2013 discharge: European Agency for the operational management of large-scale IT systems in the area of freedom, security and justice (eu-LISA)

2014/2128(DEC) - 16/09/2014 - Court of Auditors: opinion, report

PURPOSE: presentation of the EU Court of Auditors' report on the annual accounts of the European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice (eu-LISA) for the financial year 2013, together with the Agency's replies.

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 eu-LISA Agency.

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 annual accounts of the Agency 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. Without calling into question the qualified opinion, the Court draws attention to the valuation of the Schengen Information System (SIS II), the Visa Information System (VIS) and Eurodac (systems) in the Agency's accounts. The operational management of these systems was transferred to the Agency from the Commission in May 2013 by way of a non-exchange transaction and is the core task of the Agency. In the absence of reliable and complete information in respect of their total development cost, they are recorded in the Agency's accounts at their net book values as per the Commission's books and updated at year-end. These values relate mainly to hardware and off-the-shelf software components and **do not include software development costs**.

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.

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

The Court's comments:

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- **budgetary management**: the Commission was responsible for the establishment and initial operation of the Agency until it was granted financial autonomy on 22 May 2013. The migration of data on commitment and payment appropriations from the Commission to the Agency was a complex process and a reconciliation of the figures between the Commission's and the Agency's accounting systems was finally completed in June 2014. This affected the Agency's payment planning and the preparation of its provisional accounts. According to the Agency's Founding Regulation (9), countries associated with the implementation, application and development of the Schengen acquis and Eurodac-related measures must make a contribution to the Agency's budget. Although Schengen associated countries were using the systems managed by the Agency in 2013 the Commission's negotiations were still ongoing;
- **headquarters agreement**: though the seat of the Agency is in Tallinn, operational activities are carried out in Strasbourg. It is likely that management effectiveness could be increased and administrative costs reduced if all staff were centralised in one location. A headquarters agreement that would clarify the conditions under which the Agency and its staff operate has not yet been signed with the host Member State, Estonia.

The Agency's replies:

- **budgetary management**: the Agency noted that during the handover of responsibilities on operational management of the systems from the European Commission to the Agency there was intensive exchange of information at working level. As the Commission informed the Agency: (i) the migration followed a standard process, already used for the independence of other agencies, (ii) coherence controls by a third independent actor were performed to ensure a safe and complete transfer. As the migration of appropriations following financial independence is a non-recurring exercise, future budgetary implementation reporting is expected to provide the basis for fully detailed analysis;
- **headquarters agreement**: the Agency acknowledges the observation. The only outstanding item subject of negotiations with the Estonian Government is VAT regime applicable to the Agency's staff.

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

Budget: EUR 61.35 million.

Activities:

- operational management and evolution of SISII, VIS and EURODAC;
- helpdesk: provided first level support services to users across all systems under the management of eu-LISA;
- monitoring and evolution of appropriate Service Level Agreements for such systems under the management of the Agency;
- provision of coordination, security and supervision of relations between the Member States and the network provider for the communication infrastructure for SIS II, Eurodac and VIS (sTESTA network);
- participation in preparatory processes to design, develop and implement new systems;
- statistics;
- reporting;
- monitoring of new technologies and solutions relevant for the operational management and evolution of SIS II, VIS, Eurodac and other large-scale IT systems;
- training: provision of bespoke system training plans for national authorities on IT systems managed by the Agency.