		<b>17,321,616.91</b>	<b>98.42%</b>
Title 4	800,000.00		800,000.00	260,126.31	539,873.69		800,000.00	100.00%
<b>Total</b>	<b>18,400,000.00</b>		<b>18,121,616.91</b>	<b>16,043,887.87</b>	<b>2,077,729.04</b>		<b>18,121,616.91</b>	<b>98.49%</b>

### 3. Payment credits execution 2005

	Available payment credits 2005	Paid in 2005	Payment credits carried over to 2006	Cancelled payment credits 2005	Paid on credits 2005
Title 1 (C1 + C8)	12,064,768.09	11,419,601.30	0.00	645,166.79	94.65%
Title 2 (C1 + C8)	1,815,158.17	1,459,760.93	0.00	355,397.24	80.42%
Title 3 (C1 + C8)	4,620,073.74	3,631,102.20	0.00	988,971.54	78.59%
<b>Total annual subsidy</b>	<b>18,500,000.00</b>	<b>16,510,464.43</b>	<b>0.00</b>	<b>1,989,535.57</b>	<b>89.25%</b>
Title 4 - 2005	479,231.55	123,005.87	356,225.68	0.00	25.67%
Title 4 - previous years	651,484.84	342,302.33	309,182.51	0.00	52.54%
<b>Total Italian Trust Fund</b>	<b>1,130,716.39</b>	<b>465,308.20</b>	<b>665,408.19</b>	<b>0.00</b>	<b>41.15%</b>
Title 5	5,000,000.00	135,432.60	4,864,567.40	0.00	2.71%
<b>Total ETE MED</b>	<b>5,000,000.00</b>	<b>135,432.60</b>	<b>4,864,567.40</b>	<b>0.00</b>	<b>2.71%</b>
Title 6	2,363,260.09	677,042.12	1,686,217.97	0.00	28.65%
<b>Total Tempus TA 2004/05</b>	<b>2,363,260.09</b>	<b>677,042.12</b>	<b>1,686,217.97</b>	<b>0.00</b>	<b>28.65%</b>
Royaumont Project	8,744.64	0.00	8,744.64	0.00	0.00%
BI-98.01	0.00	0.00	0.00	0.00	0.00%
Tempus TA Cards 2002	258,739.44	0.00	258,739.44	0.00	0.00%
Tempus TA Tacis 2002	302,267.70	0.00	302,267.70	0.00	0.00%
Tempus TA Cards-Meda-Tacis 2003-04	868,578.50	221,760.35	646,818.15	0.00	25.53%
Tempus TA Meda 2003	46,315.78	0.00	46,315.78	0.00	0.00%
Tempus II Cards - grants	8,474,458.71	2,322,702.47	6,151,756.24	0.00	27.41%
Tempus II Meda - grants	49,878.15	3,233.91	46,644.24	0.00	6.48%
Tempus II Tacis - grants	7,520,817.79	1,269,529.84	6,251,287.95	0.00	16.88%
<b>Total conventions previous years</b>	<b>17,529,800.71</b>	<b>3,817,226.57</b>	<b>13,712,574.14</b>	<b>0.00</b>	<b>21.78%</b>
<b>Total all payment credits</b>	<b>44,523,777.19</b>	<b>21,605,473.92</b>	<b>20,928,767.70</b>	<b>1,989,535.57</b>	<b>48.53%</b>

In order to provide the reader with a complete overview of the financial activities associated with budget execution a summary table of payments is presented above. The payment figures include not only those executed in 2005 associated with budget 2005 and but also the payments executed in 2005 and based on the budgets of former years. For this reason, the payment totals reported by Title (1 to 6) do not match those reported in the budgetary execution table on the previous page.

In 2005 payments were made on conventions signed by the ETF in former years. Data on the old conventions was not introduced in the 2005 budget and are not shown in the budget execution table. Indeed no further commitments could be established on these conventions. The amounts available for payment in the bank (referred to in the balance as accounts payable) related to these conventions are higher than those reported here as they include gained interest and reimbursements from contractors. This kind of revenue cannot be included in the budget related to the conventions as it has to be repaid to the European Commission.

At the year end, outstanding payment appropriations related to nine conventions had a sum total value of €17,529,800.71. The available payment credits although significant, are generally related to inactive conventions or to commitments for which the ETF was awaiting debit notes from the Commission in order to definitively close them. This said, in 2005 a limited number of payment operations were executed on four of the nine conventions for a total of €3,817,226.57. The situation as regards these conventions is as follows:

- Commission funding relating to convention BI-98.01 was off-set against interest gained. The convention was closed in July 2005.
- No payments were carried out on the conventions: Royaumont, Tempus TA 2002 (CARDS & TACIS) and Tempus TA 2003 (MEDA). The outstanding payment credits associated with these conventions were to be reimbursed to the Commission. Indeed the credits were fully reimbursed in 2006.

- For the convention Tempus TA 2003-04 an amount of €221,760.35 was paid to contractors and the remaining amount of €646,818.15 was fully reimbursed to the Commission in 2006.
- The outstanding payment credits for the remaining three Tempus grants are amounts mainly to be reimbursed to the Commission. In total an amount of €10,088,524.98 were reimbursed in 2006.

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## 4. Commentary on budgetary execution 2005

### ***Title 1 - Expenditure Relating to Persons Working with ETF***

#### ***Chapter 11 - Staff in active employment***

2005 budget	2005 budget (After transfers)	2005 Expenditure	Percentage (Expenditure / budget after transfers)
10,842,000	10,766,700	10,698,680	99.37%

This chapter relates in the main to salaries and associated allowances, pensions and insurance costs as well as costs associated with the purchase of interim and consultancy services. The budget associated with Chapter 11 is based on the occupation of 104<sup>1</sup> temporary agent posts. However, staff turnover (14.3%) in the ETF generated the creation of provisionally empty posts and thus the actual occupation of temporary agent posts in 2005 was 93% of the planned budget (occupation of 97.19 full time equivalent posts).

#### Specification of Budgetary Transfers within Chapter 11

- Budgetary reallocation of funds from Article 110 (Agents included in the workforce) to Article 111 (Other staff) took place in order to finance costs of additional auxiliary agents that were recruited to cover for: temporary agents' absence (see above), additional tasks and duties of an extraordinary nature.
- Budgetary reallocation of funds from Article 110 (Agents included in the workforce) to Article 117 (Supplementary services) was due to an increased need to use interim staff (see above) and the use of external consultants notably for the introduction of competencies based HR Management and update of HR processes and for follow-up work on audit reports;.
- Budgetary reallocation of funds from Article 110 (Agents included in the workforce) and Article 118 (Recruitment and transformation costs) took place in order to fund the launching of eight recruitment procedures for temporary agents in 2005 and 12 recruitment procedures for auxiliary agents.

