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#### COVER NOTE

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From:	Mr Klaus-Heiner LEHNE, President of the European Court of Auditors
date of receipt:	4 November 2016
To:	Mr Peter KAZIMIR, President of the Council of the European Union
Subject:	Report on the annual accounts of the European Asylum Support Office for the financial year 2015 together with the Office's reply

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Delegations will find attached the European Court of Auditors' report on the annual accounts of the European Asylum Support Office for the financial year 2015.

This report is accompanied by the Office's reply and will shortly be published in the *Official Journal of the European Union*.

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Encl.: Report on the annual accounts of the European Asylum Support Office for the financial year 2015 together with the Office's reply.<sup>1</sup>

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<sup>1</sup> In English only. The other languages of this report are available on the European Court of Auditors' website: <http://eca.europa.eu/>.



EUROPEAN  
COURT  
OF AUDITORS

Report on the annual accounts  
of the European Asylum Support Office  
for the financial year 2015  
together with the Office's reply

## **INTRODUCTION**

1. The European Asylum Support Office (hereinafter “the Office”, aka “EASO”), which is located in Valletta, was established by Regulation (EU) No 439/2010 of the European Parliament and of the Council<sup>2</sup>. The Office’s task is to support the development of the Common European Asylum System. It was established with the aim of enhancing practical cooperation on asylum matters and helping Member States fulfil their European and international obligations to give protection to people in need. EASO acts as a centre of expertise on asylum. It also provides support to Member States whose asylum and reception systems are under particular pressure.

2. **Table 1** presents key figures for the Office<sup>3</sup>

**TABLE 1: KEY FIGURES FOR THE OFFICE**

	<b>2014</b>	<b>2015</b>
Budget (million euro) <sup>4</sup>	15,6	15,9
Total staff as at 31 December <sup>5</sup>	79	93

*Source:* data provided by the Office.

## **INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

3. The audit approach taken by the Court comprises analytical audit procedures, direct testing of transactions and an assessment of key controls of the Office’s supervisory and

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<sup>2</sup> OJ L 132, 29.5.2010, p. 11.

<sup>3</sup> More information on the Office’s competences and activities is available on its website: [www.easo.europa.eu](http://www.easo.europa.eu).

<sup>4</sup> Budget figures are based on payment appropriations.

<sup>5</sup> Staff includes officials, temporary and contract staff and seconded national experts.

control systems. This is supplemented by evidence provided by the work of other auditors and an analysis of management representations.

#### **STATEMENT OF ASSURANCE**

4. Pursuant to the provisions of Article 287 of the Treaty on the Functioning of the European Union (TFEU), the Court has audited:

- (a) the annual accounts of the Office, which comprise the financial statements<sup>6</sup> and the reports on the implementation of the budget<sup>7</sup> for the financial year ended 31 December 2015, and
- (b) the legality and regularity of the transactions underlying those accounts.

#### ***The management's responsibility***

5. The management is responsible for the preparation and fair presentation of the annual accounts of the Office and the legality and regularity of the underlying transactions<sup>8</sup>:

- (a) The management's responsibilities in respect of the Office's annual accounts include designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies on the basis of the accounting rules adopted by the Commission's accounting officer<sup>9</sup>; making accounting estimates that are reasonable in the circumstances. The Executive Director approves the annual accounts of the Office after its accounting officer has prepared them on the basis of all available information and established a note to accompany the accounts in which he declares, inter alia,

<sup>6</sup> These include the balance sheet and the statement of financial performance, the cash flow table, the statement of changes in net assets and a summary of the significant accounting policies and other explanatory notes.

<sup>7</sup> These comprise the budgetary outturn account and the annex to the budgetary outturn account.

<sup>8</sup> Articles 39 and 50 of Commission Delegated Regulation (EU) No 1271/2013 (OJ L 328, 7.12.2013, p. 42).

<sup>9</sup> The accounting rules adopted by the Commission's accounting officer are derived from the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants or, where relevant, the International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

that he has reasonable assurance that they present a true and fair view of the financial position of the Office in all material respects.

- (b) The management's responsibilities in respect of the legality and regularity of the underlying transactions and compliance with the principle of sound financial management consist of designing, implementing and maintaining an effective and efficient internal control system comprising adequate supervision and appropriate measures to prevent irregularities and fraud and, if necessary, legal proceedings to recover funds wrongly paid or used.

