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## COVER NOTE

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From:	Mr Vítor CALDEIRA, President of the European Court of Auditors
date of receipt:	23 October 2014
To:	Mr Linas LINKEVICIUS, President of the Council of the European Union
Subject:	Report on the annual accounts of the European Police Office for the financial year 2013 together with the Office's replies

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Delegations will find attached the European Court of Auditors' report on the annual accounts of the European Police Office for the financial year 2013.

This report is accompanied by the Office'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 European Police Office for the financial year 2013 together with the Office'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/>.

ΕΒΡΟΠΕΪΣΚΑ ΣΜΕΤΗΑ ΠΑΛΑΤΑ  
TRIBUNAL DE CUENTAS EUROPEO  
EVROPSKÝ ÚČETNÍ DVŮR  
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 European Police Office  
for the financial year 2013

together with the Office's replies

## **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)<sup>1</sup>. 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<sup>2</sup>.

## **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 key controls of the Office's supervisory and control systems. 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:

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<sup>1</sup> OJ L 121, 15.5.2009, p. 37.

<sup>2</sup> ***Annex II*** summarises the Office's competences and activities. It is presented for information purposes.

- (a) the annual accounts of the Office, which comprise the financial statements<sup>3</sup> and the reports on the implementation of the budget<sup>4</sup> for the financial year ended 31 December 2013, and
- (b) the legality and regularity of the transactions underlying those accounts.

*The management's responsibility*

4. 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 transactions<sup>5</sup>:

- (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 officer<sup>6</sup>; 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

<sup>3</sup> These include the balance sheet and the economic outturn account, the cash flow table, the statement of changes in net assets and a summary of the significant accounting policies and other explanatory notes.

<sup>4</sup> These comprise budgetary outturn account and the annex to the budgetary outturn account.

<sup>5</sup> Articles 39 and 50 of Commission Delegated Regulation (EU) No 1271/2013 (OJ L 328, 7.12.2013, p. 42).

<sup>6</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.

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.

- (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*

5. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council<sup>7</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 Office 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

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<sup>7</sup> Article 107 of Regulation (EU) No 1271/2013.

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.

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 Office's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 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***

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

## **COMMENTS ON THE LEGALITY AND REGULARITY OF TRANSACTIONS**

11. 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.

## **COMMENTS ON BUDGETARY MANAGEMENT**

12. Budget implementation rates further improved in 2013 and total carry-overs of committed appropriations decreased to 9,4 million euro or 11,6 % (2012: 16,3 million euro or 19,6 %). However, carry-overs of committed appropriations were still high for title II (administrative expenditure) with 3,0 million euro or 41 % (2012: 4,2 million euro or 49 %). They mainly related to planned modifications of the building late in the year (1,8 million euro) and other administrative costs for which invoices had not been received at year end.

## **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 Pietro RUSSO, Member of the Court of Auditors, in Luxembourg at its meeting of 16 September 2014.

*For the Court of Auditors*

Vitor 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>2011</b>	The high carry-over and cancellation rates and also the high number of budget transfers made in 2011 indicate difficulties in the planning and/or implementation of the Office's activities.	<b>Completed</b>
<b>2011</b>	The level of payments against commitments was low, with 34 % for title II and 45 % for title III and is at odds with the budgetary principle of annuality.	<b>N/A</b>
<b>2011</b>	Procedures concerning the establishment, approval and recording of exceptions and deviations from policies and procedures have not been adopted. Exceptions and deviations were recorded for 7 % of 2011 payments.	<b>Procedures: Completed</b> <b>Level of exceptions and deviations: Ongoing</b>
<b>2011</b>	The accounting system has not been fully validated by the Accounting Officer. Key processes such as year-end closing and the establishment of staff's financial rights are not yet covered.	<b>Completed</b>



