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THE EUROPEAN UNION**

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**COVER NOTE**

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From:	Mr Vítor CALDEIRA, President of the European Court of Auditors
date of receipt:	13 November 2013
To:	Mr Linas LINKEVICIUS, President of the Council of the European Union
Subject:	Report on the annual accounts of the Europol Pension Fund for the financial year 2012 together with Europol's replies

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Delegations will find attached the European Court of Auditors' report on the annual accounts of the Europol Pension Fund for the financial year 2012.

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

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Encl.: Report on the annual accounts of the Europol Pension Fund for the financial year 2012 together with Europol's replies.<sup>1</sup>

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<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/>.

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DEN EUROPÆISKE REVISIONSRET  
EUROPÄISCHER RECHNUNGSHOF  
EUROOPA KONTROLLIKODA  
ΕΥΡΩΠΑΪΚΟ ΕΛΕΓΚΤΙΚΟ ΣΥΝΕΔΡΙΟ  
EUROPEAN COURT OF AUDITORS  
COUR DES COMPTES EUROPÉENNE  
CÚIRT INIÚCHÓIRÍ NA HEORPA



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EUROPEISKA REVISIONSRÄTTEN

Report on the annual accounts  
of the Europol Pension Fund  
for the financial year 2012

together with the Fund's replies

## **INTRODUCTION**

1. The Europol Pension Fund (hereinafter “the Fund”, aka “EPF”), which is located in The Hague, was established by Article 37, Appendix 6, of the former Staff Regulations of the European Police Office, The Hague (Europol). Rules on the implementation of the Fund were established by Council Act of 12 March 1999<sup>1</sup> and amended by Council Decision 2011/400/EU<sup>2</sup>.

The objective of the Fund is to finance and pay pensions for staff already employed by Europol before it became an European Agency on 1 January 2010.

## **INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

2. The audit approach taken by the Court comprises analytical audit procedures, direct testing of transactions and an assessment of the Fund’s internal controls. This is supplemented by evidence provided by the work of other auditors (where relevant) and an analysis of management representations.

### **STATEMENT OF ASSURANCE**

3. 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 Fund<sup>3</sup> for the financial year ended 31 December 2012, and

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<sup>1</sup> Document 5397/99 on the Council’s public register:  
<http://register.consilium.europa.eu/> .

<sup>2</sup> OJ L 179, 7.7.2011, p. 5.

<sup>3</sup> The accounts comprise the balance sheet, the statement of income and expenses, the cash-flow statement and the explanatory notes.

- (b) the legality and regularity of the transactions underlying those accounts.

*The management's responsibility*

4. In accordance with Articles 33 and 43 of Commission Regulation (EC, Euratom) No 2343/2002<sup>4</sup>, the management is responsible for the preparation and fair presentation of the annual accounts of the Fund and the legality and regularity of the underlying transactions:

- (a) The management's responsibilities in respect of the Fund'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; applying the accounting rules for the Fund as adopted by the Council<sup>5</sup> and making accounting estimates that are reasonable in the circumstances. The Management Board of the Fund and the Director of the European Police Office approve the annual accounts after the Fund's accounting officer has prepared them on the basis of all available information. They also establish a note to accompany the accounts in which they declare, *inter alia*, that they have reasonable assurance that the accounts present a true and fair view of the financial position of the Fund in all material respects.
- (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

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<sup>4</sup> OJ L 357, 31.12.2002, p. 72.

<sup>5</sup> In accordance with Council Act of 12 March 1999 adopting rules on the EPF and Council Decision of 28 June 2011 amending the latter, the accounts are prepared on the basis of The Netherlands accounting rules on Pension Funds, namely Directive 610 of the Dutch financial reporting rules, and on the international Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

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*

5. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council<sup>6</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 Fund are free from material misstatement and the transactions underlying them are legal and regular.

6. 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,

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<sup>6</sup> Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 (OJ L 248, 16.9.2002, p. 1).

the reasonableness of accounting estimates and the overall presentation of the accounts.

7. 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***

8. In the Court's opinion, the Fund's annual accounts present fairly, in all material respects, its financial position as at 31 December 2012 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 Council.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2012 are legal and regular in all material respects.

***Emphasis of Matter***

10. The Court draws attention to Notes 2.6 and 2.7 to the Fund's Annual Report 2012. The Fund's Management Board prepared the accounts on a going concern basis. However, it is expected that 2013 will lead to a settlement of most of the currently still unpaid pension rights via a transfer to another pension scheme and that by 31 December 2014 there will be no active participants. The Fund's Board and Europol's Management Board together with the Council are currently assessing options for the future of the Fund, one of which is liquidation shortly after 31 December 2014.

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

### **OTHER COMMENTS**

12. The Europol Staff Regulations set the capitalisation of pension contributions paid by officials at an annual rate of 3,5 %. Since contributions are made monthly and can be different from one month to another, the use of an annual rate is incorrect and a monthly rate should be applied. However, there is no material effect on the annual accounts.

### **FOLLOW-UP OF PREVIOUS YEAR'S COMMENTS**

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

This Report was adopted by Chamber IV, headed by Dr Louis GALEA, Member of the Court of Auditors, in Luxembourg at its meeting of 7 October 2013.

*For the Court of Auditors*

Vítor Manuel da SILVA CALDEIRA

*President*

**Follow-up of previous year's comments**

Year	Court's comment	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
<b>2011</b>	The Court noted shortfalls in the procedure offered by Europol to its staff to exit the fund. When the Office became a full European Agency in 2010, it asked its staff no longer contributing to the fund <sup>1</sup> to exit from the Fund by either receiving a severance grant (SG) or by transferring the accumulated pension rights (TPR) to alternative pension schemes (e.g. PMO, national pension schemes, private companies). However no deadline was set for staff to take the decision.	<b>Completed</b>
<b>2011</b>	At year-end the Fund had net financial assets of 16 million euro, of which of 15,98 million euro was held in one bank.	<b>Completed</b>
<b>2011</b>	The Management Board has not yet prepared procedures for the annual verification of pensioners' entitlements, including proof that the pensioners are still alive. In 2011, the six people benefiting from pensions at that time were requested to provide a confirmation of their place of residence, only one replied.	<b>Completed</b>

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<sup>1</sup> Now covered by the EU Staff Regulations.