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ORGANISATION EUROPÉENNE POUR LA RECHERCHE NUCLÉAIRE
CERN EUROPEAN ORGANIZATION FOR NUCLEAR RESEARCH

COUNCIL

Hundred-and-fifty-fifth Session
Geneva – 18 June 2010

OPEN SESSION

MINUTES

As the Draft Minutes (CERN/2926/Draft, dated 27 July 2010) were approved without amendment at the Hundred-and-fifty-sixth Session of the Council on 16 September 2010, the attached document can be regarded as the **final version**.

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27 July 2010

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DRAFT MINUTES

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2009 Annual Progress Report, Financial Statements of the Organization
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(B. Manna)
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(F. Franceschetti)
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for the 2009 Financial Year
(F. Franceschetti)

LIST OF PARTICIPANTS

<u>President:</u>	Prof. M. Spiro	France
<u>Participants:</u>	Prof. D.O. Riska	(Vice-President of Council) Finland
	Prof. B. Sitar	(Vice-President of Council) Slovakia
	Mr J. Spitzer	Austria
	Not represented	Belgium
	Not represented	Bulgaria
	Dr R. Leitner Mr J. Stepanek	Czech Republic
	Prof. H. Bøggild Mrs B. Sode-Mogensen	Denmark
	Dr P. Pulkkinen	Finland
	Mrs M-C. Bourguignon	France
	Dr B. Vierkorn-Rudolph	Germany
	Prof. E. Gazis Mr G. Petmezakis	Greece
	Mr L. Székely Prof. G. Vesztergombi Mrs B. Vizkelety	Hungary
	Prof. F. Ferrini	Italy
	Prof. F. Bais Mr C.J. Van Riel	Netherlands
	Dr B. Jacobsen Prof. E. Osnes	Norway

Prof. M. Waligorski Mrs L. Wiszczor Prof. A. Zalewska	Poland
Prof. G. Barreira	Portugal
Mr A. Fric	Slovakia
Prof. J. Fuster Prof. C. Pajares Vales	Spain
Prof. B. Åsman Dr P. Karlsson	Sweden
Mr A. Evequoz Mr B. Moor Prof. U. Straumann	Switzerland
Prof. R. Wade Mr P. Williams	United Kingdom

EXTERNAL AUDITORS

Mr B. Manna
Mr F. Franceschetti
Mrs V. Leopizzi
Mr S. Penati
Mr S. Petruccioli
Mrs C. Serbassi

OBSERVERS

Dr L. Karapiperis	Representative of the European Commission
Prof. A. Gurtu Mr D.B. Venkatesh	Representatives of India
Prof. E. Rabinovici	Representative of Israel
Mr H. Kamiyama Prof. Y. Okada Mr H. Takaya Prof. K. Tokushuku	Representatives of Japan
Mr D. Korotkov Mr A. Petrov Prof. A.N. Skrinsky	Representatives of the Russian Federation

Mr T. Akbas
Ms M.S. Sancar

Representatives of Turkey

Dr G. Blazey
Dr S. Gonzalez
Dr D. Kovar
Dr M. Pripstein
Dr E. Seidel

Representatives of the USA

Invited:

Dr W. Davidson

Chairman of FALC

Also Present:

Prof. E. Fernandez

Chairman of the Scientific Policy
Committee

Prof. T. Nakada

Chairman of ECFA

Dr M. Steinacher

Chairman of the Finance Committee

Prof. S. Stapnes

Scientific Secretary

CERN Officials:

Prof. R-D. Heuer

Director-General

Prof. S. Bertolucci

Director for Research and Computing

Mr S. Lettow

Director for Administration and
General Infrastructure

Dr S. Myers

Director for Accelerators and Technology

Prof. F. Pauss

Coordinator for External Relations

CERN Services:

Dr E.M. Gröniger-Voss

Legal Counsellor

Mrs L. Morris

Minute-writers

Mr J. Pym

Mrs B. Van der Stichelen

Council Secretariat

OPEN SESSION

The PRESIDENT opened the meeting at 9.35 a.m. and welcomed the External Auditors from the *Corte dei Conti* in Rome: Mr F. Franceschetti, Ms V. Leopizzi, Mr B. Manna, Mr S. Penati, Mr S. Petruccioli and Ms C. Serbassi. He also welcomed the Observers: Dr L. Karapiperis of the European Commission, Professor A. Gurtu and Mr D. B. Venkatesh of India, Professor E. Rabinovici of Israel, Mr H. Kamiyama, Professor Y. Okada, Mr H. Takaya and Professor K. Tokusyuku of Japan, Mr D. Korotkov, Mr A. Petrov and Professor A.N. Skrinsky of the Russian Federation, Mr T. Akbas and Ms S. Sancar of Turkey, and Dr G. Blazey, Dr S. Gonzalez, Dr D. Kovar, Dr M. Pripstein and Dr E. Seidel of the United States.

Apologies had been received from H. E. Mr H. A. Rao of India, Minister A. Fursenko of the Russian Federation and Mr W. Erdelen of UNESCO.

1. REPORT ON THE DECISIONS TAKEN AT THE RESTRICTED AND CLOSED SESSIONS

(Item 1 of the agenda) (Oral)

The PRESIDENT presented his report on the decisions taken at the Restricted and Closed Sessions of the Council in March and June 2010¹.

The Council took note of the report by the President of Council.

2. REPORT BY THE CHAIRMAN OF THE FINANCE COMMITTEE

(Item 2 of the Agenda) (Oral)

Dr STEINACHER reported on issues examined at the Finance Committee's March and June 2010 meetings that were not covered by other items on the agenda of the Council's Open Session².

The Council took note of the report by the Chairman of the Finance Committee.

¹ See Annex 1

² See Annex 2

3. ANNUAL PROGRESS REPORT AND ANNUAL ACCOUNTS (FINANCIAL STATEMENTS) FOR 2009

(Item 3 of the Agenda)

a) Annual Progress Report for 2009

(CERN/SPC/938/Rev.-CERN/FC/5412/Rev.-CERN/2893/Rev.)

