REPORT

on the annual accounts of the European Police College for the financial year 2015, together with the College's reply

(2016/C 449/06)

INTRODUCTION

1. The European Police College (hereinafter 'the College', aka 'CEPOL'), which is located in Budapest, was established by Council Decision 2000/820/JHA, repealed and replaced in 2005 by Council Decision 2005/681/JHA ([1]). The College's task is to function as a network and bring together the national police training institutes in the Member States to provide training sessions, based on common standards, for senior police officers.

2. The *table* presents key figures for the College ([2]).

Table

Key figures for the College

	2014	2015
Budget (million euro)	8,9	8,8
Total staff as at 31 December ([1])	43	45

([1]) Staff includes officials, temporary and contract staff and seconded national experts.

Source: data provided by the College.

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 College'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

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 College, which comprise the financial statements ([3]) and the reports on the implementation of the budget ([4]) 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 College and the legality and regularity of the underlying transactions ([5]):

([1]) OJ L 256, 1.10.2005, p. 63.
([2]) More information on the College's competences and activities is available on its website: www.cepol.europa.eu
([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 the budgetary outturn account and the annex to the budgetary outturn account.
([5]) Articles 39 and 50 of Commission Delegated Regulation (EU) No 1271/2013 (OJ L 328, 7.12.2013, p. 42).

(a) The management's responsibilities in respect of the College'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 ([6]); making accounting estimates that are reasonable in the circumstances. The College has delegated these responsibilities to the Commission's accounting officer by means of a service level agreement. The Director approves the annual accounts of the College after the Commission's 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 College 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

6. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council ([7]) 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 College 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 College's accounts as stipulated in Article 208(4) of the EU Financial Regulation ([8]).

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 College'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.

([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 DelegatedRegulation (EU) No 1271/2013.
([8]) Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council (OJ L 298, 26.10.2012, p. 1).

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

COMMENTS ON BUDGETARY MANAGEMENT

12. The College's audited budgetary implementation report differs from the level of detail provided by most other agencies which demonstrates the need for clear guidelines on the agencies' budget reporting.

13. The level of committed appropriations carried over was high for Title II (administrative expenditure) at 212 456 euro, i.e. 49 % (2014: 383 940 euro or 59 %). This resulted from the College's relocation from the UK to Hungary in September 2014 and the consequential need to initiate new service and supply contracts. Most of the services procured under these annual contracts had not been provided by the end of 2015.

FOLLOW-UP OF PREVIOUS YEARS' COMMENTS

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

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

Vítor Manuel da SILVA CALDEIRA

President

ANNEX

Follow-up of previous years' comments

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2012	Out of the committed appropriations carried over from 2011 amounting to 1,7 million euro, 0,7 million euro (41,2 %) were cancelled in 2012. This was mainly due to lower-than-estimated costs to be reimbursed under 2011 grant agreements (0,44 million euro or 62 % of cancelled carry-overs).	N/A
2013	Out of the committed appropriations carried over from 2012 amounting to 1,7 million euro, 0,3 million euro (17,6 %) were cancelled in 2013. This was mainly due to lower-than-estimated costs to be reimbursed under 2012 grant agreements (0,21 million euro or 70 % of cancelled carry-overs), which indicates the need to obtain more accurate information from beneficiaries at year-end on the actual cost incurred.	N/A
2013	The College's recruitment procedures are still not fully transparent. Guidance to members of the selection boards on the consistent assessment of selection criteria was not sufficiently clear; requirements set in respect of professional experience were not always compliant with the Implementing Rules to the College's Staff Regulations and recruitment documentation was incomplete.	Completed
2014	The cancellation rate for committed appropriations carried over from 2013 was high at 129 828 euro (15 %), mainly because of the cancellation of the Matrix project (15 090 euro) and the lower than estimated costs to be reimbursed under the 2013 grant agreements (57 285 euro). The Matrix project was cancelled during its initial phase because it did not meet operational needs. This could have been avoided if there had been a proper user analysis by the College. The over-estimation of grant costs indicates the need to obtain more accurate information from the College's beneficiaries.	N/A
2014	The level of committed appropriations carried over was high for Title II (administrative expenditure) at 383 940 euro, i.e. 59 % (2013: 145 414 euro, i.e. 30 %). This was driven in large part by the high volume of furniture and IT equipment, and the maintenance required, for the College's new premises, ordered but not yet delivered and/or paid for in the last quarter of 2014 (the college completed its move to Budapest in October 2014).	N/A

THE COLLEGE'S REPLY

12. The College has taken note of the Court's comments. CEPOL — which, in line with the suggestions in the Framework Financial Regulation, has outsourced the role of Accounting Officer to the Accounting Officer of the European Commission — is of the understanding that the different level of detail is based on the practices of the Commission's reporting and to avoid having largely similar information in two different reports. CEPOL supports the Commission's intention of establishing guidelines for the agencies' budget reporting for the 2016 accounts.

13. The College has taken note of the Court's comments. The carry-over rate for Title II (administrative expenditure) is high but justified having in view the contract renewals or pending invoices at the end of year. CEPOL improved its budget management and commits to further maintain compliance with the budgetary principle of annuality provided in the Financial Regulation.