Year	Court's comment	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
<b>2011</b>	Weaknesses were found as regards the physical verification and recording of assets before and after the move to the new headquarters. In addition, insurance contracts do not reflect the value of the Office's assets. Whereas, before the move, net assets were over-insured by about 17 million euro, they are now under-insured by about 21 million euro.	<b>Completed</b>
<b>2011</b>	The Office's Financial Regulation refers to detailed rules and procedures laid down in its Implementing Rules. However, they have not yet been adopted.	<b>N/A</b>
<b>2011</b>	There is considerable room for improving the transparency of recruitment procedures: questions for written tests and interviews were set after the applications had been examined by the selection board; no threshold scores were set for admission to written tests and interviews and for being included in the list of suitable candidates; selection boards did not document all their meetings and decisions.	<b>Completed</b>
<b>2012</b>	The Office carried over 1,2 million euro for changes to the Office's building in connection with setting up the European cyber-crime centre. Whilst it agreed these changes with the host state in July 2012, the contract for the works required was only signed in April 2013. In addition, Europol carried over 0,1 million euro related to the introduction of a new HR system. The contract expired at the end of the year and was not extended. Both carry-overs did not correspond to legal commitments made at year-end and were thus irregular.	<b>Completed</b>

Year	Court's comment	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
2012	The Office does not regularly require from staff up-to-date information on the amount of child allowance received from other sources. In consequence, a number of cases were found where the child allowance was not reduced accordingly and any amounts paid unduly should be recovered.	Completed
2012	Commitments amounting to 2,6 million euro (out of 15 million euro) carried over from 2011 had to be cancelled in 2012, as these were in excess of the actual needs.	Completed
2012	The Office carried over 16,3 million euro of committed appropriations (19,64 % of total committed appropriations) to 2013. These carry-overs mainly concern title II – other administrative expenditure – (4,2 million euro) and title III – operational activities – (11,2 million euro) and are mostly related to the new task assigned to Europol in June 2012 of running the European cyber-crime centre. The implementation of this task resulted in significant budgetary commitments made close to year end and affected the amount carried over to 2013.	N/A
2012	The Office made 19 budgetary transfers amounting to 4,5 million euro affecting 82 of the 115 budget lines. They were mainly performed to purchase IT equipment for the European cyber-crime centre.	Completed

Year	Court's comment	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
2012	The recruitment procedures examined showed the following shortcomings: questions for written tests and interviews were set after the applications had been examined by the selection board; there was no evidence that the weighting of the selection criteria used for short listing was set before the examination of the applications; selection boards did not appropriately document all their meetings and decisions.	<b>Completed</b>

- 1 The cost of returning the building to its initial condition when the lease comes to an end.

**European Police Office (The Hague)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b></p> <p><i>(Article 88 of the Treaty on the functioning of the European Union)</i></p>	<p>“Europol's mission shall be 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”.</p>
<p><b>Competences of the Office</b></p> <p><i>(Council Decision 2009/371/JHA establishing the European Police Office (Europol) (ECD))</i></p>	<p><b>Competence</b></p> <p>Europol's competence covers organised crime, terrorism and other forms of serious crime affecting two or more Member States in such a way as to require a common approach by the Member States owing to the scale, significance and consequences of the offences.</p> <p>Europol's competence also covers related criminal offences as defined in Article 4(3) ECD.</p> <p><b>Principal tasks</b></p> <ul style="list-style-type: none"> <li>- To collect, store, process, analyse and exchange information and intelligence.</li> <li>- To notify the competent Member State authorities without delay via the national unit referred to in Article 8 of information concerning them and of any connections identified between criminal offences.</li> <li>- To aid investigations in the Member States, in particular by forwarding all relevant information to the national units.</li> <li>- To ask the competent authorities of the Member States concerned to initiate, conduct or coordinate investigations and to suggest the setting up of joint investigation teams in specific cases.</li> <li>- To provide intelligence and analytical support to Member States in connection with major international events.</li> <li>- To prepare threat assessments, strategic analyses and general situation reports relating to its objective, including organised crime threat assessments.</li> <li>- To provide support to Member States in their tasks of gathering and analysing information from the Internet in order to assist in the identification of criminal activities facilitated by or committed using the Internet.</li> </ul> <p><b>Additional tasks</b></p> <ul style="list-style-type: none"> <li>- To develop specialist knowledge of the investigative procedures of the competent authorities of the Member States and to provide advice on investigations.</li> <li>- To provide strategic intelligence to assist and promote the efficient and effective use of the resources available at national and Union level for operational activities and the support of such activities.</li> </ul> <p><b>Additionally, to assist Member States through support, advice and research in the following areas</b></p> <ul style="list-style-type: none"> <li>- the training of members of their competent authorities, where appropriate in cooperation with the European Police College;</li> <li>- the organisation and equipment of those authorities by facilitating the provision of technical support between the Member States;</li> <li>- crime prevention methods;</li> <li>- technical and forensic methods and analysis, and investigative procedures.</li> </ul> <p>Europol also acts as the <b>Central Office for combating euro counterfeiting</b> in</p>