The DIRECTOR-GENERAL noted that the 2009 Annual Report was the first time that CERN's results in one year had been compared with the goals specified in the previous year's Medium-Term Plan, given that in 2008, the first year under the new governance scheme, there had been no formal objectives against which to measure performance. In drawing up the document, which had already been endorsed by the External Auditors, the new Standing Advisory Committee on Audits (SACA), the Scientific Policy Committee and the Finance Committee, the Management had endeavoured to provide comprehensive information in as concise a manner as possible.

b) Assessment and Comments by the External Auditors on the Annual Progress Report for 2009

(CERN/FC/5439-CERN/2906)

Mr MANNA made a general introductory presentation³ covering the External Auditors' work on the Annual Progress Report, the Financial Statements of the Organization and the Financial Statements of the Pension Fund.

c) Assessment and Comments by the SPC on the Annual Progress Report for 2009

Professor FERNANDEZ stated that the SPC had discussed the 2009 Annual Progress Report at its March and June 2010 meetings and had been pleased to note that the numerous comments it had made on the document the previous year had been taken into account. The Committee had fully endorsed the format and content of the 2009 Report, which greatly facilitated the comparison of achievements with objectives, and had expressed appreciation for the fact that the majority of the targets set had been met in a difficult year.

d) Assessment and Comments by the Finance Committee on the Annual Progress Report for 2009

Dr STEINACHER reported that the Finance Committee had taken note of the 2009 Annual Progress Report at its March 2010 meeting and had expressed appreciation for the

³ See Annex 3

content and format of the document. The Committee had received satisfactory answers to questions raised on under-spending in the area of "safety, health and environment" and had invited the CERN Management to propose targets for 2010 concerning the "LHC upgrade" and "LHC reliability and Consolidation".

The Annual Progress Report had also been examined by SACA at its first meeting on 31 May 2010. SACA had reached the following four conclusions:

- The Annual Progress Report is a key document in the new governance of the Organization and will be continually adapted and improved in the future, taking account of the suggestions and comments from the External Auditors and from the Council and its committees. In refining the content and presentation, it is important to strike the right balance between the level of detail and the documents' readability;
- Taking account of timing issues raised by the External Auditors, SACA recommends that, in future, their comments on the Annual Progress Report at the June Council sessions be confined to technical or formatting issues to be taken into account in the final version of the document, on the understanding that any general suggestions with a potential impact on the following year's audit plan should be raised later in the year when the External Auditors are no longer under pressure of time to finalise their reports on the Accounts of both the Organization and the CERN Pension Fund;
- SACA takes note of the External Auditors' recommendation to use benchmarking techniques, wherever possible, in the framework of future performance audits for selected activities of the Organization. Although it acknowledges the potential added value of such techniques in assessing the efficiency and effectiveness of certain processes and expenditure, SACA wishes to point out that they require significant resources as well as the collaboration of the reference organisation. It further notes that they may not always be feasible or appropriate, particularly in the case of scientific activities for which similar counterparts may not exist outside CERN as a suitable point of comparison;
- SACA also takes note of the External Auditors' suggestion to include an explanation of any relevant discrepancies between the "Budget" and "Revised Budget" figures in the summary of revenues and expenses (Tables 1 and 9 of the Annual Progress Report). While it recognises the difficulties inherent in comparing the figures shown in the different columns of these tables, it

considers that the key issue is the reliability of the figures and the quality of the budget and planning process.

At its June 2010 meeting, the Finance Committee had taken note of the assessment and comments by Mr Manna on behalf of the External Auditors and had unanimously decided to recommend the Council to approve the Annual Progress Report for 2009. The Committee had further unanimously endorsed the External Auditors' suggestions.

The Council took note of the general introductory presentation by Mr Manna on the External Auditors' work on the Annual Progress Report, the Financial Statements of the Organization and the Financial Statements of the Pension Fund.

The Council further took note of the External Auditors' assessment and comments on the 2009 Annual Progress Report set out in document CERN/FC/5439-CERN/2906 and of the assessment and comments by the Scientific Policy Committee, the Finance Committee and the Standing Advisory Committee on Audits.

On the recommendation of the Finance Committee, the Council decided, by unanimous vote of the delegations represented and voting⁴:

- to approve document CERN/SPC/938/Rev.-CERN/FC/5412/Rev.-CERN/2893/Rev., and
- to endorse the External Auditors' suggestions for future Annual Progress Reports.

e) Annual Accounts (Financial Statements) for the Financial Year 2009
(CERN/FC/5440-CERN/2907)

Mr LETTOW presented the document, providing the following information:

- the 2009 Annual Accounts of the Organization were drawn up in accordance with the International Public Sector Accounting Standards (IPSAS), as was already the case in 2007 and 2008, and have been audited and certified by the representatives of the *Corte dei Conti*, acting as CERN's External Auditors;
- the remaining 200 MCHF of the EIB loan was repaid in March 2009. Short-term borrowing from banks amounted to 290 MCHF at the end of 2009, compared to 409 MCHF at the end of 2008. The positive difference of 29.6 MCHF between the

⁴ Belgium and Bulgaria were not represented at the meeting

planned and the actual Budget surplus for 2009 was entirely devoted to reducing the budgetary deficit;

- the outstanding contributions from Member States amounted to 43.5 MCHF at the end of 2009, compared to 8.9 MCHF at the end of 2008. Of that amount, only 356 kCHF are still due;
- the variation in the 2009 figure for post-employment benefits, i.e. the estimated actuarial liability of defined-benefit plans for retirement benefits and post-employment health cover, compared to 2008 is mainly due to the reduction of the discount rate from 2.59% to 2.55%, as well as to changes in the actuarial assumptions, which are only partially compensated by an increase in the financial assets;
- short-term debts and bank overdrafts fell from 626 MCHF as at 31.12.2008 to 305 MCHF as at 31.12.2009, while long-term debts decreased by 10 MCHF.

Finally, he wished to take the opportunity to thank the representatives of the *Corte dei Conti* for their report and for their excellent collaboration during their audit.

f) Report by the External Auditors on the Annual Accounts for the Financial Year 2009
(CERN/FC/5441-CERN/2908)

Mr FRANCESCHETTI introduced document CERN/FC/5441-CERN/2908 on behalf of the External Auditors⁵.

g) External Auditors' Report on the Annual Accounts for the Financial Year 2009
Comments by the Management
(CERN/FC/5442-CERN/2909)

Introducing the document, Mr LETTOW remarked that the Management's comments were confined to a small number of the Auditors' recommendations and that it accepted all those to which it made no specific reference in its response. He highlighted the following points:

- the External Auditors' statements regarding the Annual Progress Report under Section 4, "Budget Out-turn 2009", are based on the version presented to the Council in March. Many of their recommendations have already been incorporated

⁵ See Annex 4

in the revised version of the document submitted at the present meeting, while the remaining ones will be taken into account in the 2010 Annual Progress Report;

- the Management has agreed to follow the External Auditors' recommendation to review the inventory procedures for the fixed assets with a view to standardising them across all Departments and establishing a regular follow-up mechanism;
- in the light of the External Auditors' suggestion to assess the economy, efficiency and effectiveness of direct in-house management of the CERN Health Insurance Scheme, the Management has undertaken to review the existing contract and arrangements and to evaluate the relative costs and benefits of in-house and external management and will report on its conclusions in due course;
- regarding the recommended inventory of sensitive and specialised positions for which competition for contracts should be open to both internal and external candidates, the Management wishes to stress that, since the introduction of the new contract policy in 2009, it has already made a start in opening key positions to the outside world, for example by issuing a world-wide call for applications for the position of CLIC/ILC Project Leader;
- the Management is currently in discussion with the Internal Audit, which performs a vital function for the Organization, to determine the number and type of staff needed to ensure that the Service can cover all relevant auditing activities, including technical audits.

