2007 discharge: European Police College CEPOL

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PURPOSE: to present the report by the Court of Auditors on the 2007 annual accounts of the European Police College (CEPOL).

CONTENT: the Court of Auditor's report includes a detailed section on the College's expenditure and an analysis of the expenditure, as well as the College's replies.

- **Analysis of the accounts by the Court**: in its report the Court makes a number of observations, in particular as regards budget management. The 2007 College's budget amounted to EUR 6.5 million, compared to EUR 5.1 million the previous year. The increase in the budget was due to the expansion of the College's activities. This budget amount did not include a contribution of EUR 1.5 million received from the Commission in 2007 to implement a MEDA programme. This situation was at odds with the principle of unity and accuracy of the budget according to the Court. The Court also notes that only EUR 5.6 million of the 2007 commitment appropriations were used, of which EUR 1.7 million were carried over. More than 20% (EUR 0.5 million) of the appropriations carried over from the preceding year were cancelled. The high level of carry-overs and cancellations of appropriations shows difficulties in budget management. As in 2006, the College did not have, for most of the year, a proper commitment accounting system. For example, for operating expenditure, decisions to spend were taken by the Director on the advice of the Governing Board. Commitments were only recorded against budget lines after payments had been made. The absence of internal control standards and ineffective budget monitoring led to spending in excess of the amount foreseen on some budgetary lines. This then led to either ex-post transfers to correct the overdrawn positions or the creation of new budgetary lines *ex nihilo*. The Court also notes that in November 2007, a commitment accounting system was put in place for operating activities. It explicitly provided for the creation of budgetary commitments before any legal commitment or any check on the availability of appropriations. The form of the standard legal commitment in this new procedure does not provide sufficient legal guarantees. It consists of a simple sheet providing some administrative information on the project plus a breakdown of its total cost between the relevant budgetary lines. No contractual conditions are detailed. This approach is not in line with the principle of transparency. Contrary to the College's Financial Regulation, neither the provisional accounts nor the report on the budgetary and financial management had been prepared. The **recoverable VAT for the 2007** financial year, amounting to EUR 102 281, **had not been reclaimed** by the year end. VAT should be recovered at regular intervals during the year. This situation is not consistent with sound financial management. The College's Financial Regulation foresees the need for detailed rules for the implementation of the regulation. The College has not yet adopted any detailed implementing rules, including those ensuring the transparency of the College's procurement procedures. This had already been commented on in the 2006 audit report. The system of procurement did not comply with the provisions of the Financial Regulation. There was no documentation available to justify the need to purchase particular items and to explain recourse to a particular supplier. Lastly, **cases were identified where appropriations were used to finance the private expenditure of some of the College's staff**. As it was not feasible for the auditors to review all payments made during the year it is not possible to quantify either the amount that was irregularly spent on private use or all the different types of private expenditure made. **This use of public funds for private purposes is material by nature**. Steps should be taken to ensure complete reimbursement of these funds.
- **Agency's replies**: CEPOL replies point by point to the Court's criticisms: 1) the specific MEDA project was not initially included in the Budget Out-turn Report. The income and expenditure for each entity was correctly recorded in the accounts as of 31 December 2007. The four main reasons

the budget appropriations were not fully used are: i) the number of participants in CEPOL activities was less than estimated and a few activities were cancelled; ii) the recruitment process for new staff has taken longer time than estimated; iii) the new office accommodation, to be provided by NPIA, Bramshill in autumn 2007 was not available in 2007; iv) the cost for organising CEPOL activities were less than calculated due to cost effective solutions by organisers of the activities. **CEPOL did not have an accounting system in place in 2007 which complied with the Financial Regulation**. In November 2007 CEPOL Governing Board approved a system with Agreements between the National Colleges/Institutes and CEPOL, which came into force 1 January 2008, and which will be further amended in order to optimise the transparency of the agreements concluded with the colleges /institutes. The draft 2007 Financial Statements were not prepared on 1 March, as specified in the Financial Regulation. The **Consolidated Reporting Package** was prepared and finalised in accordance with the Financial Regulation and sent to the Accounting Officer of the Commission by 18 January 2008. Following the procedures of previous years, the VAT of the fourth quarter was recovered in the first quarter of the following year. VAT for 2007 has now been recovered. The Implementing Rules of the Financial Regulation were adopted by the Governing Board in February 2008. The purchase of ICT equipment was done under the 'Catalyst Framework Agreement' and followed the conditions as provided by UK Home Office in 2004 to CEPOL when CEPOL did not have legal personality, following the start up phase of CEPOL in 2004. Cost regarding use of **mobile phones and use of the CEPOL pool cars** have been recovered. The recovery of the taxi /transport costs has been initiated. In order to follow up the use of CEPOL funds, an ex post control will be carried out by an external company, regarding the recovery of the costs.