#### ***Chapter 13 - Missions and travel***

2005 budget	2005 budget (After transfers)	2005 Expenditure	Percentage (Expenditure / budget after transfers)
760,000	774,500	702,975	90.77%

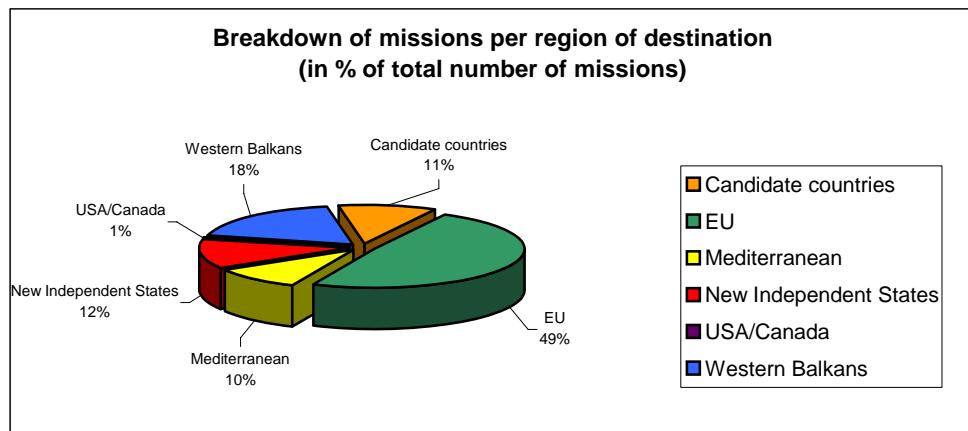
A total of 709 missions, costing on average €991, were undertaken by ETF staff in 2005. The original appropriation in Chapter 13 "Missions and travel" was increased due to early indications from the European Commission during the autumn of needs for more intense on site monitoring activities as part of TEMPUS Technical Assistance. Regrettably the Commission's final decision on this issue came later than anticipated and delayed the execution of planned missions to 2006.

<sup>1</sup> Staffing figures are referenced to the "ETF's mid-term perspective on staff resources 2004-2006" approved by the Governing Board on 3 November 2003 (ETF-GB-03-028),

The distribution of only the 2005 mission expenses within departments is as follows:

Departments/Units	% total	Breakdown of “Operations” Mission Expenditure by programme or geographical area	
Operations	81.32%	Tempus programme	8.16%
		Eastern Europe & Central Asia	21.13%
		South East Europe	30.97%
		Mediterranean area	21.06%
Administration, Central Services and External Communications	10.62%		
Directorate & Planning Monitoring and Evaluation Unit	8.06%		
Total missions and travel expenses	100.00%		

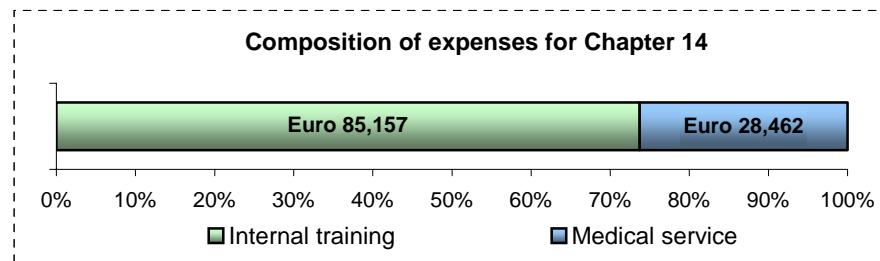
Almost half of staff missions were to destinations within the EU and in particular to Brussels. The breakdown of the 2005 missions per region of destination is as follows:



#### **Chapter 14 - Socio-medical infrastructure**

2005 budget	2005 budget (After transfers)	2005 Expenditure	Percentage (Expenditure / budget after transfers)
140,000	120,800	113,619	94.06%

Chapter 14 covers expenditure on staff training and medical services with the majority of the budget dedicated to training.



The expenditure related to training (item 1440) includes:

- training activities aiming to develop ETF efficiency such as time management, development of skills related to recruitment techniques, language training, development of HR skills (team building, individual coaching, etc), IT training, security for staff going on missions,
- training on Health and Safety to meet Italian legislative requirements (Law 626);

In 2005, the ETF managed to make a more efficient use of its training budget via increased participation in training organised by others and via the promotion of internal training schemes. Moreover, a new initiative 'study support scheme' was launched in 2005 as an initiative to allow staff to develop their technical expertise.

The number of training days attended by ETF staff and recorded under item 1440 was 912, which corresponds to an average of 7.6 per staff member. On top of this figure, training days undertaken in the context of a mission and thus recorded under item 1300 (Missions) should be added. ETF is satisfied that it respects the internal target of 8 days per staff member training average.

The expenses for medical services (item 1430) are mainly consumed by the fees for the ETF doctor and expenditure linked to the preventative healthcare schemes.

### ***Chapter 15 - Staff exchanges of civil servants and experts***

2005 budget	2005 budget (After transfers)	2005 Expenditure	Percentage (Expenditure / budget after transfers)
290,000	265,000	262,744	99.15%

This appropriation covers costs of national and international officials as well as private sector employees temporarily seconded to ETF. In supporting such exchanges ETF stands to benefit from expertise acquired by national authorities in its fields of activity. Secondments also enhance the ETF's networking potential with relevant stakeholders and provide opportunities for professional development. The ETF policy on the use of END was implemented in 2005, with a view to opening up opportunities to qualified experts from partner countries and facilitating the transfer of knowledge acquired by reducing the average duration of such secondments from 3-4 years to around 2 years. The associated costs consist of daily allowances, travel costs and exceptionally a partial reimbursement of salary costs to home or sponsoring Ministries or organisations.

A total of 7 national experts (END) were hosted by the ETF during 2005 (5.29 ENDs full time equivalent). The experts worked with the ETF's operations departments.

### ***Chapter 17 - Entertainment and representation expenses***

2005 budget	2005 budget (After transfers)	2005 Expenditure	Percentage (Expenditure / budget after transfers)
15,000	15,000	9,337	62.25%

This chapter covers expenses linked to hospitality costs for guests (e.g. lunches, dinners, etc.) invited by the ETF for meetings. A reduction in related activities in this area resulted in a relatively low expenditure rate in this chapter.

## **Title 2 - Building, equipment and miscellaneous operating expenditure**

### **Chapter 20 “Investment in real estate, rentals and accessory charges”**

2005 budget	2005 budget (After transfers)	2005 Expenditure	Percentage (Expenditure / budget after transfers)
544,815	648,317	648,306	100%

This Chapter covers operational costs related to the ETF premises and site management. This chapter includes utilities, cleaning and maintenance, rentals, insurance, furnishing, and security and surveillance.