Dr STEINACHER reported that documents CERN/FC/5440-CERN/2907, CERN/FC/5441-CERN/2908 and CERN/FC/5442-CERN/2909 had been examined at the closing meeting attended by himself, various CERN officials and the External Auditors in Rome on 21 May. They had then been discussed again at SACA's meeting on 31 May, resulting in the following conclusions:

- 1) SACA appreciated the full IPSAS compliance of the accounts, the additional information provided and the level of the explanatory notes;
- 2) Following an extensive discussion of the main issues raised by the Auditors and of the Management's response, SACA endorsed the three documents, subject to the following comments:
 - In Section 6.1.1 b) of their report, the External Auditors recommend an assessment of the economy, efficiency and effectiveness of direct in-house management of the CERN Health Insurance Scheme (CHIS), rather than by the

current external provider. SACA endorses the Management's proposal to review the existing contract and arrangements in the light of the Auditors' comments and to assess the relative costs and benefits of in-house and external management;

- In Section 10 of their report, the External Auditors recommend the creation of a list of sensitive and specialised positions for which both internal and external candidates should be considered when a vacancy for the award of an indefinite contract arises. SACA acknowledges the External Auditors' desire to ensure that the best candidates are recruited for such positions and to guarantee equal treatment between internal and external candidates. However, it supports the Management's view that such a list would be difficult to draw up as such positions may evolve over time and according to circumstances, and that it would place restrictions on the Organization's managerial flexibility and ability to promote internal mobility;
 - The Management's follow-up to all the recommendations issued by the External Auditors in their report on the 2009 financial year should be reviewed at a subsequent SACA meeting.
- 3) SACA further reviewed the list of outstanding recommendations from the Austrian and Italian Courts of Audit, as annexed to the External Auditors' report on the 2009 CERN Accounts, and agreed that it should be streamlined to reflect that some of the recommended actions had been closed or were already being implemented on a regular basis. The agreed changes are incorporated in the final version of the document submitted to the Council at its Open Session.

At its June 2010 meeting, the Finance Committee had taken note of the three documents, of the presentations by the Director for Administration and by Mr Franceschetti on behalf of the External Auditors, and had unanimously decided to recommend the Council to approve the 2009 Annual Accounts and Financial Statements and to grant discharge to the Director-General, Professor Heuer.

The Council took note of documents CERN/FC/5440-CERN/2907, CERN/FC/5441-CERN/2908 and CERN/FC/5442-CERN/2909, of the presentation by Mr Franceschetti on behalf of the External Auditors, of the statement by the Director of Administration and Infrastructure, Mr Lettow, and of the report by the Chairman of the Finance Committee and

Standing Advisory Committee on Audits and, on the recommendation of the Finance Committee, decided, by unanimous vote of the delegations represented and voting⁶:

- to approve the 2009 Annual Accounts set out in document CERN/FC/5440-CERN/2907 and
- to grant discharge to the Director-General.

4. CERN PENSION FUND

(Item 4 of the Agenda)

a) Annual Report and Financial Statements 2009

(CERN/FC/5443-CERN/2910)

Presenting the document in his capacity as Chairman of the Governing Board of the Pension Fund, Professor FERRINI remarked that the Financial Statements of the Fund were presented according to the IPSAS standards and that the Governing Board had approved a different format of the document with respect to the previous year in order to streamline the information originally provided in the Annual Report. The document now consisted essentially of the statutory financial statements for approval by the Council and of a letter from the Chairman of the Governing Board drawing the Council's attention to the key aspects of the statements. A new communication strategy approved by the Governing Board would transfer all the rest of the information formerly presented in the Annual Report, such as statistics and historical analysis, to different electronic and paper channels of information, in particular the new website, while the actuarial report that had also formed part of the previous year's report was transmitted directly to the Council through more appropriate channels, for example communication by the Council Advisory Group.

The major point to be noted in the 2009 Financial Statements was the fact that return in 2009 had been positive with respect to the previous year, thanks to an appropriate investment strategy that had responded well to the positive market trend. The Fund's performance was therefore positive, but the structural deficit persisted, and the underfunding with respect to future liabilities required the adoption of appropriate measures, as evident from the Financial Statements.

⁶ Belgium and Bulgaria were not represented at the meeting

b) Report by the External Auditors on the Accounts of the CERN Pension Fund for the Financial Year 2009
(CERN/FC/5444-CERN/2911)

Mr FRANCESCHETTI introduced document CERN/FC/5444-CERN/2911 on behalf of the External Auditors⁷.

c) Report by the External Auditors on the Accounts of the CERN Pension Fund for the Financial Year 2009: Comments by the Administration of the Fund
(CERN/FC/5445-CERN/2912)

Professor FERRINI introduced document CERN/FC/5445-CERN/2912 on behalf of the Pension Fund Management Unit, expressing appreciation to the External Auditors for their careful examination of the Accounts. He observed that a series of past recommendations had now been closed, while the new recommendations would greatly facilitate the Management Unit's administration of the Fund. The Governing Board wished to assure the Council that it would carefully follow the implementation of the various recommendations, of which a number, such as those relating to the recruitment of personnel, had already started to be put into effect.

Dr STEINACHER reported that SACA had examined the three documents at its meeting on 31st May. It had also reviewed the list of outstanding recommendations from the Austrian and Italian Courts of Audit, as set out in the Annex to document CERN/FC/5444-CERN/2911, and had agreed that it should be streamlined to reflect that some of the recommended actions had been completed or were now being implemented on a regular basis. He noted that the agreed changes were incorporated in the final version of the documents now submitted for approval.

At its June 2010 meeting, the Finance Committee had taken note of the presentation of the Annual Accounts by the General Manager of the Pension Fund, Mr Economou, of the presentation by Mr Franceschetti on behalf of the External Auditors, of the comments by delegations and of further clarifications by Mr Economou. It had unanimously decided to recommend the Council to approve the Annual Report and Financial Statements of the CERN Pension Fund for 2009, and to grant discharge to the Pension Fund Governing Board.

⁷ See Annex 5

The PRESIDENT remarked that the three documents provided the Council with valuable input for its ongoing deliberations on the stabilisation of the Fund's position and measures to restore full funding.

With reference to page 22 of document CERN/FC/5443-CERN/2910, Mrs SODE-MOGENSEN enquired about the status of the French authorities' demand for taxes on two buildings in Paris acquired by the Fund in 2008 and of the Organization's request that they reconsider their position. She remarked that, in the absence of any progress in the matter, the wisdom of the Fund's acquiring property on French territory could legitimately be called into question.

Professor FERRINI replied that the situation had not changed since the date of the document's publication but that the French Mission in Geneva was lending the Pension Fund assistance in pursuing the issue.

In response to a further enquiry from Mrs SODE-MOGENSEN concerning the Swiss tax authorities' position on the Fund's property in Switzerland, the DIRECTOR-GENERAL said that he would refer her question to the Pension Fund Management Unit.

