



Council of the  
European Union

Brussels, 7 November 2016  
(OR. en)

14044/16

FIN 749

#### 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 Insurance and Occupational Pensions Authority for the financial year 2015 together with the Authority's reply

---

Delegations will find attached the European Court of Auditors' report on the annual accounts of the European Insurance and Occupational Pensions Authority for the financial year 2015.

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

---

Encl.: Report on the annual accounts of the European Insurance and Occupational Pensions Authority for the financial year 2015 together with the Authority's reply.<sup>1</sup>

---

<sup>1</sup> 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 Insurance and Occupational Pensions Authority  
for the financial year 2015  
together with the Authority's reply

## **INTRODUCTION**

1. The European Insurance and Occupational Pensions Authority (hereinafter “the Authority”, aka “EIOPA”), which is located in Frankfurt, was established by Regulation (EU) No 1094/2010 of the European Parliament and of the Council<sup>2</sup>. The Authority’s task is to contribute to the establishment of high-quality common regulatory and supervisory standards and practices, to contribute to the consistent application of legally binding Union acts, to stimulate and facilitate the delegation of tasks and responsibilities among competent authorities, to monitor and assess market developments in the area of its competence and to foster the protection of policyholders, pension scheme members and beneficiaries.

2. **Table 1** presents key figures for the Authority<sup>3</sup>.

**TABLE 1: KEY FIGURES FOR THE AUTHORITY**

	<b>2014</b>	<b>2015</b>
Budget (million euro)	21,6	20,2
Total staff as at 31 December <sup>4</sup>	129	133

*Source:* data provided by the Authority.

## **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 Authority’s supervisory and control systems. This is supplemented by evidence provided by the work of other auditors and an analysis of management representations.

<sup>2</sup> OJ L 331, 15.12.2010, p. 48.

<sup>3</sup> More information on the Authority’s competences and activities is available on its website: [www.eiopa.europa.eu](http://www.eiopa.europa.eu).

<sup>4</sup> 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 Authority, which comprise the financial statements<sup>5</sup> and the reports on the implementation of the budget<sup>6</sup> 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 Authority and the legality and regularity of the underlying transactions<sup>7</sup>:

- (a) The management's responsibilities in respect of the Authority'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 officer<sup>8</sup>; making accounting estimates that are reasonable in the circumstances. The Director approves the annual accounts of the Authority 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 Authority in all material respects.

---

<sup>5</sup> These include the balance sheet and 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.

<sup>6</sup> These comprise the budgetary outturn account and the annex to the budgetary outturn account.

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

<sup>8</sup> 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 Council<sup>9</sup> 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 Authority 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 Authority's accounts as stipulated in Article 208(4) of the EU Financial Regulation<sup>10</sup>.

---

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

<sup>10</sup> 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, the Authority'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. The level of committed appropriations carried over is high for Title III (operational expenditure) at 2,3 million euro, i.e. 45 % (2014: 4,7 million euro or 66 %). These carry-overs are mainly related to specific contracts for operational information and data management (1,9 million euro), whereby contracts amounting to 0,9 million euro were signed late in the year, mainly for services to be provided in 2016.

**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*

(s) 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)
<b>2014</b>	<p>The overall level of committed appropriations was high at 95 %. The level of committed appropriations carried over also remained high at 5,6 million euro, i.e. 26 % (2013: 5,2 million euro, i.e. 28 %), particularly for the operational budget (Title III) at 4,7 million euro, i.e. 66 % (2013: 3,7 million euro or 85 %). Carry-overs are mainly related to specific contracts with a cumulative value of 2,4 million euro signed late in the year, particularly for the on-going development and maintenance of a database (1,8 million euro) and other IT services to be provided in 2015. Part of the committed appropriations carried over are related to budget transfers made in November and December 2014, when the Authority increased the operational budget (Title III) by 1,1 million euro (19 %)<sup>1</sup> through transfers from the staff budget (Title I) of 858 828 euro<sup>2</sup> and from administrative expenditure (Title II) of 266 360 euro<sup>3</sup>. The transfers were intended to compensate for shortfalls in the Authority's 2015 budget following substantial budget cuts decided by the discharge authorities. These shortfalls would not have allowed the Authority to continue implementing its multi-annual IT strategy, which was one of its core operational activities.</p>	<b>Ongoing</b>

---

<sup>1</sup> 2015: 0,6 million euro (16 %)

<sup>2</sup> 2015: 317 737 euro

<sup>3</sup> 2015: 322 737 euro



Year	Court's comment	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
<b>2014</b>	Although budget transfers, carry-overs and related commitments are in line with the specific provisions of the EU Financial Regulation and were executed following Management Board decisions, the extent to which 2015 activities will be covered by 2014 appropriations is at odds with the budgetary principle of annuality. There is a need to better align the funds made available in the agency's annual budgets with the financial needs for the implementation of its multi-annual IT strategy.	<b>Ongoing</b>

**THE AUTHORITY'S REPLY**

12. The relatively high carry-over percentage was mainly due to the execution of EIOPA's multi-annual IT programme supporting the Solvency II implementation. Improvements have been made in the past years which have substantially decreased the carry over levels from 2013 to 2016. The carry-over appropriations will be reduced from 2016 onwards to a satisfactory level with the advanced implementation of EIOPA's IT Programme.