The approved budget was supplemented to cover for increased costs in utilities: heating and electricity and for unforeseen expenditure associated in particular with:

- Following a breakdown, ETF installed its own air-conditioning units and improved the fire fighting equipment in the Data Centres and the ETF Archive. This development was part of a policy decision to render the ETF more autonomous and would reinforce our disaster recovery programme;
- As the ETF premises age associated repairs and maintenance increased at a higher than anticipated rate. In 2005 additional works had to be performed to deterioration of the external mantle of the building;
- There was an increase in demand for minor electricity works;
- An open tender for cleaning services was finalised mid 2005. The resulting contract was more costly than anticipated;

### **Chapter 21 “Data processing”**

2005 budget	2005 budget (After transfers)	2005 Expenditure	Percentage (Expenditure / budget after transfers)
466,087	441,453	441,452	100%

Chapter 21 covers expenses related to data processing, notably the costs of purchasing standard software applications, and the associated maintenance, support and subscriptions and the development costs for software systems. Costs for the purchase and maintenance of hardware and accessories are also comprised in this budgetary chapter.

The budgetary requirements for this chapter were slightly reduced due to a decrease in demand for software development.

### **Chapter 22 “Movable property and associated costs”**

2005 budget	2005 budget (After transfers)	2005 Expenditure	Percentage (Expenditure / budget after transfers)
61,020	53,671	53,641	99.94%

This appropriation covers the costs pertaining to technical installations, office equipment, furniture, means of transport and the ETF library. A high percentage of the budget is used for the rental and maintenance of photocopiers and acquisition of new equipment, i.e. video projectors, and fax machines.

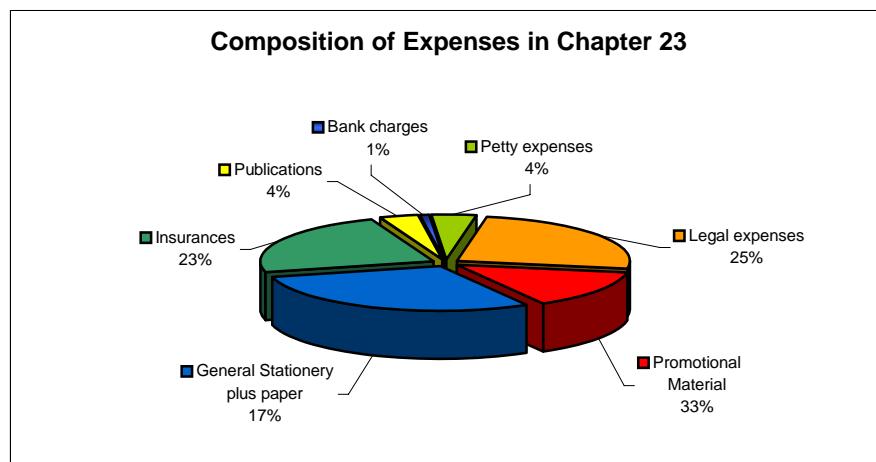
The expenses were in line with the estimates although the budget was reduced slightly to allow for transfers to priority areas. Thus there was less furniture renewal than anticipated.

### **Chapter 23 “Current administrative expenditure”**

2005 budget	2005 budget (After transfers)	2005 Expenditure	Percentage (Expenditure / budget after transfers)
87,798	113,814	109,226	95.97%

This Chapter comprises the costs related principally to stationery and office supplies. Other expenditures covered are associated with bank charges, legal expenses, insurance and publications (mainly in the Official Journal).

The budget was supplemented to respond in particular to increased demands for packing material (stationery) for the Tempus project archive which had to be repatriated to Brussels.



### **Chapter 24 “Post and telecommunications”**

2005 budget	2005 budget (After transfers)	2005 Expenditure	Percentage (Expenditure / budget after transfers)
165,780	178,273	177,823	99.75%

This appropriation covers expenses related to postal and telecommunications services. The budget was slightly higher than anticipated due to increased demands notably associated with the costs of repatriation of Tempus administrative documentation to the Central Archives of the Commission, and high volume and high weight express mailings for conferences and exhibitions. Moreover, mobile telephone costs were slightly higher than foreseen this year, mainly due to the use of these facilities during missions and external events and the introduction of a policy to make staff more easily reachable.

***Chapter 25 “Meeting expenses in general”***

2005 budget	2005 budget (After transfers)	2005 Expenditure	Percentage (Expenditure / budget after transfers)
127,000	132,500	128,081	96.66%

Funds under this Chapter cover primarily expenses related to the statutory meetings of the Governing Board, which were held in June and November 2005. This Chapter was also used to cover regular “all staff” meetings on the ETF premises. The associated expenses were marginally higher than foreseen.

### ***Title 3 - Expenditure relating to performance of the ETF mission***

Title 3 is made up of two Chapters, 30 (operational expenditure) and 31 (work programme activities).

#### ***Chapter 30 - Operational expenditure***

2005 budget	2005 budget (After transfers)	2005 Expenditure	Percentage (Expenditure / budget after transfers)
1,033,400	1,261,428	1,234,848	97.89%

Chapter 30 covers expenses for documentation, general publications, translation and meetings of the Advisory Forum.

The most significant items of this chapter are:

#### ***Chapter 3000 - Documentation***

2005 budget	2005 budget (After transfers)	2005 Expenditure	Percentage (Expenditure / budget after transfers)
61,200	56,300	55,609	98.77%

This appropriation covers the establishment and the maintenance of the documentation centre, subscriptions to specialised journals and periodicals, and the purchase of relevant books and electronic media.

This year part of the budget was used for the acquisition of a new library management system, which should increase the quality and efficiency of the library service and at the same time provide end users inside and outside the ETF better access to the knowledge sources of the library. Due to the imminent launch of a tender for the acquisition of a subscriptions management service, the end-of-year renewal of a number of subscriptions was put on hold, resulting in a reduced need of funds of € 4,900 which have been transferred elsewhere.

#### ***Item 3010 - General publications and external communication***

2005 budget	2005 budget (After transfers)	2005 Expenditure	Percentage (Expenditure / budget after transfers)
409,700	455,419	455,032	100%

This appropriation was used for all costs associated with general ETF publications and with the promotion of the ETF's work, including internal communication.

It is intended to cover the costs associated with writing, editing, printing and distributing corporate publications including the newsletter, magazine, highlights document etc. It also covers costs related to the upgrading of the website, the organisation of communication related events (such as the Editorial Board meetings, media seminar etc) and multimedia-type

productions. Media activities are covered from this budget line too, including media support and photography.

The appropriation was amended by transferring available funds from operational departments in order to cover additional activities taken up for the donors meeting in November and the development of the ETF new promotional products.

***Item 3040 - Translation costs***

2005 budget	2005 budget (After transfers)	2005 Expenditure	Percentage (Expenditure / budget after transfers)
357,000	479,585	479,539	100%

The budget was used to cover 2005 translation costs. The appropriation was increased to cope with the additional translations made during the year. This is in response to a recommendation of the external evaluation of the ETF in 2005, advising the ETF to make more of its products available in other languages.