The Council took note of documents CERN/FC/5443-CERN/2910, CERN/FC/5444-CERN/2911 and CERN/FC/5445-CERN/2912, of the statements by the Chairman of the Pension Fund Governing Board, Professor Ferrini, of the report by Mr Franceschetti on behalf of the External Auditors and of the report by the Chairman of the Finance Committee and the Standing Advisory Committee on Audits.

On the recommendation of the Finance Committee, the Council decided, by unanimous vote of the delegations represented and voting⁸:

- to approve the Annual Report and Financial Statements of the CERN Pension Fund for the 2009 financial year set out in document CERN/FC/5443-CERN/2910, and
- to grant discharge to the Pension Fund Governing Board.

5. CODE OF CONDUCT

(Item 5 of the Agenda) (CERN/FC/5447-CERN/2914)

Mrs CATHERIN presented the new CERN Code of Conduct⁹, describing the reasons for its introduction, its purpose and principles and the wide internal consultation process

⁸ Belgium and Bulgaria were not represented at the meeting

⁹ See <http://indico.cern.ch/conferenceDisplay.py?confId=96020>

adopted throughout its elaboration. She observed that the Code was a short, user-friendly document enshrining CERN's values and laying down common standards of behaviour to be applied. Aimed at all those working at CERN or on behalf of CERN, irrespective of their status, it provided a framework of general principles and would be accompanied by an extensive FAQ list giving concrete examples. The communication campaign to publicise the Code's existence would begin with a public meeting comprising talks by the Director-General, the HR Department and the new Ombudsman on 25 June.

The PRESIDENT remarked that, on the proposal of the Netherlands delegation, it had been agreed to move the report on the Code of Conduct from the Restricted to the Open Session of the Council in order to bring it to the attention of a wider audience.

Dr STEINACHER reported that the Finance Committee had taken note of the document, of an oral report by the Chairman of TREF on the Forum's examination of it at its meeting on 18-19 May 2010, of a presentation by the Head of the Human Resources Department, Mrs Catherin, and of a statement by the Vice-President of the Staff Association, Mr Evrard. The Finance Committee had endorsed the Code of Conduct and had taken note that it would become applicable with effect from 1st July 2010 and be supplemented by an online list of Frequently Asked Questions. The Committee had also taken note of the next steps, including the creation of an Ombuds Office with effect from 1st July 2010 and of the appointment of Dr V. Vuillemin, the retiring Head of the EN Department, as the first incumbent of that office.

Mrs SODE-MOGENSEN remarked that the Danish delegation greatly appreciated the introduction of a CERN Code of Conduct and, in particular, the creation of an Ombuds Office.

Mr SPITZER remarked that, having heard presentations on the new Code of Conduct both at TREF and at the Finance Committee, he wished to supplement the conclusions of the Finance Committee Chairman with the remark that the Code had received an enthusiastic response in both bodies.

In response to a question from Mr STEPANEK, Mrs CATHERIN stated that the list of Frequently Asked Questions concerning the Code of Conduct would shortly be available on the HR Department's website.

Mr VAN RIEL observed that the Netherlands delegation welcomed the new Code and, in particular, the approach consisting of encouraging people to adopt the correct attitudes and behaviour rather than imposing strict rules from above. He hoped that the peer pressure it was

bound to encourage would help to diminish the number of complaints referred to the bodies responsible for conflict resolution.

The Council took note of document CERN/FC/5447-CERN/2914, of the presentation by the Head of the Human Resources Department, Mrs Catherin, of the report by the Chairman of the Finance Committee and of the comments made by delegations during the discussion.

The Council strongly endorsed the Code of Conduct and took note that it would become applicable with effect from 1st July 2010 and be supplemented by an online list of Frequently Asked Questions.

The Council also took note of the next steps, including the creation of an Ombuds Office with effect from 1st July 2010 and of the appointment of Dr V. Vuillemin as the first incumbent of that office.

The meeting was adjourned at 11.10 a.m. and resumed at 11.30 a.m.

6. LHC STATUS REPORT

(Item 6 of the Agenda) (Oral)

Dr MYERS, Director for Accelerators and Technology, presented his report on the status of the LHC machine¹⁰, highlighting the following milestones of recent months:

- first collisions at the record energy of 3.5TeV/beam on 30 March;
- an increase in luminosity by an order of magnitude on 19 April, followed by four weeks of running during which the experiments were able to accumulate significant amounts of data;
- a further increase in luminosity by an order of magnitude on 22 May;
- injection and collision of nominal intensity bunches (10^{11} protons/bunch) at 3.5 TeV/beam on 26 May.

The latest news from the Control Room that morning indicated excellent progress with nominal intensity operation, with the longitudinal emittance control and transverse damper systems operating and the collimators ready to be set up within another one or two shifts. It was expected that physics data could start to be taken in that configuration within the next 7-9 days, almost a week ahead of the estimated start date.

¹⁰ See <http://indico.cern.ch/conferenceDisplay.py?confId=96020>

Professor BERTOLUCCI, Director for Research and Computing, presented an extensive status report on the LHC experiments and computing grid¹¹. He observed that the experiments were already exploiting the available 7 TeV data to the full, proceeding with rapid analyses and publication of results, and were preparing to follow the scheduled increase of luminosity with more complex triggers. The computing environment was consistently delivering a satisfactory performance, coping with increasingly high workloads and proving its ability to confront teething problems and other technical challenges as they arose.

The DIRECTOR-GENERAL outlined the following plans for LHC running in the short, medium and long terms:

- the short-term aim is to run the LHC at around 7 TeV until the end of 2011, with a technical stop of 1-2 months' duration around the end of 2010, and to accumulate luminosity of 1 fb^{-1} , which would open up a significant window of discovery potential for physics; dedicated heavy-ion runs are scheduled at the end of 2010 and 2011;
- the machine will then shut down for the whole of 2012 for improvements and consolidation work, including consolidation of the inter-connects between the magnets and installation of the remaining DN200 helium relief valves, as required to operate at 13 to 14 TeV in 2013 and 2014;
- during a further long shutdown around 2015, Linac4 will be integrated into the LHC injector chain, the PS Booster will be upgraded to enhance LHC performance and the detectors will be modified and enhanced to optimise use of the increased integrated luminosity;
- the aim is then to operate the LHC until around 2020 at 14 TeV in the centre of mass and at approximately the design luminosity;
- for the second decade the LHC will be the subject of a major upgrade to operate until at least 2030 as a high luminosity machine (HL-LHC), namely with a luminosity of some five times the design luminosity, or approximately $5 \times 10^{34} \text{ cm}^{-2} \text{ s}^{-1}$, coupled with luminosity levelling to maximise the integrated luminosity for physics;
- this upgrade will, inter alia, comprise a single-phase upgrade of the inner triplets and the most cost-effective upgrade of the other parts of the LHC injector chain, together

¹¹ See <http://indico.cern.ch/conferenceDisplay.py?confId=96020>

with a major upgrade of the inner detectors to withstand integrated luminosities at least a factor 10 higher than in the first decade of LHC operation;

- the detector upgrade will require a focused R&D and design effort that must start now in order to be ready for 2020.

