

ORGANISATION EUROPEENNE POUR LA RECHERCHE NUCLEAIRE  
**CERN** EUROPEAN ORGANIZATION FOR NUCLEAR RESEARCH

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<i>Action to be taken</i>		<i>Voting Procedure</i>
Take note	<b>FINANCE COMMITTEE</b> 336 <sup>th</sup> Meeting 22 June 2011	-
Take note	<b>COUNCIL</b> 159 <sup>th</sup> Session 23 June 2011	-

**External Auditors' Report for the Financial Year 2010**

Comments by the Management



## **External Auditors' Report for the Financial Year 2010**

### Comments by the Management

The CERN Management has examined the Report by the External Auditors on the accounts of CERN for the financial year 2010.

The comments of the CERN Management are limited to the following clarifications (numbering as per the External Auditors' report), on the understanding that all the recommendations to which no specific reference is made below are accepted and will be implemented.

#### 4. Budget out-turn 2009

We have taken note of the recommendation and, where needed, we will further enhance the descriptive notes as well as the references between the Financial Statements and the Annual Progress Report.

#### 6.1.1 Non-current Assets

##### a) Fixed assets in progress - Asset management

An advanced asset tracking system exists for the LHC, while for the older accelerators, due to their age, the asset tracking tools are less developed. This will gradually be corrected with their upgrade. Regarding the assets linked to the infrastructure, most of these assets are in a computerized tool which is also used for maintenance management. A working group has been set up in order to standardise the way the departments record their inventory. Furthermore, Finance and Procurement Department is looking together with AIS at the possibility of linking the procurement orders with the entries in the inventory.

Nevertheless, due to the complexity and variety of the assets managed by the Organization, the implementation of these procedures and the tools required will certainly have a significant cost. An assessment of the cost/benefits will be made in order to determine which procedures need to be enhanced and with which priority.

##### b) Fixed assets in progress - cancellation of projects

The existing procedure is in line with CERN's accounting principles. CERN will assess the feasibility of this recommendation for certain projects with the services concerned.

c) CHIS fund – monitoring and level of benefits

The Management shares the recommendation of the external auditors relating to the monitoring of the long-term financial equilibrium of the scheme.

CERN nevertheless wishes to reiterate that the purpose of the CHIS fund is different from that of the Pension Fund. While the Pension Fund is based on a capitalized system the objective of the CHIS fund is to be able to absorb short-term fluctuations in expenditure, have a reserve in case of medical catastrophe scenario and have the required capital to fund long-term care.

d) CHIS fund – contractor

A call for tenders for the provision of a service provider for the management of the Health Insurance Scheme will be launched at the beginning of next year following a market survey to be launched in autumn this year. Special care will be given to the drafting of the specification of the call for tenders in order to include the elements needed to ensure proper monitoring of the contractor's services and the possibility of auditing the data provided by the contractor.

The relevant amount of the contract (CERN's part) will be included in the calculation of the industrial return coefficient to the Member States.

## 10. HUMAN RESOURCES MANAGEMENT

With regard to the recommendation to introduce specific procedures to address by whom and how cases of violation should be handled, on which legal basis and the consequences and sanctions for violation of the Code of Conduct, the Management is of the opinion that the aim of the Code is to guide the CERN community in understanding how to conduct itself, treat others and expect to be treated. The positive nature of the Code was essential to its acceptance and strongly supported by TREF and the Council. The Code also serves as a basis for discussion among individuals and for conflict resolution by the Ombuds or those designated to handle workplace disputes. CERN made a conscious choice to distinguish the Code from its Staff Rules and Regulations (SRR), and it is solely when a breach of the Code also constitutes a violation of the SRR that an internal procedure may be initiated and sanctions applied.

Concerning the recommendation to identify a single definition of "conflict of interest", the Code includes a general statement that avoiding conflict of interest is necessary to satisfy the Organization's core value of integrity. This statement is sufficient to raise general awareness. Specific situations are also described in the Frequently Asked Questions. In contrast, the Pension Fund Code contains provisions that give guidance on precise situations which may arise in the administration of the Fund. These provisions are not incompatible with the more general principle of avoidance of conflict of interest referred to in the Code.

For these reasons, the Management believes it is unnecessary to supplement the Code with a more specific definition.

The recommendation to collect declarations from staff in specific positions that they have no conflicts of interest has, in part, been fulfilled for the Pension Fund. Also, the Finance and Procurement Department is drafting a Code of Professional Ethics for Procurement to raise awareness. This document will include such provisions and the obligation to declare any conflict of interest. The recommendation, however, also calls for the establishment of a dedicated body to monitor conflicts of interest. The Management believes that these measures would be costly in terms of financial and human resources, and that the initiatives described above are sufficient, as they also take account of CERN's culture as a research and non-profit-making organisation.

Concerning the recommendation to introduce a procedure to encourage Members of the Personnel to report suspected acts of fraud, it should be noted that the Internal Audit plan for 2011 contains a response to this recommendation. The plan aims to improve fraud management at CERN by clarifying the fraud investigation procedure and by preparing basic fraud management guidelines for endorsement by the CERN Management.

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The Management wishes to express its thanks to the External Auditors for their report and its appreciation for their contribution to the work of the Organization through their audit.