	<p>accordance with Council Decision 2005/511/JHA of 12 July 2005 on protecting the euro against counterfeiting, by designating Europol as the Central Office for combating euro counterfeiting.</p> <p>Europol also processes and transfers financial messaging data in accordance with the Agreement between the European Union and the United States of America on the processing and transfer of Financial Messaging Data from the European Union to the United States for the purposes of the “<b>Terrorist Finance Tracking Program</b>” (TFTP).</p> <p>Europol also continues efforts to establish the <b>Prüm Helpdesk</b> in order to support the daily application of the Prüm Decisions in accordance with the Council conclusions of 13 December 2011 on intensifying the implementation of the Prüm Decisions.</p> <p>Europol also supports the EU Policy Cycle for serious and organised crime and EMPACT projects in line with the Council’s conclusions on the creation and implementation of an EU policy cycle for organised and serious international crime and the Council’s subsequent conclusions of 27 May 2011 on setting the EU’s priorities for the fight against organised crime between 2011 and 2013.</p> <p>Europol also hosts the <b>European Cybercrime Centre (EC3)</b> and acts as the focal point in Europe’s fight against cybercrime in accordance with the Communication from the Commission to the Council and European Parliament COM(2012) 140 final of 28 March 2012 “Tackling crime in our Digital Age: Establishing a European Cybercrime Centre”.</p>
<p><b>Governance</b></p>	<p><b>Management Board</b></p> <p>The Management Board is composed of one representative of each Member State and one representative of the Commission.</p> <p><b>Director</b></p> <ul style="list-style-type: none"> <li>- Is appointed by the Council, acting by qualified majority, from a list of at least three candidates presented by the Management Board, for a four-year period (may be extended once for not more than four years).</li> <li>- Is assisted by three Deputy Directors appointed for a four-year period (extendable once).</li> <li>- Leads Europol and is accountable to the Management Board in respect of the performance of his or her duties.</li> <li>- Is Europol’s legal representative.</li> </ul> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Internal audit</b></p> <ul style="list-style-type: none"> <li>- European Commission’s Internal Audit Service (IAS);</li> <li>- Internal Audit Function (IAF).</li> </ul> <p><b>Data protection and safeguarding of personal rights</b></p> <ul style="list-style-type: none"> <li>- Joint Supervisory Body (JSB);</li> <li>- Data Protection Officer (DPO)</li> </ul> <p><b>Discharge authority</b></p> <p>European Parliament, taking into account a recommendation from the Council, acting by qualified majority.</p>
<p><b>Resources made available to the Office in 2013 (2012)</b></p>	<p><b>Final budget 2013</b></p> <p>82,5 (84,2) million euro</p> <p><b>Staff in 2013</b></p> <ul style="list-style-type: none"> <li>- Temporary staff: 457 (457) in establishment plan. Actual number in post on 31.12.2013 = 426</li> </ul>

