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COVER NOTE

From:	Mr Klaus-Heiner LEHNE, President of the European Court of Auditors
date of receipt:	4 November 2016
To:	Mr Peter KAZIMIR, President of the Council of the European Union
Subject:	Report on the annual accounts of the European Police Office for the financial year 2015 together with the Office's reply

Delegations will find attached the European Court of Auditors' report on the annual accounts of the European Police Office for the financial year 2015.

This report is accompanied by the Office's reply and will shortly be published in the *Official Journal of the European Union*.

Encl.: Report on the annual accounts of the European Police Office for the financial year 2015 together with the Office's reply.¹

¹ In English only. The other languages of this report are available on the European Court of Auditors' website: <http://eca.europa.eu/>.



EUROPEAN
COURT
OF AUDITORS

Report on the annual accounts
of the European Police Office
for the financial year 2015

together with the Office's reply

INTRODUCTION

1. The European Police Office (hereinafter “the Office”, aka “Europol”), which is located in The Hague, was established by Council Decision (2009/371/JHA)². The objective of the Office is to support and strengthen action by the Member States' police authorities and other law enforcement services and their mutual cooperation in preventing and combating serious crime affecting two or more Member States, terrorism and forms of crime which affect a common interest covered by a Union policy.
2. **Table 1** presents key figures for the Office³.

TABLE 1: KEY FIGURES FOR THE OFFICE

	2014	2015
Budget (million euro)	84	95
Total staff as at 31 December ⁴	574	666

Source: data provided by the Office.

INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE

3. The audit approach taken by the Court comprises analytical audit procedures, direct testing of transactions and an assessment of key controls of the Office’s supervisory and control systems. This is supplemented by evidence provided by the work of other auditors and an analysis of management representations.

² OJ L 121, 15.5.2009, p. 37.

³ More information on the Office’s competences and activities is available on its website: www.europol.europa.eu.

⁴ Staff includes officials, temporary and contract staff and seconded national experts.

STATEMENT OF ASSURANCE

4. Pursuant to the provisions of Article 287 of the Treaty on the Functioning of the European Union (TFEU), the Court has audited:

- (a) the annual accounts of the Office, which comprise the financial statements⁵ and the reports on the implementation of the budget⁶ for the financial year ended 31 December 2015, and
- (b) the legality and regularity of the transactions underlying those accounts.

The management's responsibility

5. The management is responsible for the preparation and fair presentation of the annual accounts of the Office and the legality and regularity of the underlying transactions⁷:

- (a) The management's responsibilities in respect of the Office's annual accounts include designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies on the basis of the accounting rules adopted by the Commission's accounting officer⁸; making accounting estimates that are reasonable in the circumstances. The Director approves the annual accounts of the Office after its accounting officer has prepared them on the basis of all available information and established a note to accompany the accounts in which he declares, inter alia, that he has reasonable assurance that they present a true and fair view of the financial position of the Office in all material respects.

⁵ These include the balance sheet and the statement of financial performance, the cash flow table, the statement of changes in net assets and a summary of the significant accounting policies and other explanatory notes.

⁶ These comprise budgetary outturn account and the annex to the budgetary outturn account.

⁷ Articles 39 and 50 of Commission Delegated Regulation (EU) No 1271/2013 (OJ L 328, 7.12.2013, p. 42).

⁸ The accounting rules adopted by the Commission's accounting officer are derived from the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants or, where relevant, the International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

- (b) The management's responsibilities in respect of the legality and regularity of the underlying transactions and compliance with the principle of sound financial management consist of designing, implementing and maintaining an effective and efficient internal control system comprising adequate supervision and appropriate measures to prevent irregularities and fraud and, if necessary, legal proceedings to recover funds wrongly paid or used.

The auditor's responsibility

6. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council⁹ with a statement of assurance as to the reliability of the annual accounts and the legality and regularity of the underlying transactions. The Court conducts its audit in accordance with the IFAC International Standards on Auditing and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions. These standards require the Court to plan and perform the audit to obtain reasonable assurance as to whether the annual accounts of the Office are free from material misstatement and the transactions underlying them are legal and regular.

