Report on the annual accounts

of the European Union Agency for Law Enforcement Training

for the financial year 2016

together with the Agency's reply

12, rue Alcide De Gasperi - L - 1615 Luxembourg
T (+352) 4398 – 1 **E** eca-info@eca.europa.eu **eca.europa.eu**

INTRODUCTION

1. The European Union Agency for Law Enforcement Training (hereinafter "the Agency", aka CEPOL), located in Budapest, was established by Regulation (EU) 2015/2219[1] of the European Parliament and of the Council replacing and repealing Council Decision 2005/681/JHA. The Agency's task is to function as a network and to bring together the national police training institutes in the Member States to provide training sessions, based on common standards, for senior police agents.

2. The ***Table*** below presents key figures for the Agency[2].

TABLE: KEY FIGURES FOR THE AGENCY

	2015	**2016**
Budget (million euro)	8,8	10,3
Total staff as at 31 December[3]	41	51

Source: data provided by the Agency.

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 Agency's supervisory and control systems. This is supplemented by evidence provided by the work of other auditors and an analysis of management representations.

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1 Regulation (EU) 2015/2219 of the European Parliament and of the Council of 25 November 2015 on the European Union Agency for Law Enforcement Training (CEPOL) and replacing and repealing Council Decision 2005/681/JHA (OJ L 319, 4.12.2015, p. 1).

2 More information on the Agency's competences and activities is available on its website: www.cepol.europa.eu.

3 Staff includes officials, temporary and contract staff and seconded national experts.

OPINION

4. We have audited:

(a) the accounts of the Agency which comprise the financial statements[4] and the reports on the implementation of the budget[5] for the financial year ended 31 December 2016, and

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

as required by Article 287 of the Treaty on the Functioning of the European Union (TFEU).

Reliability of the accounts

Opinion on the reliability of the accounts

5. In our opinion, the accounts of the Agency for the year ended 31 December 2016 present fairly, in all material respects, the financial position of the Agency at 31 December 2016, the results of its operations, its cash flows, and the changes in net assets for the year then ended, in accordance with its Financial Regulation and with accounting rules adopted by the Commission's accounting officer. These are based on internationally accepted accounting standards for the public sector.

Legality and regularity of the transactions underlying the accounts

Revenue

Opinion on the legality and regularity of revenue underlying the accounts

6. In our opinion, revenue underlying the accounts for the year ended 31 December 2016 is legal and regular in all material respects.

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[4] The financial statements comprise the balance sheet, the statement of financial performance, the cashflow statement, the statement of changes in net assets and a summary of significant accounting policies and other explanatory notes.

[5] The reports on implementation of the budget comprise the reports which aggregate all budgetary operations and the explanatory notes.

Payments

Opinion on the legality and regularity of payments underlying the accounts

7. In our opinion, payments underlying the accounts for the year ended 31 December 2016 are legal and regular in all material respects.

Responsibilities of management and those charged with governance

8. In accordance with Articles 310 to 325 of the TFEU and the Agency’s Financial Regulation, management is responsible for the preparation and presentation of the accounts on the basis of internationally accepted accounting standards for the public sector and for the legality and regularity of the transactions underlying them. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them. The Agency’s management bears the ultimate responsibility for the legality and regularity of the transactions underlying the accounts.

9. In preparing the accounts, management is responsible for assessing the Agency’s ’ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

10. Those charged with governance are responsible for overseeing the entity’s financial reporting process.

Auditor's responsibilities for the audit of the accounts and underlying transactions

11. Our objectives are to obtain reasonable assurance about whether the accounts of the Agency are free from material misstatement and the transactions underlying them are legal and regular and to provide, on the basis of our audit, the European Parliament and the Council or other respective discharge authorities with a statement of assurance as to the reliability of the accounts and the legality and regularity of the transactions underlying them. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit will always detect a material misstatement or non-compliance when it exists. These can arise from fraud or error and are considered material if,

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounts.

12. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts and the legality and the regularity of the transactions underlying them. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the accounts and of material non-compliance of the underlying transactions with the requirements of the legal framework of the European Union, whether due to fraud or error. In making those risk assessments, internal controls relevant to the preparation and fair presentation of the accounts and legality and regularity of underlying transactions, is considered in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the accounts.

13. For revenue, we verify the subsidy received from the Commission and assess the Agency’s procedures for collecting fees and other income, if any.

14. For expenditure, we examine payment transactions when expenditure has been incurred, recorded and accepted. Advance payments are examined when the recipient of funds provides justification for their proper use and the Agency accepts the justification by clearing the advance payment, whether in the same year or later.

15. In preparing this report and Statement of Assurance, we considered the audit work of the independent external auditor performed on the Agency’s accounts as stipulated in Article 208(4) of the EU Financial Regulation[6].

16. The comments which follow do not call the Court’s opinion into question.

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[6] 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

17. Carry-overs of committed appropriations were high for Title II (expenditure for support activities) at 140 055 euro, i.e. 30 % (2015: 212 456 euro, i.e. 49 %). They mainly refer to IT consulting and IT related goods and services ordered late in the year.

OTHER COMMENTS

18. There is a high staff turnover which may impact business continuity and the Agency's ability to implement the activities foreseen in its work programme. In 2016, 11 staff members left the Agency, while 21 were recruited. The low number of applications, particularly from Member States other than the host state, puts at risk the Agency's ability to recruit suitable candidates. Between 2013 and 2016 staff from the host state increased from 1 to 16, representing 31 % of total staff in 2016. Possible reasons for the limited number of applications from other Member States are the salary correction coefficient applied for the host state (69 %) and competition with another EU body located in Budapest.

FOLLOW-UP OF PREVIOUS YEARS' COMMENTS

19. An overview of the corrective action 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 12 September 2017.

For the Court of Auditors

Klaus-Heiner LEHNE

President

Annex

Follow-up of previous years' comments

Year	Court´s comments	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
2015	The Agency'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.	**Completed**
2015	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 Agency'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.	**N/A**

THE AGENCY'S REPLY

18. The Agency has taken note of the Court's comments. The carry-over rate for Title II is justified having in view IT consulting and IT related goods and services ordered late in the year. CEPOL further improved its budget management and commits to maintain compliance with the budgetary principle of annuality provided in the Financial Regulation.

19. The Agency has taken note of the Court's comments. As a consequence of the relocation from UK to Hungary, due to significantly lower correction coefficient applied to staff salaries, the number of resignation increased. The number of applications decreased compared to the period before relocation, however, this did not impact on the quality of applications received and the Agency's ability to recruit suitable candidates. The low grading of posts combined with low correction coefficient, does not encourage foreigners (especially from West and Northern Europe) to move to Hungary, therefore the geographical balance cannot be always ensured during the recruitment process. CEPOL will continue to implement staff retention and business continuity measures, however as long as the Agency cannot positively amend the grades, the staff turnover may keep its high trend.