2014 discharge: European Insurance and Occupational Pensions Authority (EIOPA)

2015/2189(DEC) - 08/09/2015 - Court of Auditors: opinion, report

PURPOSE: presentation of the EU Court of Auditors' report on the annual accounts of the European Insurance and Occupational Pensions Authority (EIOPA) for the year 2014, together with the EIOPA's reply.

CONTENT: in accordance with the tasks conferred on the Court of Auditors by the Treaty on the Functioning of the European Union, the Court presents to the European Parliament and to the Council, in the context of the discharge procedure, a Statement of Assurance as to the reliability of the annual accounts of each institution, body or agency of the EU, and the legality and regularity of the transactions underlying them, on the basis of an independent external audit.

This audit concerned, amongst others, the annual accounts of the European Insurance and Occupational Pensions Authority (EIOPA).

Statement of assurance: pursuant to the provisions of Article 287 of the Treaty on the Functioning of the European Union (TFEU), the Court has audited:

- the annual accounts of the Agency, which comprise the financial statements and the reports on the implementation of the budget for the financial year ended 31 December 2014, and
- the legality and regularity of the transactions underlying those accounts.

Opinion on the reliability of the accounts: in the Court's opinion, the Authority'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: 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.

The report also makes a series of observations on the budgetary and financial management of the Authority, accompanied by the latter's response. The main observations may be summarised as follows:

The Court's observations:

- **budgetary management**: the level of committed appropriations carried over also remained high (26 %) particularly for the operational budget related to specific contracts with a cumulative value of EUR 2.4 million signed late in the year, particularly for the on-going development and maintenance of a database and other IT services to be provided in 2015. The transfers were intended to compensate for shortfalls in the Authority's 2015 budget following substantial budget cuts decided by the discharge authorities. The transfers were intended to compensate for shortfalls in the Authority's 2015 budget following substantial budget cuts decided by the discharge authorities. These shortfalls would not have allowed the Authority to continue implementing its multiannual IT strategy, which was one of its core operational activities. Although budget transfers, carry-overs and related commitments are in line with the specific provisions of the EU Financial Regulation and were executed following Management Board decisions, the extent to which 2015 activities will be

covered by 2014 appropriations is at odds with the budgetary principle of annuality. There is a need to better align the funds made available in the agency's annual budgets with the financial needs for the implementation of its multiannual IT strategy.

The Authority's reply:

- **budgetary management**: EIOPA acknowledged that the percentage of carried-over appropriations from 2013 to 2014 and from 2014 to 2015 for operational expenditure was high due to the multiannual nature of the work, the challenging time frame (mainly driven by the Solvency II calendar with the preparatory phase starting in 2015 and full implementation in 2016). EIOPA is also aware that part of the 2015 activities are covered by a relatively high proportion of carried-over appropriations from 2014. This is explained by the need to finance its complex and multiannual IT plan, ensuring a proper implementation of Solvency II. In addition, in order to better align the budgetary funds available for the given year, EIOPA's budget and procurement processes have already been revised to guarantee a full integration into the overall planning and coordination processes of EIOPA.

Lastly, the Court of Auditors' report contains a summary of the **Authority's activities in 2014**. This is focused on the following:

Budget: EUR 21 595 704.

Activities:

- **regulatory tasks**: amongst others, 18 drafts implementing technical standards prepared on Solvency II and the finalisation of around 500 guidelines relating to Solvency II, report on an EU single market in personal pensions;
- **supervisory tasks**: excellent examples of an approach to forming a shared view have been observed in 6 different National Competent Authorities;
- consumer protection and financial innovation: consultation papers on cross selling, product oversight and governance arrangements by insurance undertakings; Key Information Documents (KIDs) and insurance-based investment products;
- **common supervisory culture**;
- **financial stability**: two bi-annual Financial Stability Reports, completion of quantitative tools for modelling reserves and premiums;
- crisis management: implementation of process for regular consideration of the need for EIOPA preventive action in response to adverse developments and risks;
- **external relations**: number of dialogues with important third countries including US and China and professional secrecy & gap analysis reports for Isle of Man, Canada, Albania, FYR Macedonia, Montenegro and Turkey;
- **conferences and other public events**.