2008 discharge: European Police College CEPOL

2009/2127(DEC) - 08/10/2009

PURPOSE: to present the report by the Court of Auditors on the 2008 annual accounts of the European Police College (CEPOL).

CONTENT: in the Court's opinion, the College's Annual Accounts present fairly, in all material respects, its financial position as of 31 December 2008 and the results of its operations and its cash flows for the year then ended.

Without calling into question this opinion, the Court notes that difficulties experienced in 2008 in migrating the old accounting system to ABAC and the late implementation of a proper accounting system still **put at risk the quality of the financial information** concerning the carry-overs from the previous year, the use of assigned revenue and the link with certain figures in the balance sheet for 2007.

In addition, the Court sets out the basis for qualified opinion on the legality and the regularity of the transactions underlying the accounts:

- the College directly contracted consulting services with a provider on the basis of a framework contract of the Commission exclusively intended for training services. This procurement procedure is **irregular**;
- expenditure for the organisation of courses and seminars represent a significant part of the College's budget. The audit of such expenditure revealed a high number of **breaches of the applicable administrative and financial rules** such as the absence of justifications of the costs incurred, the absence of confirmation of attendance, original invoices and documents necessary for the reimbursement of accommodation, travel costs for experts not queried etc;
- for a sample of 15 commitments, the audit showed the absence of: (i) legal commitment in three cases, (ii) budgetary commitment before the legal commitment in nine cases.

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.

- **The Court's analysis of the accounts**: as regards financial and budgetary management, the Court makes a number of comments such as: (i) more than EUR 2.7 million of the 2008 payment appropriations had to be carried forward. This situation is against the principle of annuality and indicates weaknesses in the programming and the monitoring of the implementation of the budget; (ii) during 2008 a commitment of EUR 175 000 was made in relation to a recovery order made by the European Commission in respect of an advance payment made before 2006 to the College's predecessor. The commitment was carried forward to 2009; (iii) the audit of a sample of commitments showed that, in three cases, there was no audit trail to retrace the financial execution such that it was not possible to match their closing balances in the accounts; (iv) the College closed its old accounting system and migrated to ABAC. The migration to the new system effectively started on 14 July 2008. In the meantime, a manual system was set up. Not all the adjustments related to the period covered by the manual system were effected on time; (v) inventory of assets: two fixed assets management systems are in place, sometimes duplicating the recording of assets. No labels and no unique inventory numbers are used; (vi) in its report concerning the 2007 financial year, the Court had noted cases where appropriations were used to finance private expenditure. The College replied that an ex-post control would be carried out by an external company. Such a control had not been launched mid-2009.

- **The Agency's replies**: the College takes note of the observations of the Court: (i) it has taken all the necessary measures to minimise the risks linked to the migration to the ABAC system. The commitment system implemented in 2008 is closely monitored and improved to avoid error; (ii) monitoring and control systems already in place and will continue to be improved and implemented in order to avoid such situations in the future; (iii) the College notes the observation on the commitment system. The ex-ante controls on transactions have been reinforced in 2009 to avoid such situations in the future. The College notes that measures have been taken to improve the monitoring of operational expenditure to avoid committing significant funds at the year-end and to avoid excessive carry-over; (iv) the College recognises that they were inconsistencies concerning the three commitments mentioned by the Court. The total error amounts to EUR 1 169 to be compared to a total value of EUR 318 210 of the 15 commitments sample; (v) as regards inventories, the College has in 2009 implemented ABAC assets and has drafted an inventory policy which is under review for approval in view of a proper registering and accounting of the inventory; (vi) lastly, the final part of the recovery process regarding personal expenditure in 2007 was completed in June 2009, except for the seconded national experts who left the College the previous years. When the recovery is fully completed an ex-post control, will be carried out following a tender process.