***Item 3050 - Meetings of the Advisory Forum and related costs***

2005 budget	2005 budget (After transfers)	2005 Expenditure	Percentage (Expenditure / budget after transfers)
200,000	239,624	238,689	99.61%

The ETF Advisory Forum is a statutory body of around 120 vocational training specialists from the member states of the European Union, the partner countries and territories, the European Commission, social partners and other international organisations.

Whilst the main role of the Forum is to provide advice to the ETF and its Governing Board on the preparation of the ETF's Annual Work Programme, it also serves as an exchange network enabling good practice in vocational training policies and reform to be shared between and with countries in transition.

The term of office of members of the Advisory Forum is three years. The mandate of the current members runs for the period 2004-2006. Members of the Forum meet in regional groups during the first two years. The third (final) year of their mandate includes a plenary meeting for knowledge sharing across the entire network.

During 2005, three Regional Advisory Forum meetings were held:

- South Eastern Europe:  
Sinaia, Romania, 27-28 June 2005.
- Mediterranean Region:  
Madrid, Spain, 28-30 September 2005.
- Eastern Europe and Central Asia:  
Vilnius, Lithuania, 6 - 7 October 2005.

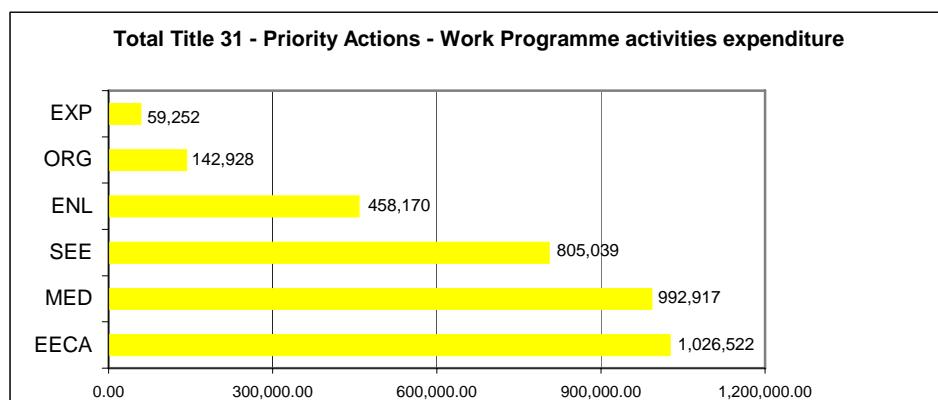
***Chapter 31 "Priority actions – Work Programme Activities"***

2005 budget	2005 budget (After transfers)	2005 Expenditure	Percentage (Expenditure / budget after transfers)
3,966,600	3,728,545	3,508,827	94.11%

This chapter covers the operational activities of the ETF carried out under the yearly subsidy of the EC. The activities are outlined in the Work Programme 2005, approved by the Governing Board in 2004.

ETF operational activities include support to the Commission's services (article 310), provision of information and analysis (article 311), and expertise development initiatives to test new reform approaches in the partner countries (article 312). Also included in Chapter 31 is article 313, which covers "Various costs linked to Work programme activities" such as insurance (3130) and representation costs (item 3131).

In total the expenses are divided among departments as shown in the table below:



Legend:

EXP = Expertise development  
 ORG = organisational support  
 ENL = support for Enlargement  
 SEE = support for South Eastern Europe  
 MED = support for Mediterranean region  
 EECA = Eastern Europe, the Caucasus and Central Asia

### **Item 3100 - Support to the Commission (CEC)**

2005 budget	2005 budget (After transfers)	2005 Expenditure	Percentage (Expenditure / budget after transfers)
1,577,000	1,535,242	1,440,420	93.82%

The ETF's principal activity in 2005 was the provision of programming and project cycle support to the Commission services to ensure that EU interventions in vocational education and training (VET) reform fully report the overall objectives of the EU external relations policy. The associated budget was slightly reduced. However, the impact of EU investment in HRD in the partner countries increased in line with EU pre-accession and external relations policies through input to the Commission's project cycle and policy dialogue with the partner countries. They are reported upon in more details in the ETF annual report 2005.

**Item 3110 - Information provision & analysis through the National Observatory Network**

2005 budget	2005 budget (After transfers)	2005 Expenditure	Percentage (Expenditure / budget after transfers)
1,314,000	804,576	784,381	97.49%

This appropriation is intended to cover the costs associated with the provision and analysis of information and data in support of the Commission and partner countries using the ETF's pre-established National Observatory Network.

The ETF continued to provide its stakeholders with policy information and advisory services on education and training reform in the partner regions via the Network. The ETF also used the Observatory network to disseminate information about EU and Member State approaches and best practice in the field of vocational training.

During 2005 the ETF revised its approach towards working with the national observatories and new contractual relations were established with alternative service providers in the partner countries. The new approach resulted in cost savings and reduced expenditure associated with the Network and the budget was reduced accordingly. The budget reduction under item 3110 was countered to some extent by an increase in appropriations allocated to development activities in thematic areas (item 3120). .

**Item 3120 - Development activities – Thematic areas**

2005 budget	2005 budget (After transfers)	2005 Expenditure	Percentage (Expenditure / budget after transfers)
1,051,600	1,364,726	1,260,026	92.33%

The increase in this budget line (3120) reflects the ETF's increased focus on expertise development. The funding source associated with this increase is linked to a decrease in investment in the National Observatories. (see item 3110).

The ETF continued to build up its expertise capacity through a variety of research initiatives in 2005 for example, the ETF worked with policymakers in South Eastern Europe to develop a concept for adult learning strategies in the Western Balkans.

Investment in this area is associated with the objective of developing the capacities of national actors built to design and implement HRD strategies and policies within the framework of EU policies and developing innovative approaches on key issues of relevance to support the definition of future EU and partner country policies and interventions in the field of HRD.

**Item 3130-3131 - Various costs linked to Work Programme activities**

2005 budget	2005 budget (After transfers)	2005 Expenditure	Percentage (Expenditure / budget after transfers)
24,000	24,000	24,000	100%

This appropriation covers expenses like insurance costs for participants of meetings and representation costs linked to meetings and workshops.

#### **Title 4 - Italian Trust Fund**

2005 credits	2005 committed	2005 paid	2005 automatic carry forward from 2005 -> 2006	2005 available for commitment for 2006
a	b	c	d = b - c	e = a - b
479,232	357,076	123,006	234,070	122,156

This Title covers one project during 2005 in which the ETF received financing.

€460,000 was received and €19,232 as re-use of gained interest was approved. It was agreed that initiatives for the development of human resources should be financed. Priority was given to:

- Meda Observatory function development in Morocco, Syria and Jordan;
- Human resource development in South Eastern Europe through the development of local innovative policies;
- Distance education by means of E-learning;
- Impact assessment of management training for company development in the Russian Federation

In the revised budget, the amount of €651,485 is registered as available funds from previous years. As total credits for 2005 an amount of €1,130,716 is introduced.