	<ul style="list-style-type: none"> <li>- Seconded National Experts: 34 (37) (actual year-end number)</li> <li>- Contract staff: 94 (94) (actual year-end number)</li> </ul>
<p><b>Products and services in 2013 (2012)</b></p>	<p><b>Europol as the principal EU support centre for law enforcement operations</b></p> <p>Operational support to operations and Joint Investigation Teams (JITs) includes: data processing, cross-match reports, intelligence notifications, technical/forensic support and expertise, mobile office deployments, analysis reports, operational coordination at Europol HQ, operational meetings, financial assistance etc. Once more, the amount of operational support provided to Member States had increased; this confirms the growing trend which has been evident in previous years in the number of requests for all Europol services:</p> <ul style="list-style-type: none"> <li>- 18 310 cross-border cases supported, an increase of 15 % on 2012 (15 949);</li> <li>- 684 investigations in the Member States actively supported by Europol focusing on prioritised crime areas;</li> <li>- 2 250 operational reports produced in 2013 compared to 2 141 in 2012 (incl. cross-match reports, operational analysis reports, intelligence notifications and technical ad hoc analysis reports);</li> <li>- Lead investigator(s) of operations in the Member States and Member States' experts expressed a high level of satisfaction with the operational support provided by Europol;</li> <li>- Europol financially supported 214 operational meetings and 36 EMPACT meetings;</li> <li>- 39 euro counterfeiting investigations were financially supported by Europol;</li> <li>- 41 (30) Joint Investigation Teams were supported by Europol as a full member;</li> <li>- EC3 supported various successful operational actions with Member States and third countries including the private sector (e.g. disruption of global credit card fraud networks, involving 15 000 compromised credit cards and two skimming factories; joint operational actions against global online child sexual exploitation activities; and dismantling of a botnet infecting almost two million computers);</li> <li>- Implementation of TFTP agreement Articles 4, 9, 10 by processing all related US requests and information leads.</li> </ul> <p><b>Strategic analysis capability</b></p> <p>Strategic products including threat assessments and situation reports</p> <ul style="list-style-type: none"> <li>- 38 strategic reports on organised crime and 14 strategic reports on terrorism were produced including the Serious and Organised Crime Threat Assessment (SOCTA), a threat assessment for each EMPACT<sup>1</sup> priority (Policy Cycle 2013-2017), ad hoc strategic reports on newly identified emerging threats, joint EMCDDA<sup>2</sup>-Europol reports, strategic assessments on cybercrime, EU Terrorism Situation and Trend Report (TE-SAT), and a situation report on travel for terrorist purposes.</li> </ul> <p><b>Europol as the EU criminal information hub</b></p> <p>Information management capabilities, Secure Information Exchange Network Application (SIENA), Europol Information System (EIS), Liaison Bureaux network.</p> <ul style="list-style-type: none"> <li>- In total, 456 598 operational messages were exchanged via SIENA between Europol, Member States and Third Parties, a 10 % increase compared to 2012 (414 334).</li> <li>- At the end of 2013, 67 % of all SIENA messages were shared with Europol.</li> <li>- The EIS contained 245 142 (186 896) records at the end of 2013 with an increasing proportion of person records (the most important and valuable variety of records from a law enforcement point of view).</li> <li>- By the end of 2013, 21 Member States' national asset recovery offices were linked to SIENA. Europol supported 93 organised crime related asset tracing requests in 2013.</li> <li>- A unique network of almost 165 liaison officers ensures a live link between Europol headquarters in The Hague and 28 Europol National Units in the national capitals of the Member States. They facilitate the exchange of information and provide support and coordination for ongoing investigations. Europol also hosts liaison officers from 10</li> </ul>

non-EU countries and organisations who work together with Europol on the basis of cooperation agreements. In addition, Europol has seconded two liaison officers to Washington (USA) and one to Interpol's headquarters in Lyon (France).

#### **Europol as the EU centre for law enforcement expertise**

Europol Platforms for Experts (EPE), Data exchange platforms and storage solutions, Knowledge products and services, Training, Conferences and awareness sessions:

- 32 expert areas covered by Europol Platform for Experts including 4 419 active accounts (*25 platforms and 2 663 users at the end of 2012*);
- Europol supported the delivery of 83 training courses (organised by Europol, CEPOL or MS);
- the annual large-scale European Police Conference was organised at Europol Headquarters.

#### **External relations**

Europol cooperates with a number of EU partners, third countries and international organisations. The exchange of information with these partners takes place on the basis of cooperation agreements. Strategic agreements make it possible for the two parties involved to exchange all information with the exception of personal data, while operational agreements also allow the exchange of personal data.

- 21 strategic agreements and 11 operational agreements in place at the end of 2013 (18 non-EU countries, 11 EU bodies and agencies and three other international organisations, including Interpol).
- Information exchange with external partners (8 663) increased slightly compared to 2012 (*8 547*).
- In total, eight operational cooperation partners and five strategic cooperation partners have direct access to SIENA.

<sup>1</sup> European Multidisciplinary Platform against Criminal Threats (EMPACT)

<sup>2</sup> European Monitoring Centre for Drugs and Drug Addiction (EMCDDA)

Source: Annex supplied by the Office.