Professor FERNANDEZ reported that the Scientific Policy Committee had heard reports on the status of the LHC machine and experiments at its June 2010 meeting, as well as a report on the recent meeting of the CERN Machine Advisory Committee. The last three-month period had seen many significant developments in the machine, as outlined by Dr Myers in his presentation. However, the ramping of the energy to 3.5 TeV with design intensity bunches had also produced some instabilities. Hitherto, machine development periods had been interspersed with data-taking by the experiments, leading to a certain amount of inefficiency in the overall operation. For that reason, in agreement with the experiments, it had been decided the previous week to concentrate on machine development for a short period before recommencing data-taking for the experiments with design intensity bunches.

The machine's sub-systems, including the vacuum, cryogenics and instrumentation, were all performing very well, translating into a 60% machine availability for operations and 1000-hour beam lifetimes, both of which were remarkable achievements for a new accelerator. The SPC had expressed satisfaction with the progress made, taking note of the plans for running with increased luminosity over the summer, and looked forward to the achievement of the goal of 1 fb^{-1} at the end of the initial two-year run.

The SPC had also been impressed by the superb performance of all the LHC experiments and wished to highlight the fact that they were already measuring many Standard Model processes, some with surprising precision, leading to publications. The computing grid was performing at full capacity, handling the staggering one million jobs submitted every day without any major problems.

Dr STEINACHER reported that at its March 2010 meeting the Finance Committee had taken note of the LHC energy and luminosity targets for the 2010-11 run and of the running and shutdown schedules in 2010-2012, as presented by the Director-General, as well as of the status of the LHC machine and the status of the LHC experiments and the Grid. The Committee had congratulated the CERN Management and all those concerned on the good progress being achieved in all fields on the restart of the LHC and first collisions at 3.5 TeV per beam in 2010. In addition, it had expressed appreciation for the Management's media strategy with regard to the restart of LHC operations, as outlined by the Director-General, as

well as for the Management's efforts to ensure proper public awareness of CERN's activities in order to avoid distorted reporting about the LHC in the media.

In June, the Finance Committee had taken note of the oral reports by the Director for Accelerators on the LHC machine, including his clarifications of the scope of the LHC-related expenditure covered by the 2010 Medium-Term Plan, and by the Director for Research on the results of the first data analyses by the LHC experiments and on the performance of the LHC Computing Grid. The Committee had expressed its appreciation for the continuing outstanding performance of the LHC machine, experiments and Computing Grid. The remarkable machine availability of approximately 60% only six months after the start of operations exceeded all expectations and bode well for further successes to come.

Mrs SODE-MOGENSEN stated that the Danish delegation wished to congratulate the Management on the progress achieved both on the machine and the detectors. The atmosphere at CERN today was dramatically different to what it had been one year earlier, with a palpable feeling of enthusiasm and expectation throughout the Laboratory that was a joy to experience. She was greatly encouraged, in particular, by the large number of young people to be seen on the CERN site.

Professor SITAR observed that the Slovak delegation also wished to congratulate the LHC teams and the CERN Management on achieving the record proton-proton collision energy of 7 TeV and on the successful machine operation behind it. Amid all the excitement, it was important not to lose sight of the fact that the LHC was the world's largest, most complicated and most sophisticated machine, a ground-breaking accelerator with unique parameters presenting unprecedented challenges: as in the case of experiments, but on a far greater scale, operations had to be repeated many times over in order to achieve optimal performance. Thus, while everyone eagerly awaited high luminosity, patience was the order of the day. He had complete confidence in the abilities of the LHC teams to perfect the machine and wished them every success on the road to achieving further records.

The DIRECTOR-GENERAL, thanking the Council for its reassuring words, said that congratulations were due above all to the staff and everyone working in the Laboratory for their hard work and dedication.

The PRESIDENT, summing up, said that the LHC represented a giant leap forward for particle physics and that CERN was now entering exciting times. He invited the Council members to join him in a round of applause to the staff and Management for all that had been achieved to date.

Applause.

The Council took note of the oral presentation by the Director-General of his vision for LHC operation in the short, medium and long terms, and of the reports by the Director for Accelerators and Technology, Dr Myers, on the LHC start-up, by the Director for Research and Computing, Professor Bertolucci, on the results of the first data analyses by the experiments and on the performance of the LHC Computing Grid, and by the Chairmen of the Scientific Policy Committee and the Finance Committee.

The Council congratulated everyone concerned on the outstanding performance of the LHC machine, experiments and computing grid and, in particular, on the start-up of physics operation with collisions of 3.5 TeV per beam on 30 March 2010, and agreed that the current progress of LHC operations placed CERN on the verge of opening up a new era of particle physics.

7. REPORT BY THE SCIENTIFIC SECRETARY OF THE EUROPEAN STRATEGY SESSIONS

(Item 7 of the Agenda) (Oral)

Professor STAPNES presented his report on European Strategy matters¹², covering:

- the status of the two FP7 projects submitted in 2009, AIDA and TIARA, and new FP7 calls expected in 2010,
- a draft description of the European Strategy for Particle Physics to be incorporated in the forthcoming update of the ESFRI European Roadmap for Research Infrastructures,
- progress towards a CERN – ApPEC work plan of common activities covering the period until the update of the European Strategy for Particle Physics in mid-2012,
- the main points on the agenda of the next FALC meeting to be held at CERN on 18-19 June,
- preparations for the Strategy update, including the submission of a draft remit to the SPC and European Strategy Session of Council in September,
- possible items for inclusion in the agenda of the September European Strategy Session, which would be a full-day meeting.

The PRESIDENT stated that the Council had received invitations from the Belgian delegation and the European Commission to hold the Restricted and European Strategy Sessions of September 2012 in Brussels. The European Commission would be closely

¹² See <http://indico.cern.ch/conferenceDisplay.py?confId=96020>

involved in the organisation of the European Strategy Session, at which the European Strategy for Particle Physics would be formally updated, while the Belgian delegation would be responsible for the Restricted Session.

In response to a question from Mr VAN RIEL regarding the timing and agenda of the first annual EU-CERN meeting later that year in Brussels, Professor STAPNES stated that the provisional date was Monday 6 September and that, although the agenda had yet to be finalised, it would certainly comprise discussions on the status of the work plan and key policy issues for the future. The meeting would be attended by three or four top-level representatives of each party and would provide an opportunity for CERN to get acquainted with newly appointed officers within the Commission.

