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COVER NOTE

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 Europol Pension Fund for the financial year 2013 together with Europol's replies

Delegations will find attached the European Court of Auditors' report on the annual accounts of the Europol Pension Fund for the financial year 2013.

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

Encl.: Report on the annual accounts of the Europol Pension Fund for the financial year 2013 together with Europol's replies.¹

¹ 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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Report on the annual accounts
of the Europol Pension Fund
for the financial year 2013

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 1999¹ and amended by Council Decision 2011/400/EU².

The objective of the Fund is to finance and pay pensions for staff already employed by Europol before it became a 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 Fund³ for the financial year ended 31 December 2013, and
- (b) the legality and regularity of the transactions underlying those accounts.

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

² OJ L 179, 7.7.2011, p. 5.

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

The management's responsibility

4. 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 transactions⁴:

- (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 Council⁵ 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 an effective and efficient internal control system comprising adequate

⁴ Articles 33 and 43 of Commission Regulation (EC, Euratom) No 2343/2002 (OJ L 357, 31.12.2002, p. 72).

⁵ 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.

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 Council⁶ 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, the reasonableness of accounting estimates and the overall presentation of the accounts.

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

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 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 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 2013 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 2013. The Fund's Management Board prepared the accounts on a going concern basis. However, it is expected that 2014 will lead to a further 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.

FOLLOW-UP OF PREVIOUS YEAR'S COMMENTS

12. An overview of the corrective actions taken in response to the Court's comments from the previous year 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

Vítor Manuel da SILVA CALDEIRA
President

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

Year	Court's comment	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
2012	<p>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.</p>	<p>Outstanding</p>