7. The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts and the legality and regularity of the underlying transactions. The procedures selected depend on the auditor's judgement, which is based on an assessment of the risks of material misstatement of the accounts and material non-compliance by the underlying transactions with the requirements in the legal framework of the European Union, whether due to fraud or error. In assessing these risks, the auditor considers any internal controls relevant to the preparation and fair presentation of the accounts, as well as the supervisory and control systems that are implemented to ensure the legality and regularity of underlying transactions, and designs audit procedures that are appropriate in the circumstances. The audit also entails evaluating the appropriateness of accounting policies, the reasonableness of accounting estimates and the overall presentation of the accounts. In preparing this report and Statement of Assurance, the Court considered the audit work of the independent external auditor performed on the Office's accounts as stipulated in Article 208(4) of the EU Financial Regulation¹⁰.

⁹ Article 107 of Regulation (EU) No 1271/2013.

¹⁰ Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council (OJ L 298, 26.10.2012, p. 1).

8. The Court considers that the audit evidence obtained is sufficient and appropriate to provide a basis for its statement of assurance.

Opinion on the reliability of the accounts

9. In the Court's opinion, Europol's annual accounts present fairly, in all material respects, its financial position as at 31 December 2015 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

Opinion on the legality and regularity of the transactions underlying the accounts

10. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2015 are legal and regular in all material respects.

11. The comments which follow do not call the Court's opinions into question.

COMMENTS ON BUDGETARY MANAGEMENT

12. Carry-overs of committed appropriations are high for Title II (administrative expenditure) at 4,2 million euro, i.e. 41 % (2014: 1,9 million euro, i.e. 27 %). They mainly concern building related works, such as functional and technical improvements of the operational rooms at the Office headquarters (1,5 million euro) or preventive/corrective maintenance and additional works (0,8 million euro). These works were still ongoing or invoices had not been received by the end of 2015.

FOLLOW-UP OF PREVIOUS YEARS' COMMENTS

13. An overview of the corrective actions taken in response to the Court's comments from previous years is provided in **Annex I**.

This Report was adopted by Chamber IV, headed by Mr Baudilio TOMÉ MUGURUZA,
Member of the Court of Auditors, in Luxembourg at its meeting of 13 September 2016.

For the Court of Auditors

Vítor Manuel da SILVA CALDEIRA

President

Follow-up of previous years' comments

Year	Court's comment	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
2011	Exceptions and deviations were recorded for 7 % of 2011 payments.	Ongoing
2013	Although the Office has improved the preparation, execution and documentation of procurement procedures over the years, not all decisions taken in 2013 were based on sufficiently specific selection criteria, realistic price offers or in accordance with the established professional requirements. This affected the effectiveness of the procurement procedures.	Completed
2014	Budget implementation rates improved significantly in 2014 and total carry-overs of committed appropriations decreased to 5,7 million euro, i.e. 6,7 % (2013: 11,6 %; 2012: 19,6 %). Carry-overs of committed appropriations were still relatively high for title II (administrative expenditure) at 1,9 million euro, i.e. 27 % (2013: 3,0 million euro, i.e. 41 %). They mainly related to maintenance and to modifications to Europol's headquarters opened in 2011 (1,1 million euro).	N/A
2014	The cancellation rate of committed appropriations carried over from the previous year was high at 22 % (2013: 9 %). Cancellations were mainly related to delays in IT projects provided by external suppliers (mainly in the area of document and asset management and the exchange of police data).	N/A

THE OFFICE'S REPLY

12. Europol takes note of the ECA's comment and will continue its efforts to ensure efficient and compliant budget implementation, especially concerning carry-forwards in relation to administrative expenditure. The changes to the building were necessary in light of Europol's expanding tasks, in particular in the area of counter terrorism.