Dr KARAPIPERIS observed that one of the main personnel changes at the Commission to which Professor Stapnes had referred was the appointment of Mr R.-J. Smits as Director General of DG Research with effect from 1st July 2010. Mr Smits had been closely involved in the negotiation of the CERN-EU Memorandum of Understanding signed in July 2009, as well as in research infrastructure issues. The agenda of the September 2010 meeting was expected to be finalised shortly and, in addition to the issues mentioned by Professor Stapnes, was likely to include exchanges of views on recent policy developments in the Commission such as the Europe 2020 strategy and the emphasis on research and innovation. Thanking the Council for its decision to hold the Session for the formal update of the European Strategy for Particle Physics in Brussels in September 2012, he voiced satisfaction that it had also accepted the Commission's offer to collaborate in organising the event and indicated that the Commission looked forward to working closely with the Strategy Secretariat.

Dr VIERKORN-RUDOLPH, speaking in her capacity as Vice-Chairman of the ESFRI Executive Board, expressed the view that CERN and ESFRI should endeavour to cooperate closely in the updates of their respective strategies. CERN was thus invited to submit an up-to-date text, including plans for the 2012 update of the European Strategy for Particle Physics, for insertion into the next version of the ESFRI Roadmap due to be published in December 2010.

Mrs SODE-MOGENSEN, echoing the desire for collaboration between CERN and ESFRI, requested that the informative presentation by Professor Stapnes be made available to Member State delegations as quickly as possible.

In response to a question from Mrs SODE-MOGENSEN regarding the possible inclusion of ESA in the update of the European Strategy for Particle Physics, Professor STAPNES observed that CERN and ESA had no formal cooperation structure. The

DIRECTOR-GENERAL added that the two organisations exchanged information in the framework of the EIROforum.

The Council took note of the oral report by the Scientific Secretary, Professor Stapnes, and of the statements by delegations and the European Commission representative during the discussion.

The Council agreed to accept the invitation of the Belgian delegation and the European Commission to hold its Restricted and European Strategy Sessions in September 2012 in Brussels for the formal update of the European Strategy for Particle Physics.

8. REPORT BY THE CHAIRMAN OF THE SCIENTIFIC POLICY COMMITTEE

(Item 8 of the Agenda) (Oral)

Professor FERNANDEZ reported on the March, May and June 2010 meetings of the Scientific Policy Committee¹³. He noted that, in addition to the status of the LHC machine and experiments, which were examined at each meeting, the main focus of its recent discussions had been the Medium-Term Plan for 2011-2015, whose content and strategic priorities the Committee strongly endorsed. Also in 2010, aside from various standing items plus issues relating to the European Strategy for Particle Physics and the Scientific and Geographical Enlargement of CERN, the Committee had heard reports on the fixed-target programme, the outcome of the Chamonix workshop, activities in the astroparticle physics field and the conclusions of SPC Panel on Future Neutrino Facilities in March and on the LHeC, HIE-ISOLDE and the LHC Physics Centre (LPCC) in June.

The Council took note of the oral report by the Chairman of the Scientific Policy Committee, Professor Fernandez, on the items discussed at its March, May and June 2010 meetings.

9. PRESENTATION BY THE CHAIRMAN OF FALC

(Item 9 of the Agenda) (Oral)

Introducing the item, the PRESIDENT remarked that, following the report from the Chairman of the SPC, which was oriented towards the CERN programme, and the report from the Scientific Secretary of the European Strategy Sessions, which had covered activities at the European level, the presentation by the Chairman of FALC was designed to complete the picture by focussing on the global strategy for particle physics.

¹³ See Annex 6

Dr DAVIDSON, the Chairman of the Funding Agencies for Large Colliders (FALC), gave a presentation on the history, role, membership and activities of the FALC group¹⁴, noting that the rationale for its creation in 2003 derived from the fact that the particle physics programme was increasingly confronted with the need for facilities on a global scale and that the programme's expansion beyond the national or regional level had reinforced the need for interaction between the funding agencies. FALC's initial focus on the status of funding for a TeV lepton linear collider had since shifted to promoting global coordination of, and information exchange on, R&D programs for LHC upgrades, future linear colliders (ILC and CLIC), and the worldwide neutrino programme. One of the main issues it was currently examining was the definition of a global project, which was an example of the various parallels and overlaps between its centres of interest and those of the CERN Council. FALC existed primarily to ensure that its constituent funding agencies from around the Globe were fully and mutually conversant with their respective programme constraints and with the scale, the costs, the industrial relevance, and the governance issues of the successor machine to the LHC – a future linear collider.

The PRESIDENT observed that CERN was delighted to be hosting FALC's meeting on 18 and 19 June and that the presentation by the group's Chairman to the Open Session of the Council afforded the representatives of the Member States and Observers an excellent opportunity to familiarise themselves with the current topics under discussion at FALC.

In response to a question from SODE-MOGENSEN regarding FALC's advisory role to the world's governments, Dr DAVIDSON explained that FALC provided periodic feedback to the highest levels of government. In 2008, for example, it had produced a report setting out the range of benefits deriving from investment in the ILC project, which had been submitted to the relevant ministries of the governments of all FALC's members.

Responding to a question from Professor RISKKA regarding the difference in the roles of FALC and ICFA and any possible overlaps between them, Dr DAVIDSON remarked that ICFA was a scientific body comprising top scientists, whereas FALC's members represented their respective funding agencies, even if many happened to be scientists themselves.

The PRESIDENT added that FALC had introduced the practice of inviting the directors of the world's three main particle physics laboratories, CERN, Fermilab and KEK, to its meetings, providing a connection to ICFA.

¹⁴ See <http://indico.cern.ch/conferenceDisplay.py?confId=96020>

Thanking Dr Davidson for his informative presentation, he remarked that it would be desirable to schedule another report on FALC's activities for the same time the following year as global input for the ongoing preparations on the update of the European Strategy for Particle Physics.

The Council took note of the oral report by the Chairman of FALC, Dr Davidson.

10. DRAFT TIMETABLE FOR COUNCIL SESSIONS AND COMMITTEE MEETINGS 2011

(Item 10 of the Agenda) (CERN/2916/Draft)

The PRESIDENT pointed out that the date of the Finance Committee's meeting in November 2011 should read Wednesday *2 November*, and not 3 November as shown in the document.

The Council took note of the information set out in document CERN/2916/Draft, as amended, and decided, by unanimous vote of the delegations present¹⁵, to approve the draft timetable for Council Sessions and committee meetings in 2011, set out therein.

11. OTHER BUSINESS

(Item 11 of the Agenda)

- Developments in neutrino physics at the Gran Sasso Laboratory

The PRESIDENT reported on important first results from the neutrino experiments ICARUS and OPERA in the framework of the CERN Neutrinos to Gran Sasso (CNGS) project: at ICARUS, the first neutrino interaction had been registered, while OPERA had recorded the first tau candidate event.

- Departure of a Department Head

On behalf of the Council, the PRESIDENT thanked Dr Vuillemin, who had been Head of the Engineering Department since 2008 and was stepping down from that position at the end of June to take up the newly created post of CERN Ombudsman with effect from 1st July 2010.

