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COVER NOTE

From:	Mr Vítor CALDEIRA, President of the European Court of Auditors
date of receipt:	15 October 2015
To:	Mr Jean ASSELBORN, President of the Council of the European Union
Subject:	Report on the annual accounts of the European Police Office for the financial year 2014 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 2014.

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 2014 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 2014

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)¹. 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 policy².

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 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 Office, which comprise the financial statements³ and the reports on the implementation of the budget⁴ for the financial year ended 31 December 2014, and
- (b) the legality and regularity of the transactions underlying those accounts.

¹ OJ L 121, 15.5.2009, p. 37.

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

³ 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.

⁴ These comprise budgetary outturn account and the annex to the budgetary outturn account.

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 transactions⁵:
- (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 officer⁶; 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.
- (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 Council⁷ 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

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

⁶ 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.

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

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 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 Regulation⁸.

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 2014 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 2014 are legal and regular in all material respects.

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

⁸ Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council (OJ L 298, 26.10.2012, p. 1).

COMMENTS ON BUDGETARY MANAGEMENT

11. 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).

12. 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).

FOLLOW-UP OF PREVIOUS YEARS' COMMENTS

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

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 8 September 2015.

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.	Ongoing
2013	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.	N/A

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

<p>Areas of Union competence deriving from the Treaty <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>Competences of the Office <i>(Council Decision 2009/371/JHA establishing the European Police Office (Europol))</i></p>	<p>Competence</p> <p>Europol's competence shall cover 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 shall also cover related criminal offences as defined in Article 4(3) ECD.</p> <p>Principal tasks</p> <ul style="list-style-type: none"> – To collect, store, process, analyse and exchange information and intelligence; – to notify the competent authorities of the Member States without delay via the national unit referred to in Article 8 of information concerning them and of any connections identified between criminal offences; – to aid investigations in the Member States, in particular by forwarding all relevant information to the national units; – 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; – to provide intelligence and analytical support to Member States in connection with major international events; – to prepare threat assessments, strategic analyses and general situation reports relating to its objective, including organised crime threat assessments; – 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. <p>Additional tasks</p>

	<ul style="list-style-type: none"> – To develop specialist knowledge of the investigative procedures of the competent authorities of the Member States and to provide advice on investigations; – 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. <p>Additionally, to assist Member States through support, advice and research in the following areas</p> <ul style="list-style-type: none"> – The training of members of their competent authorities, where appropriate in cooperation with the European Police College; – the organisation and equipment of those authorities by facilitating the provision of technical support between the Member States; – crime prevention methods; – technical and forensic methods and analysis, and investigative procedures. <p>Europol shall also act as the Central Office for combating euro counterfeiting in 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 shall process and transfer 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 “Terrorist Finance Tracking Program” (TFTP).</p> <p>Europol shall continue efforts to establish the Prüm Helpdesk 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 shall support the EU Policy Cycle for serious and organised crime and EMPACT¹ projects in line with the Council conclusions on the creation and implementation of an EU policy cycle for organised and serious international crime and the subsequent Council conclusions of 27 May 2011 on setting the EU’s priorities for the fight against organised crime between 2011 and 2013.</p> <p>Europol shall host the European Cybercrime Centre (EC3) and act 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>Governance</p>	<p>Management Board</p> <p>The Management Board shall be composed of one representative of each Member State and one representative of the Commission.</p> <p>Director</p> <ul style="list-style-type: none"> – 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). – Is assisted by three Deputy Directors appointed for a four-year period (extendable once). – Leads Europol and is accountable to the Management Board in respect of

	<p>the performance of his/her duties.</p> <ul style="list-style-type: none"> – Is Europol’s legal representative. <p>External audit European Court of Auditors</p> <p>Internal audit</p> <ul style="list-style-type: none"> – European Commission’s Internal Audit Service (IAS); – Internal Audit Function (IAF). <p>Data protection and safeguarding of personal rights</p> <ul style="list-style-type: none"> – Joint Supervisory Body (JSB); – Data Protection Officer (DPO). <p>Discharge authority European Parliament, taking into account a recommendation from the Council, acting by qualified majority.</p>
<p>Resources made available to the Office in 2014 (2013)</p>	<p>Final budget 2014 84,3 (82,5) million euro</p> <p>Staff in 2014</p> <ul style="list-style-type: none"> – Temporary staff: 450 (457) in establishment plan. Actual number in post on 31.12.2014 = 427 (426) excluding 13 TA posts that were not filled on 31.12.2014 but for which recruitment procedures were finalised and offer letters sent to selected candidates. At year end 9 of the 10 vacant posts had been identified as posts which would be cut as of January 2015. – Seconded National Experts: 31 (34) (actual year-end number) – Contract staff: 103 (94) (actual year-end number)
<p>Products and services in 2014 (2013)</p>	<p>Europol as the principal EU support centre for law enforcement operations</p> <p>Operational support to operations and Joint Investigation Teams (JITs) include: 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. Europol increased the delivery of operational products and services both in quantity and quality in support of an increasing proportion of high profile and EMPACT-related operations:</p> <ul style="list-style-type: none"> – 34 472 cross-border cases supported. These included 13 693 cases initiated by the Euroregional Police Information and Cooperation Centre (EPICC) which started using SIENA in January 2014. Excluding the EPICC cases, 20 779 cases were supported, an increase of 13 % over 2013 (18 310). – 632 investigations in the Member States actively supported by Europol focusing on prioritised crime areas. – Europol coordinated and supported large scale intelligence-led operations involving joint actions across the EU targeting key crime hotspots and top targets and resulting in successful operational outcomes (e.g. Operation Archimedes, Airline Fraud Action Days). – EC3 supported several cross-border investigations against cybercrime in close cooperation with Member States and external partners, including the private sector. On 1 September 2014 a pilot was initiated for the Joint Cybercrime Action Taskforce (J-CAT) at Europol HQ. The J-CAT was set up as