## **Title 5 - ETE-MED convention**

2005 credits	2005 committed	2005 paid	2005 automatic carry forward from 2005 -> 2006	2005 available for commitment for 2006
a	b	c	d = b - c	e = a - b
5,000,000	2,603,773	135,433	2,468,340	2,396,227

This Title covers the activities under the ETE-MED convention where 2005 was the preparatory phase of this convention. These activities were and are divided by four (4) components:

1. Preparations for First Annual Forum (2 days) foreseen in April 2006;
2. Monitoring team seminar and establishment of the network Workshop; Comparative Analysis on the role of e-Learning in TTT; Thematic study on "Transition from Education to Work";
3. Support for young unemployed people in the areas of self-employment and the creation of micro enterprises;
4. The project concerns the development and delivery of a regional train-the-trainer programme on e-learning concepts, methods and techniques.

The ETE MED convention was signed in December 2004, prior to accruals. No funds were received in 2004, nor were commitments made. Due to the late acceptance of the convention and no financial implications, the convention was entirely registered under the 2005 budget. The credits are available for the entire duration of the project, which is foreseen until the year 2010.

- An advance of 50% of the available credits for the convention amounting to €2,500,000 was received in 2005.

## **Title 6 - Tempus technical assistance**

2005 credits	2005 committed	2005 paid	2005 automatic carry forward from 2005 -> 2006	2005 available for commitment for 2006
a	b	c	d = b - c	e = a - b
2.363,260	1,327,018	677,042	649,976	1,036,242

This Title covers the activities carried out by the ETF Tempus department for the provision of technical assistance to the Commission in the implementation of the Tempus programme, as stipulated in the Convention signed between the Director for the ETF and the Director General of DG Education and Culture for the Commission.

Activities covered by this title are divided in the following categories:

- Selection
- Monitoring
- Publication and Information
- Tempus implementation and administrative expenditure

The Tempus TA 2004/05 convention was signed in December 2004, prior to accruals. Funds were received in the second half of December 2004. Due to the late acceptance of the convention it was entirely registered as 2005 budget. In June 2005, a first extension of this convention was signed.

- The credits of the original convention of €850,000 and the first extension of €473,000 were fully received in 2005.

A second extension of the Tempus TA 2004/05 convention was signed in December 2005. Due to the late acceptance of this extension, the associated budget was not registered as 2005 budget and will be included in the revised budget for 2006.

- An advance of 40% of the available credits for the second extension amounting to €416,104.04 was received just before the end of 2005.

Total amount received in 2005 amounts to €1,739,104.04.

## Overview follow-up of earmarked funds 2005 Titles 4, 5 and 6

	BALANCE: carry forward and available for commitment at 31/12/04	Payments 2005	Outstanding carry forward and available for commitment 31/12/05	New credits 2005	Commitments 2005	Payments 2005	Automatic carry forward 2005	Available for commitment	BALANCE: carry forward and available for commitment at 31/12/05
	a	b	c=a-b	d	e	f	g=e-f	h=d-e	i=g+h
<b>TITLE 4 - Italian Ministry for Foreign Affairs 2005</b>				479,231.55	357,075.90	123,005.87	234,070.03	122,155.65	356,225.68
<b>TOTAL TITLE 4</b>				479,231.55	357,075.90	123,005.87	234,070.03	122,155.65	356,225.68
<b>TITLE 5 - ETE MED</b>				5,000,000.00	2,603,773.24	135,432.60	2,468,340.64	2,396,226.76	4,864,567.40
<b>TOTAL TITLE 5</b>				5,000,000.00	2,603,773.24	135,432.60	2,468,340.64	2,396,226.76	4,864,567.40
<b>TITLE 6 - Tempus TA 2004/05</b>				850,000.00					
<b>TITLE 6 - Extension 6/2005</b>				473,000.00					
<b>TITLE 6 - Extension 12/2005</b>				1,040,260.09					
<b>TOTAL TITLE 6</b>				2,363,260.09	1,327,018.46	677,042.12	649,976.34	1,036,241.63	1,686,217.97
<b>Total projects 2005</b>				7,842,491.64	4,287,867.60	935,480.59	3,352,387.01	3,554,624.04	6,907,011.05
<b>TITLE 4 - Italian Ministry for Foreign Affairs 2004</b>	539,873.69	285,104.11	254,769.58						254,769.58
<b>Total projects 2004</b>	539,873.69	285,104.11	254,769.58						254,769.58
<b>TITLE 4 - Italian Ministry for Foreign Affairs 2003</b>	111,611.15	57,198.22	54,412.93						54,412.93
<b>Total projects 2003</b>	111,611.15	57,198.22	54,412.93						54,412.93
<b>TOTAL</b>	651,484.84	342,302.33	309,182.51	7,842,491.64	4,287,867.60	935,480.59	3,352,387.01	3,554,624.04	7,216,193.56

### ***Appropriations carried forward automatically from 2004 to 2005 (Title 1, 2 and 3)***

These are appropriations covering the commitments legally contracted at December 31st, 2004 but not yet paid at that date.

Taking all items together, these appropriations were utilised as follows:

Appropriations carried forward	Payments	Percentage (Payments / appropriations carried forward)
1,537,855.35	1,150,053.56	74,78%

The payment rate on carried forward appropriation is less than the past years (ranging from 87% to 92% for the period 1996-2004).

Carried forward amounts which are not paid result mainly in the following item:

- Chapter 3120 – Development Activities – thematic areas. More than €91,000 was not spent due to the cancellation of Phase II for the project “Research action on CVET impact.

For all the other lines, the payments were relatively in line with the amounts carried forward. In general a variety of reasons for under spending:

- Actual expenditure was less than estimated for a number of Work Programme activities. In particular calculations for reimbursable costs like air travel tickets and hotel costs are based on averages that are subject to high variance;
- Invoices for payment at the year end, which do not reach the ETF in time;
- Refusal to pay the full amount requested due to underperformance of the contractor;
- Projects launched late during the year, and for which (often at the Commission's request) the execution had to be amended to fit with changing realities;
- Limited feedback during the year on effective level of expenditure incurred by contractor.

***Appropriations carried forward on earmarked funds from 2004 to 2005  
(Title 4)***

Appropriations carried forward	Payments	Percentage (Payments / appropriations carried forward)
651,485	342,302	52.54% <sup>2</sup>

These funds are associated with the Italian Trust Fund and are not subject to annuity. As a result the remaining commitments are automatically carried forward from 2005 to 2006.

The commitments in the appropriations carried forward were related to funds received in 2003 and 2004 from the Italian Ministry for Foreign Affairs:

- Meda Observatory function development in Morocco, Syria and Jordan;
- Human resource development in South Eastern Europe through the development of distance education by means of e-learning;
- Professional and management training.