¹⁵ Belgium and Bulgaria were not represented at the meeting

- Departure of two Member State Delegates

The PRESIDENT also extended thanks to Professor Bais, who had served as Netherlands scientific delegate since January 2005 and was now attending the Council for the last time in that capacity. His incisive questions and comments had been greatly appreciated.

Professor BAIS said that it had been an honour and a pleasure to serve on the Council during an extremely exciting phase in particle physics that had brought the LHC to a turning point at the frontier of science. The LHC was an outstanding symbol of the human quest for fundamental knowledge, a global project of unequalled complexity involving simultaneous innovations on the scientific, technological and also collaborative fronts. While projects on that scale were bound to present difficulties along the way, what counted was the approach to confronting and solving them, and CERN was to be commended for the tremendous strides it had made in overcoming the various challenges encountered during the machine's construction and commissioning. In the present climate of economic upheaval, he called on everyone to maintain their laudable commitment to the magnificent scientific enterprise of CERN.

Applause.

The PRESIDENT requested the Czech delegation to convey the Council's thanks to Professor Niederle, who had been a delegate since September 1993 and had served as Vice-President between July 1995 and June 1998. Professor Niederle, whose career was honoured in the June 2010 edition of the CERN Courier, was not only one of the most well-known and longest-standing members of the Council but an outstanding scientist who had been instrumental in building the scientific reputation of Czechoslovakia and, subsequently, the Czech Republic. He had also played an important role in forging his country's ties with CERN, and his constructive statements and his efforts on the Organization's behalf would be long remembered.

Applause.

The meeting rose at 1.35 p.m.

* * *

Report on the Decisions taken at the Restricted and Closed Sessions

by

the President of Council

CERN/2926/Draft
Annex 2

Report by the Chairman of the Finance Committee
Dr M. Steinacher

Report on the 329th and 330th Meetings of Finance Committee held on 17 March and 16 June 2010

All Member States were represented at the March meeting. Bulgaria was absent at the June meeting.

Financial Matters:

- At both meetings, the Finance Committee received the latest information with respect to contributions of the Member States for the financial year 2010. Compared to March, a substantial improvement could be reported. However, bearing in mind that the deadline for the second instalment is 10 June, I would like to underline that only 66% of contributions have been received today. 385 MCHF are still outstanding. The Finance Committee took note of the statements by the Greek, Hungarian and Spanish delegations regarding payment of their respective 2010 contributions and further noted the statement by Mr Lettow that the substantial shortfall in the contributions settled would entail greater short-term borrowing requirements than envisaged.
- In June, the Finance Committee took note of the preliminary overall CVI for 2011 estimated at present to be approximately 1 % (approximately 1.8% for the personnel budget and approximately 0.5% for the materials budget). This value is well within the approved corridor of 0 to 2% for the indexation of the Member States' contribution for the year 2011.
- In June, the Finance Committee took note of the information set out in the Medium-Term Plan document and of the presentation and additional explanations of the Management's planning strategy for the period 2011-2015 and beyond. In the light of statements by delegations during the discussion, the Finance Committee concluded that the time was not ripe to proceed to a vote either on the overall strategy for the reference period 2011-2015 or on the 2011 Draft Budget in 2010 prices. The Finance Committee therefore decided to defer its recommendations to the Council and to aim to arrive at recommendations on those matters at its September 2010 meeting. To that end, the Finance Committee further decided to hold an extraordinary meeting on 25 August to discuss further how to proceed and to seek to achieve progress on the basis of an alternative 2011 Budget and 2011-2015 MTP scenarios prepared by the Management following bilateral discussions with Member State delegations, and input by the Scientific Policy Committee on scientific priorities in the light of the SPC's examination of the scenarios at a special meeting on 24 August.

Personnel Matter:

- In June, the Finance Committee took note of the oral report by the Chairman of TREF, Mr Van Riel, on TREF's meeting on 18 and 19 May. The main part of the meeting was devoted to the 2010 Five-Yearly Review, with a series of reports concerning relevant items covered by this year's review. In addition, TREF dealt with a follow-up of the technical analysis of the CHIS, the 2009 personnel statistics, the Code of Conduct, equal opportunities, and the 2010 work plan for the five-yearly review. The Finance Committee took note of the statement by the President of the Staff Association, Mr Deroma. The next TREF meeting will be held on 5 / 6 October.

Pension Fund:

- As a standing item on the agenda, the Finance Committee at both meetings received an oral report by Professor Ferrini, the Chairman of the Pension Fund Governing Board, addressing main issues from the meetings held over the first half of 2010. In June, the outcome of further actuarial calculations concerning the CERN Pension Fund was presented.

Knowledge and Technology Transfer:

- The Finance Committee took note of the information set out in the Status Report covering the preceding year and in addition of a policy document on intellectual property and of the presentation by the Head of the Knowledge and Technology Transfer (KTT) Group, Dr Parrinello. The Finance Committee expressed appreciation for the comprehensive information contained in the Status Report and for the clear and transparent strategy outlined in the policy document.
- The Committee further encouraged the CERN Management and the KTT Group to take every opportunity to increase public awareness of CERN's considerable contribution to society at large, as highlighted by the Status Report, particularly in respect of the application in the life science and medical fields of technologies and techniques developed at CERN for particle physics research purposes.

Commercial Matters:

- In March, the Finance Committee unanimously approved the 13 proposed contract adjudications and commended the high quality and the timely availability of the submitted documents. The Finance Committee took note of the report on purchasing during the year 2009 and of additional information provided by the Head of the Finance and Procurement Department which included a short report on the previous day's Industrial Liaison Officer Forum meeting.
- In June, with Denmark and Bulgaria absent, the Finance Committee approved the five proposed contracts, three without competitive tendering, one framework and one blanket purchase contract.

Introduction to the External Auditors' Assessment and Comments on the
2009 Annual Progress Report, Financial Statements of the Organization and
Financial Statements of the Pension Fund

By

Mr B. Manna

Council meeting

Geneva-Wednesday 18 June 2010

Dear delegates, Ladies and Gentlemen, we are pleased to participate today to this open session of the CERN Council.

After that during the special meeting on Tuesday and, yesterday, in the 330th meeting of the Finance Committee we discussed and presented our audit findings, we are here to present our suggestions on the 2009 Annual Progress Report and the Certificates and Reports that we issue as external auditors on the Financial Statements of CERN and Pension Fund for the year ending on 31 December 2009. As you know, the written versions of all these documents have already been made available, therefore today with this intervention I only wish to offer some additional considerations.

The working plan for our auditing activity was basically subdivided into two phases: an interim stage, when we concentrated our attention on the analysis of internal procedures and governance, and a final phase in which we focussed on the reliability of accounts and their compliance with the standards, the legality aspects and the regularity of the underlying transactions, all this in order to obtain a reasonable assurance that the Financial Statements are free from material misstatement.