a cooperation framework for Member States and operational cooperation partners to bring together cyber intelligence and proactively prioritise, prepare and launch cross-border investigations on cybercriminal acts. More than 15 operations supported by EC3 were initiated by J-CAT.

- 29 euro counterfeiting investigations were financially supported by Europol.
- Europol supported 33 Joint Investigation Teams (JITs) in 2014. Europol supported 22 JITs as a full participant based on a signed arrangement. All except one of the JITs supported by Europol were related to EMPACT priorities.
- 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.
- 5 617 operational reports produced in 2014 compared to 2 250 in 2013 (incl. cross match reports, operational analysis reports, intelligence notifications and technical ad hoc analysis reports).
- Europol financially supported 269 operational meetings and 54 EMPACT meetings.
- Europol fulfilled its role in the Implementation of TFTP Agreement Articles 4, 9, 10 by processing all related US and MS requests and information leads.
- Customer satisfaction rate measured at 70 % (steady increase over the past years).

Strategic analysis capability

Strategic products incl. threat assessments and situation reports

- 26 strategic reports on organised crime and 20 strategic reports on terrorism were produced, including the Internet Organised Crime Threat Assessment (IOCTA), Methamphetamine threat assessment, EU Terrorism Situation and Trend Report (TE-SAT), Threat Assessment on the ISIL² terrorist movement and its impact on the EU, Situation Report on Travel for Terrorist Purposes (focus on Syria).
- Europol disseminated 96 Early Warning Notifications to identify opportunities for follow-up action by the Member States (incl. Cyberbits, Terrorism Modus Operandi Monitor Bulletins, Intelligence Notifications and so called SCAN notices).

Europol as the EU criminal information hub

Information management capabilities, Secure Information Exchange Network Application (SIENA), Europol Information System (EIS), Liaison Bureaux network.

- In total 605 245 operational messages were exchanged via SIENA between Europol, Member States and Third Parties. These included 65 691 messages exchanged by the Euroregional Police Information and Cooperation Centre (EPICC) which started using SIENA in January 2014. Excluding the EPICC SIENA exchange, 539 554 operational messages were exchanged, an 18 % increase compared to 2013 (456 598).
- Europol accepted 50 285 (43 104) contributions, of which 47 157 (40 617) were to be processed, a 16 % increase compared to 2013.
- The EIS contained 236 606 (245 142) records at the end of 2014. The decrease in the EIS content at year end is related to the planned deletion of all records by NL linked to the development of a new data-loader. It is

expected that this data will be re-inserted in the course of 2015.

- 619 (560) Cross Border Crime Checks (CBCCs) on Persons were triggered in the EIS. The number of hits (CBCCs) increased despite the decrease in the total number of records in the EIS, which may indicate an increase in the quality of the data shared via EIS.
- By the end of 2014, 573 (452) Designated Competent Authorities (DCA), incl. national Asset Recovery Offices (RCOs), cybercrime units, Financial Intelligence Units (FIUs), regional platforms and third countries were linked to SIENA.
- A unique network of almost 200 liaison officers ensure a live link between Europol headquarters in The Hague and 28 Europol National Units (ENUs) in Member States. They facilitate the exchange of information and provide support and coordination for ongoing investigations. Europol also hosts liaison officers from 13 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:

- 33 expert areas covered by Europol Platform for Experts including 6 045 active accounts (32 platforms and 4 419 users at the end of 2013);
- Europol supported the delivery of various training courses and webinars (organised by Europol, CEPOL or MS);
- the annual 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.

- 19 strategic agreements and 14 operational agreements in place at the end of 2014 (18 non-EU countries, 12 EU bodies and agencies and three other international organisations, including Interpol).
- In total, 11 operational cooperation partners and 4 strategic cooperation partners have direct access to SIENA.
- At the end of 2014, 10 third parties with operational cooperation agreements were associated with at least one Focal Point.
- Information exchange with external partners (10 651) increased by 23 % compared to 2013 (8 663).
- Long term strategic partnerships with the private sector continued to be established. In 2014, EC3 concluded 17 Memoranda of Understanding (MoU) with the private sector (incl. Microsoft, McAfee, Cloud Security Alliance, EBF, Kaspersky, Symantec).

¹ European Multidisciplinary Platform Against Criminal Threats (EMPACT).

² Islamic State of Iraq and the Levant (ISIL).

Source: Annex supplied by the Office.