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<sup>2</sup> See table page 37

## **5. Utilisation of appropriations**

**a. Appropriations of the current year**

Chapter	Description	Initial Budget	Supplementary Budget plus Transfers	Final Budget available	Commitments	Payments	Automatic carry forward	Available credits to be carried forward.	Total carry forward
11	Staff in active employment	10,842,000.00	- 75,300.00	10,766,700.00	10,698,679.78	10,388,888.27	309,791.51	-	309,791.51
13	Mission and travel expenses	760,000.00	14,500.00	774,500.00	702,974.61	595,629.96	107,344.65	-	107,344.65
14	Socio-medical infrastructure	140,000.00	- 19,200.00	120,800.00	113,619.16	57,417.79	56,201.37	-	56,201.37
15	National experts seconded	290,000.00	- 25,000.00	265,000.00	262,744.32	262,744.32	-	-	-
17	Entertainment and representation expenses	15,000.00	-	15,000.00	9,337.00	5,080.53	4,256.47	-	4,256.47
<b>Sub-Total</b>		<b>12,047,000.00</b>	<b>- 105,000.00</b>	<b>11,942,000.00</b>	<b>11,787,354.87</b>	<b>11,309,760.87</b>	<b>477,594.00</b>	-	<b>477,594.00</b>
20	Investments in immovable property, rental of buildings and associated costs	544,815.00	103,501.58	648,316.58	648,306.42	584,877.25	63,429.17	-	63,429.17
21	Data processing	466,087.00	- 24,633.80	441,453.20	441,452.48	304,603.56	136,848.92	-	136,848.92
22	Movable property and accessory costs	61,020.00	- 7,348.67	53,671.33	53,641.37	47,408.12	6,233.25	-	6,233.25
23	Current administrative expenditure	87,798.00	26,015.85	113,813.85	109,225.65	97,689.52	11,536.13	-	11,536.13
24	Post and telecommunication	165,780.00	12,492.60	178,272.60	177,822.60	121,052.62	56,769.98	-	56,769.98
25	Meetings and associated costs	127,500.00	5,000.00	132,500.00	128,081.23	76,678.09	51,403.14	-	51,403.14
<b>Sub-Total</b>		<b>1,453,000.00</b>	<b>115,027.56</b>	<b>1,568,027.56</b>	<b>1,558,529.75</b>	<b>1,232,309.16</b>	<b>326,220.59</b>	-	<b>326,220.59</b>
30	Operational expenses	1,033,400.00	228,027.75	1,261,427.75	1,234,848.18	779,378.46	455,469.72	-	455,469.72
31	Priority actions: Work programme activities	3,966,600.00	- 238,055.31	3,728,544.69	3,508,826.93	2,038,962.38	1,469,864.55	-	1,469,864.55
<b>Sub-Total</b>		<b>5,000,000.00</b>	<b>- 10,027.56</b>	<b>4,989,972.44</b>	<b>4,743,675.11</b>	<b>2,818,340.84</b>	<b>1,925,334.27</b>	-	<b>1,925,334.27</b>
	<b>Total CE subvention:</b>	<b>18,500,000.00</b>	<b>0.00</b>	<b>18,500,000.00</b>	<b>18,089,559.73</b>	<b>15,360,410.87</b>	<b>2,729,148.86</b>	<b>0.00</b>	<b>2,729,148.86</b>
43	Co-operation with national institutions	-	479,231.55	479,231.55	357,075.90	123,005.87	234,070.03	122,155.65	356,225.68
	<b>Total other donors:</b>	<b>0.00</b>	<b>479,231.55</b>	<b>479,231.55</b>	<b>357,075.90</b>	<b>123,005.87</b>	<b>234,070.03</b>	<b>122,155.65</b>	<b>356,225.68</b>
51	Human resources	-	866,597.00	866,597.00	187,118.60	113,908.52	73,210.08	679,478.40	752,688.48
52	Travel and per diems	-	1,069,130.00	1,069,130.00	182,606.90	13,468.88	169,138.02	886,523.10	1,055,661.12
53	Other costs (visibility and conferences/seminars)	-	705,620.00	705,620.00	145,039.74	8,055.20	136,984.54	560,580.26	697,564.80
54	Procurement activity for component 3	-	1,250,000.00	1,250,000.00	1,240,618.00	-	1,240,618.00	9,382.00	1,250,000.00
55	Procurement activity for component 4	-	1,000,000.00	1,000,000.00	848,390.00	-	848,390.00	151,610.00	1,000,000.00
56	Financial auditing	-	20,850.00	20,850.00	-	-	-	20,850.00	20,850.00
57	Contingencies	-	87,803.00	87,803.00	-	-	-	87,803.00	87,803.00
	<b>Total CE - ETE MED convention:</b>	<b>0.00</b>	<b>5,000,000.00</b>	<b>5,000,000.00</b>	<b>2,603,773.24</b>	<b>135,432.60</b>	<b>2,468,340.64</b>	<b>2,396,226.76</b>	<b>4,864,567.40</b>
61	Selection	-	30,000.00	1,164,134.01	827,344.90	386,039.55	441,305.35	336,789.11	778,094.46
62	Contract Management	-	111,561.00	296,816.00	114,930.00	37,999.70	76,930.30	181,886.00	258,816.30
63	Publication & Information	-	122,410.00	269,700.00	137,240.00	101,070.00	36,170.00	132,460.00	168,630.00
64	Administrative expenses	-	186,704.00	562,355.36	247,503.56	151,932.87	95,570.69	314,851.80	410,422.49
65	Reserve	-	22,325.00	70,254.72	-	-	-	70,254.72	70,254.72
69	TEMPUS - financing earlier years	-	850,000.00	-	-	-	-	-	-
	TEMPUS - financing 2006 *	-	1,040,260.09	-	-	-	-	-	-
<b>Sub-Total</b>	<b>Total CE - Tempus TA 2004/05 convention:</b>	<b>0.00</b>	<b>2,363,260.09</b>	<b>2,363,260.09</b>	<b>1,327,018.46</b>	<b>677,042.12</b>	<b>649,976.34</b>	<b>1,036,241.63</b>	<b>1,686,217.97</b>
<b>Total</b>	<b>Total budget available:</b>	<b>18,500,000.00</b>	<b>7,842,491.64</b>	<b>26,342,491.64</b>	<b>22,377,427.33</b>	<b>16,295,891.46</b>	<b>6,081,535.87</b>	<b>3,554,624.04</b>	<b>9,636,159.91</b>