As we have been requested since last year, we produced a Document on the **Annual Progress Report** (APR) where we made our assessments and our comments. This was in addition to our original Mandate but since we consider the APR a strategic text in the new governance of the Organization, we appreciate that we have been included in the review process of such a document and the opportunity we have been given to discuss it with the Management and to provide our suggestions. Our Analysis includes a grid which shows the Management's replies to our suggestions and the state of implementation of their intended action. At this stage, some of our suggestions have already been embedded into the version that we are submitting to you today.

The introduction of the Annual Progress Report can represent an element of solution to the complex problem of the assessment of performance and controls in the Particle Physics research field. The concept that, in Research, the efficiency is the first factor to be examined is correct, by reason of the fact that achievements and results cannot be easily predicted. In fact, only when there is the certainty of results, the Effectiveness may be assessed, as a component of performance.

Ever since last year we highlighted - and we would like to mention it again - that the APR should contain clear and direct links between the Medium Term Plan (MTP) and the actual figures in the Financial Statements. In this light we suggest to align, in the most proper manner, the targets decided by the Council in the MTP and the comments on relevant differences between Targets and Achievements.

We also recommend to select the most appropriate document (APR or Financial Statements) where an analytical study of variations could be included. This should be envisaged in order to provide the Council and Finance Committee with specific comments on any possible deviation.

Moreover, our suggestions would bring the APR closer to a document that could lead to future “Efficiency Audits” on selected activities of the Organization, as also directly requested to us by the former President of this Council in March 2009.

Thank you for your kind attention.

Report by the External Auditors on the 2009 Annual Accounts of the
Organization

By

Mr F. Franceschetti

Annex 4

Dear President, delegates and observers, we are pleased to present the main results of our audit activity we included in our Report.

We have analyzed the Financial Statements of CERN for the Year 2009 and in our opinion, the Financial Statements for the Year 2009 give a true and a fair view of the financial position of CERN as at 31 December 2009, of its financial performance and its cash flows for the year 2009 in accordance with International Public Sector Accounting Standards which have been correctly implemented by the CERN Management.

As far as our audit findings are concerned, we accordingly issued some recommendations. Amongst them we would like to recall the following.

- i. We recommend establishing a stricter set of goods inventory procedures and a regular follow-up mechanism by means of - at least - an annual inventory exercise. Benefits will be granted through a direct, optimal and efficient use and maintenance of the goods themselves.
- ii. Moreover, we observed that not all goods were recorded in the same way. We therefore recommend adopting a standardized procedure in order to enhance the traceability of the goods during their life-cycle and to simplify the inventory process.
- iii. In 2009, the presentation of the CHIS Fund slightly changed so as to enhance the monitoring of its two activities, Health Insurance Scheme and Long Term Care. As a matter of fact, it showed a decrease in the HIS technical performance, due to the negative ratio of contributions/benefits and to the Contractor's fees and overheads. Therefore, it is recommended to assess the economy, the efficiency and effectiveness of using an external service provider instead of a direct in-house management. Such a change would help the Management itself in having directly owned data with the possibility to have constant monitoring and a fast response to any problem that might arise in the future.
- iv. In a few cases, we observed that internal staff went through a rotation system or were recruited on the basis of indefinite contracts in sensitive and specialized positions without a competition open to both internal and external candidates. We are of the opinion that when a vacancy occurs for the award of such contracts – for example, posts managing high risk activities and requiring technical competencies which might not be learnt on the job – an open vacancy should be addressed to all potential candidates.

- v. As for the Internal Audit Service, we recommend a minimum staffing level of 3 experienced and professional auditors, also in order to minimize disruption in case of possible departure. Besides, we recommend that the staffing level should be further increased, according to the audit risks which are identified and the relevant audit coverage required. Finally, in case an enlargement of audit scope to technical and operational activities should take place, we also recommend that IA should recruit a technical expert with an audit experience background as an asset.

Report by the External Auditors on the Accounts of the CERN Pension Fund for
the 2009 financial year

by

Mr F. Franceschetti

Annex 5

Dear President, delegates and observers, we now present the main results of our audit activity on the CERN Pension Fund we included in our Report.

We have analyzed the accounts of the Fund for the Year 2009 and in our opinion, the Financial Statements give a true and a fair view of the financial position of the CERN Pension Fund as at 31 December 2009, of its financial performance and its cash flows in accordance with International Public Sector Accounting Standards.

We have also examined the Consulting Actuary's 2009 Report, where it was stated that as at 31 December 2009 the financial stability of the Fund was not assured; the funding ratio is below 100% at the end of the year and it amounts to 60.1% according to the technical assessment [according to the assumptions stated in the International Accounting Standard No.26] and to 69.5% [according to the assumptions stated by WG 2]. The funding ratio dropped from 72.7% as at 31 December 2008 to 60.1% as at 31 December 2009. The Actuary's Report also highlighted that the Fund would have no safety margin to weather a further fall in the financial markets. In addition, as at 31 December 2009 the Fund's liabilities were not entirely covered by the available provident assets.

In order to increase transparency, we recommend that the Actuary's Report should be brought to the Council's attention directly in the Financial Statements or indirectly, through a specific document where Management could carry out its detailed analysis.

The under-funding of 2596.9 MCHF (39.9% of the provident and technical provision) was "considerable" and it was the result of three factors: the change in the discount rate, the full capitalisation of the future indexation of pensions and the financial losses due to the 2008 crisis that have not yet been fully compensated for.

We believe that the CERN Pension Fund's underfunding is critical and that immediate corrective actions are necessary for restoring the full funding. Therefore we welcome the set-up of an Advisory Group by the Council.

As far as Financial Risks versus Performance are concerned, we are of the opinion that the Finance Committee and the Council should be given all the possible elements in order to evaluate financial risks and to decide on an appropriate policy for solving the problems related to the above-mentioned underfunding.

Moreover, so as to provide transparent information to the decision-makers, we recommend the Management to show in a table what was the Assets composition, the financial risks and the performance achieved every single year in the last 30-year period taken as a reference. Considering that, ten years ago, highly speculative financial instruments did not exist, we also recommend making a comparison between these values related to annual performances with the performance that the Pension Fund would have gained with a “minimal risk” investment policy for the same past 30-year period (for example, Swiss governmental bonds).

As for the amendments to the Rules and Regulations of the Fund, Working Group 1 ended its mandate and the PFGB recently delivered a Green Paper to the Council. We received the draft version of this document with such short notice in terms of time that it was not sufficient for us to express a written opinion on the draft amendments to the Fund’s Rules.

Finally, we also carried out a follow-up of the past observations issued by the former External Auditor, the Austrian Court of Audit, and by us and though some of them are still valid we would like to stress the commitment of the Pension Fund Management to implement them.

Report by the Chairman of the Scientific Policy Committee

By

Professor E. Fernandez