2013 discharge 2013: European Agency for the Management of Operational Cooperation at the External Borders (Frontex)

2014/2113(DEC) - 08/07/2014 - Court of Auditors: opinion, report

PURPOSE: presentation of the EU Court of Auditors' report on the annual accounts of the European Agency for the Management of Operational Cooperation at the External Borders of the Member States (Frontex) for the year 2013, together with Frontex'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 Frontex.

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 2013;
- the legality and regularity of the transactions underlying those accounts.

Opinion on the reliability of the accounts: in the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 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.

Basis for a qualified 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 2013 are legal and regular in all material respects **except for matters described below**:

In 2013, expenditure related to grants amounted to EUR 32 million, representing 39% of total expenditure. In order to verify the expenditure claimed by cooperating countries, the Agency performed reasonableness checks prior to payment for all types of financed operations (joint return operations and joint land/sea/air operations). Documentation supporting the cooperating countries' entitlements has usually been requested for joint return operations, but not for joint land/sea/air operations implemented under grant agreements signed before June 2013.

Although a more comprehensive system of ex ante verifications was introduced for grant agreements signed since June 2013, the majority of 2013 transactions resulted from grant agreements signed before that date.

The Agency carries out ex post controls on grants which cover transactions from previous years. **None of the 2013 grant transactions was subject to this cycle of ex post controls**.

In the absence of sufficient appropriate audit evidence on the effectiveness of ex ante verifications and ex post verifications on 2013 transactions there is **insufficient assurance as to the legality and regularity** of the 2013 grant transactions related to joint land/sea/air operations.

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

The Court's observations:

- **reliability of accounts**: the Court noted that suppliers' statements at year-end were reconciled with considerable difficulty. It considered that there is a need to monitor supplier balances more regularly and to analyse differences in a more timely manner;
- **budgetary management**: some EUR 32 million or 35% of committed 2013 appropriations were carried over to 2014. Although the multiannual nature of the Agency's operations and the heightened risk of unforeseen events represent a particular challenge in respect of annual budget planning and implementation, there is still scope for improved budget monitoring to help reduce the level of carry-overs. Although the global commitment was made to cover the related operations in 2014, the Agency's Financial Regulation does not provide a clear basis for such carry-overs;
- **headquarters**: Frontex became operational in 2005 and has, to date, worked on the basis of correspondence and exchanges with the host Member State. However a comprehensive headquarters agreement between the Agency and the Member State has not been signed. Such an agreement would further promote transparency in respect of the conditions under which the Agency and its staff operate.

Frontex's reply:

- **reliability of accounts**: Frontex acknowledges the view of the Court with regard to the reasonableness checks prior to payments and the introduction of reinforced ex ante controls as of June 2013. The statistical sample of the Court for the audit 2013 did unfortunately not include transactions falling under the reinforced ex ante control system. Thus the functioning of the reinforced ex ante control system was not audited, although in place for seven months in 2013;
- **budgetary management**: the Agency noted that continuous efforts are made to reduce the rate of carry-overs. An improved control over the financing of operational activities which are of a multiannual nature is needed. Frontex managed to reduce the number of transfer compared to 2012 by 30 % and will continue its efforts;
- **headquarters**: Frontex has requested repeatedly the Polish authorities to conclude a Headquarters Agreement, with no success. Recently, Polish authorities have expressed willingness to start negotiations and exchanges are under way.

Lastly, the Court of Auditors' report contains a summary of **Frontex's activities in 2013**. This is focused on the following:

Budget: EUR 93.95 million of which the Union subsidy is EUR 87.7 million.

Activities:

- monitoring of the risk analysis unit (through reporting);
- monitoring of joint operations: 19 joint operations organised, coordination of joint return operations with 2152 third country nationals returned. The total number of operational days accumulated in all joint operations amounted to 2 832;
- organising Frontex Situation Centre (FSC) : situational report ; *Frontex-One-Stop-Shop*);

- establishment of the Pooled Resources Unit (PRU) (events, the development of the European Border Guards Teams (EBGT) and Technical Equipment (TE) pools, etc);
- training for experts;
- research and development with all Schengen and Eurosur countries;
- partnership and cooperation with third countries: working arrangements were concluded with the competent authorities of Azerbaijan as regards cooperation on border security/management related matters;
- cooperation with EU institutions and bodies and international organisations.