**b. Appropriations carried forward from 2004 to 2005**

Chapter	Description	Commitments carried forward	Payments	Amount cancelled	Carry forward earmarked funds
11	Staff in active employment	64,507.97	54,866.08	9,641.89	-
13	Mission and travel expenses	28,771.39	27,403.39	1,368.00	-
14	Socio-medical infrastructure	25,309.15	23,552.18	1,756.97	-
15	National experts seconded	-	-	-	-
17	Entertainment and representation expenses	4,179.58	4,018.78	160.80	-
<b>Sub-Total</b>		<b>122,768.09</b>	<b>109,840.43</b>	<b>12,927.66</b>	-
20	Investments in immovable property, rental of buildings and associated costs	48,062.67	46,073.79	1,988.88	-
21	Data processing	64,546.97	63,035.50	1,511.47	-
22	Movable property and accessory costs	13,083.98	12,587.40	496.58	-
23	Current administrative expenditure	30,696.50	26,921.21	3,775.29	-
24	Post and telecommunication	54,257.04	47,231.24	7,025.80	-
25	Meetings and associated costs	36,483.45	31,602.63	4,880.82	-
<b>Sub-Total</b>		<b>247,130.61</b>	<b>227,451.77</b>	<b>19,678.84</b>	-
30	Operational expenses	160,742.11	101,792.68	58,949.43	-
31	Priority actions: Work programme activities	1,007,214.54	710,968.68	296,245.86	-
<b>Sub-Total</b>		<b>1,167,956.65</b>	<b>812,761.36</b>	<b>355,195.29</b>	-
	<b>Total carry forward CE subvention cancelled:</b>	<b>1,537,855.35</b>	<b>1,150,053.56</b>	<b>387,801.79</b>	<b>0.00</b>
43	Co-operation with national institutions	651,484.84	342,302.33	-	309,182.51
	<b>Total carry forward other donors available for payment:</b>	<b>651,484.84</b>	<b>342,302.33</b>	<b>0.00</b>	<b>309,182.51</b>
<b>Total</b>	<b>Total execution carry forward:</b>	<b>2,189,340.19</b>	<b>1,492,355.89</b>	<b>387,801.79</b>	<b>309,182.51</b>

## 7. ETF staff establishment plan 2005

Grade	Number
A15	1
A14	2
A13	1
A12	7
A11	15
A10	11
A9	4
A8	11
A7	1
Sub total A	<u>53</u>
B10	1
B9	2
B8	6
B7	10
B6	10
B5	8
Sub total B	<u>37</u>
C7	1
C6	2
C5	2
C4	4
C3	3
C2	2
Sub total C	<u>14</u>
Total	104

## **Annex 1: Other funds managed by ETF**

This annex contains an overview of the outstanding funds handled by ETF on the basis of conventions with the Commission, including the technical assistance and the projects for the Tempus programme.

All outstanding funds handled under Tempus programme/conventions are included in the financial statements for ETF and administrated as consolidated received pre-financing and accounts payable.

For visibility and transparency, the level of commitment and expenditure as of 31 December 2005 are listed for information in this annex.

Type	Commission Budget line Reference	Total grant + use of interest approved	Accumulated amount received from Commission	Bank balance 31/12/04	Amount received from Commission 2005	Accumulated bank interest	Bank interest received 2005	Exchange rates / Bank charges / Advances	Exchange rates / Bank charges / Advances 2005	Accumulated reimbursed to Commission	Reimbursed to Commission 2005	Accumulated reimbursements received	Reimbursements received 2005	Accumulated commitment	Accumulated disbursements	Disbursements 2005	Amounts still to be paid	Bank balance at 31.12.05
VET Phare	Royaumont Project	484,868.70	436,382.00	17,888.73		9,641.38	320.02	177.27	0.00	-				475,068.76	427,814.63	0.00	18,208.75	18,208.75
<b>SUB-TOTAL</b>		<b>484,868.70</b>	<b>436,382.00</b>	<b>17,888.73</b>		<b>9,641.38</b>	<b>320.02</b>	<b>177.27</b>		-		-	-	<b>475,068.76</b>	<b>427,814.63</b>	-	<b>18,208.75</b>	<b>18,208.75</b>
VET Tacis	BI-98.01	1,250,000.00	1,241,150.18	39,313.11		42,038.66	420.45	-		41,616.65	-			1,250,000.00	1,241,572.19	0.00	-	-
<b>SUB-TOTAL</b>		<b>1,250,000.00</b>	<b>1,241,150.18</b>	<b>39,313.11</b>		<b>42,038.66</b>	<b>420.45</b>			<b>41,616.65</b>	-	-	-	<b>1,250,000.00</b>	<b>1,241,572.19</b>	-	-	-
ETE Meda	MED 2004/083-494	5,000,000.00	2,500,000.00	-	2,500,000.00	36,423.40	36,423.40	3,723.93	3,723.93		-			2,605,439.64	135,432.60	135,432.60	2,470,007.04	2,397,266.87
<b>SUB-TOTAL</b>		<b>5,000,000.00</b>	<b>2,500,000.00</b>		<b>2,500,000.00</b>	<b>36,423.40</b>	<b>36,423.40</b>	<b>3,723.93</b>	<b>3,723.93</b>		-	-	-	<b>2,605,439.64</b>	<b>135,432.60</b>	<b>135,432.60</b>	<b>2,470,007.04</b>	<b>2,397,266.87</b>
Tempus TA	Tempus TA Cards 2002	700,000.00	700,000.00	271,600.28	0.00	17,834.57	4,860.16	-	-113.57	-	-	-	-	553,344.36	441,260.56	-	276,570.01	276,574.01
Tempus TA	Tempus TA Tacis 2002	840,000.00	840,000.00	317,038.45	0.00	20,556.63	5,672.32	-	-113.56	-	-	-	-	658,182.04	537,732.30	-	322,824.33	322,824.33
Tempus TA	Tempus TA Cards-Meda-Tacis 2003-04	1,700,000.00	1,700,000.00	1,217,990.54	482,009.46	25,141.44	13,364.57	-	-	-	-	-	-	1,133,642.57	1,055,546.68	224,125.18	1,217,990.54	669,594.76
Tempus TA	Tempus TA Cards-Meda-Tacis 2004-05	2,363,260.09	1,739,104.04	0.00	1,739,104.04	7,973.39	7,973.39	6.60	6.60	-	-	-	-	1,330,174.89	677,042.12	677,042.12	0.00	1,070,028.71
Tempus TA	Tempus TA Meda 2003	182,000.00	182,000.00	48,523.50	0.00	3,072.70	867.98	-	-	-	-	-	-	152,765.51	135,684.22	-	49,391.48	49,391.48
<b>SUB-TOTAL</b>		<b>5,785,260.09</b>	<b>5,161,104.04</b>	<b>1,855,152.77</b>	<b>2,221,113.50</b>	<b>74,578.73</b>	<b>32,738.42</b>	<b>6.60</b>	<b>-220.53</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>3,828,109.38</b>	<b>2,847,265.88</b>	<b>901,167.30</b>	<b>1,866,776.36</b>	<b>2,388,413.29</b>
Tempus grants Cards	Tempus II Cards	92,102,648.00	92,088,678.00	10,026,835.06	0.00	3,400,121.76	161,512.18			24,252,771.97	2,843,912.40	19,665,964.65	524,149.60	92,088,678.00	86,603,538.76	327,060.16	7,541,524.28	7,541,524.28
Tempus grants Meda	Tempus II Meda	530,900.00	530,900.00	100,927.49	0.00	3,890.07	1,649.59	-			19,810.49	48,808.86	1,354.23	530,900.00	484,255.76	3,233.91	80,886.91	80,886.91
Tempus grants Tacis	Tempus II Tacis	81,852,548.00	81,557,162.00	9,547,211.09	0.00	2,892,418.23	157,729.12			8,365,075.08	1,927,991.67	6,087,679.98	387,311.50	81,557,162.00	74,967,451.19	561,765.14	7,602,494.90	7,602,494.90
<b>SUB-TOTAL</b>		<b>174,486,096.00</b>	<b>174,176,740.00</b>	<b>19,674,973.64</b>	<b>0.00</b>	<b>6,296,430.06</b>	<b>320,890.89</b>	<b>0.00</b>	<b>0.00</b>	<b>32,617,847.05</b>	<b>4,791,714.56</b>	<b>25,802,453.49</b>	<b>912,815.33</b>	<b>174,176,740.00</b>	<b>162,055,245.71</b>	<b>892,059.21</b>	<b>15,224,906.09</b>	<b>15,224,906.09</b>
<b>TOTAL</b>		<b>182,006,224.79</b>	<b>181,015,376.22</b>	<b>21,587,328.25</b>	<b>2,221,113.50</b>	<b>6,422,688.83</b>	<b>354,369.78</b>	<b>183.87</b>	<b>- 220.53</b>	<b>32,659,463.70</b>	<b>4,791,714.56</b>	<b>25,802,453.49</b>	<b>912,815.33</b>	<b>179,729,918.14</b>	<b>166,571,898.41</b>	<b>1,793,226.51</b>	<b>17,109,891.20</b>	<b>17,631,528.13</b>

## Annex 2: List of Governing Board Members 2005

<i>European Commission</i> <i>Chairman</i>	Mr Nikolaus VAN DER PAS Director General DG Education and Culture
<i>European Commission</i> <i>Member</i>	Mr Dirk MEGANCK Director DG Enlargement
<i>European Commission</i> <i>Member</i>	Mr David LIPMAN Resource Director DG External Relations
<i>Austria</i> <i>Member</i>	Mr Karl WIECZOREK Bundesministerium für Wirtschaft und Arbeit
<i>Austria</i> <i>Alternate</i>	Mr Reinhard NÖBAUER Bundesministerium für Bildung, Wissenschaft und Kultur
<i>Belgium</i> <i>Member</i>	Ms Micheline SCHEYS Afdelingshoofd Beleidscoordinatie Departement Onderwijs Ministerie van Onderwijs en Vorming van de Vlaamse Regering
<i>Cyprus</i> <i>Member</i>	Mr Charalambos CONSTANTINOU Chief Educational Officer Directorate of Secondary Technical and Vocational Education Ministry of Education and Culture
<i>Cyprus</i> <i>Alternate</i>	Mr Elias MARGADJIS Inspector Directorate of Secondary Technical and Vocational Education Ministry of Education and Culture
<i>Czech Republic</i> <i>Member</i>	Ms Helena ÚLOVCOVÁ Deputy Director National Institute of Technical and Vocational Education (NÚOV)
<i>Czech Republic</i> <i>Alternate</i>	Mr Vojtech SRÁMEK Director Upper secondary and Higher Vocational Department Ministry of Education, Youth and Sport
<i>Denmark</i> <i>Member</i>	Mr Roland Svarrer ØSTERLUND Director National Education Authority Ministry of Education
<i>Denmark</i> <i>Alternate</i>	Ms Merete PEDERSEN Chief Advisor National Education Authority Ministry of Education
<i>Estonia</i> <i>Member</i>	Ms Külli ALL Advisor Department of Vocational and Adult Education Ministry of Education and Research
<i>Finland</i> <i>Member</i>	Mr Timo LANKINEN Government Counsellor Director for Vocational Education and Training Ministry of Education
<i>Finland</i> <i>Alternate</i>	Mr Ossi V. LINDQVIST Chair of the Finnish Higher Education Evaluation Council University of Kuopio

<i>France</i> <i>Member</i>	Ms Agnès LECLERC Délégue DAEI Ministère du Travail et de la Santé
<i>France</i> <i>Alternate</i>	Mr Jacques MAZERAN CIEP – International Centre of Educational Studies Ministry of Youth, National Education and Research
<i>Germany</i> <i>Member</i>	Mr Stefan SCHNEIDER Leiter des Referats 112 Übergreifende Fragen EU Bildungspolitische Zusammenarbeit Bundesministerium für Bildung und Forschung
<i>Germany</i> <i>Alternate</i>	Mr Klaus ILLERHAUS Secretariat Permanent Conference of the Ministers of Education
<i>Greece</i> <i>Member</i>	Mr Kostantinos MARGARITIS Vice President Organisation for Vocational Education and Training
<i>Greece</i> <i>Alternate</i>	Mr Loukas ZAHILAS Director European & International Relations Organisation for Vocational Education and Training
<i>Hungary</i> <i>Member</i>	Mr Janos JAKAB Deputy State Secretary for VET Ministry of Education
<i>Hungary</i> <i>Alternate</i>	Mr György SZENT-LÉLEKY Ministry of Employment and Labour
<i>Ireland</i> <i>Member</i>	Mr Padraig CULLINANE Principal Officer Labour Market Policy Section Department of Enterprise, Trade and Employment
<i>Ireland</i> <i>Alternate</i>	Ms Deirdre O'HIGGINS Assistant Principal Officer Labour Market Policy Section Department of Enterprise, Trade and Employment
<i>Italy</i> <i>Member</i>	Mr Andrea PERUGINI Minister Plenipotentiary Directorate General for European Integration Ministry of Foreign Affairs
<i>Italy</i> <i>Alternate</i>	Mr Luigi GUIDOBONO CAVALCHINI President UniCredit Private Banking
<i>Latvia</i> <i>Member</i>	Ms Lauma SIKA Director Department of European Integration and Foreign Assistance Programmes Coordination Ministry of Education and Science
<i>Latvia</i> <i>Alternate</i>	Ms Dita TRAIDAS Director Agency for Vocational Education Development programmes
<i>Lithuania</i> <i>Member</i>	Mr Romualdas PUSVASKIS Director Specialist Training Department Ministry of Education and Science

<i>Lithuania</i> <i>Alternate</i>	Ms Giedre BELECKIENE Head of National Observatory (VET) Methodical Centre for Vocational Education and Training
<i>Luxembourg</i> <i>Member</i>	Mr Gilbert ENGEL Professeur-attaché Ministry of Education and Vocational Training
<i>Luxembourg</i> <i>Alternate</i>	Ms Edith STEIN Chamber of Commerce of the Grand-Duché of Luxembourg
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