***The auditor's responsibility***

6. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council<sup>10</sup> with a statement of assurance as to the reliability of the annual accounts and the legality and regularity of the underlying transactions. The Court conducts its audit in accordance with the IFAC International Standards on Auditing and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions. These standards require the Court to plan and perform the audit to obtain reasonable assurance as to whether the annual accounts of the Office are free from material misstatement and the transactions underlying them are legal and regular.

7. The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts and the legality and regularity of the underlying transactions. The procedures selected depend on the auditor's judgement, which is based on an assessment of the risks of material misstatement of the accounts and material non-compliance by the underlying transactions with the requirements in the legal framework of the European Union, whether due to fraud or error. In assessing these risks, the auditor considers any internal controls relevant to the preparation and fair presentation of the accounts, as well as the supervisory and control systems that are implemented to ensure the legality and regularity of underlying transactions, and designs audit procedures that are appropriate in the circumstances. The audit also entails evaluating the appropriateness of accounting policies, the reasonableness of accounting estimates and the overall presentation of the accounts. In preparing this report and Statement of Assurance, the Court is

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<sup>10</sup> Article 107 of Regulation (EU) No 1271/2013.

supposed to consider the audit work of the independent external auditor performed on the Office's accounts as stipulated in Article 208(4) of the EU Financial Regulation<sup>11</sup>.

8. The Court considers that the audit evidence obtained is sufficient and appropriate to provide a basis for its statement of assurance.

#### **Opinion on the reliability of the accounts**

9. In the Court's opinion, the annual accounts of the Office present fairly, in all material respects, the financial position of the Office as at 31 December 2015 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**

10. In the Court's opinion, the transactions underlying the annual accounts of the Office for the period from 1 January to 31 December 2015 are legal and regular in all material respects.

11. The comments which follow do not call the Court's opinions into question.

#### **COMMENTS ON BUDGETARY MANAGEMENT**

12. The Office committed only 14,5 million euro, i.e. 93,7 % of the approved budget (2014: 12,4 million euro, i.e. 84,7 %). The level of committed appropriations carried over for Title II (administrative expenditure) was high at 1 076 583 euro, i.e. 36,9 % (2014: 635 492 euro, i.e. 28,7 %). The carry-overs mainly relate to consulting services for ICT developments contracted in the last quarter of 2015 (0,4 million euro) and investments in IT infrastructure (0,3 million euro) in view of the expected recruitment of additional staff following the decision of the budget authority at the end of 2015 to increase the establishment plan.

#### **OTHER COMMENTS**

13. The Director of the Office approved a new policy for the recruitment of temporary and contract agents in November 2015. The new policy addresses most issues identified by the

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<sup>11</sup> Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council (OJ L 298, 26.10.2012, p. 1).

Court during past audits. Its implementation will be followed up in 2016 when a significant number of recruitments is expected.

#### **FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

14. An overview of the corrective actions taken in response to the Court's comments from previous years is provided in **Annex I**.

This Report was adopted by Chamber IV, headed by Mr Baudilio TOMÉ MUGURUZA, Member of the Court of Auditors, in Luxembourg at its meeting of 13 September 2016.

*For the Court of Auditors*

(s) Vítor Manuel da SILVA CALDEIRA

*President*

Follow-up of previous years' comments

Year	Court's comment	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
<b>2012</b>	There is room to improve the transparency of recruitment procedures: there was no evidence that weightings and threshold scores to be invited for interviews and for being put on the reserve list were set before examination of the applications, or that questions for interviews and written tests were set before the examination of applications.	<b>Ongoing</b>
<b>2013</b>	Of the total number of payments, 446 (18 %) were made after the time limits set in the Financial Regulation. The average delay for late payments was 21 days.	<b>Outstanding<sup>1</sup></b>
<b>2013</b>	Six of the 16 internal control standards have not been fully implemented.	<b>Ongoing<sup>2</sup></b>

<sup>1</sup> In 2015, the Office made 1 024, i.e. 29,2 % payments after the time limits set in the Financial Regulation. The average delay for late payments was 29 days.

<sup>2</sup> At the end of 2015 one internal control standard had not yet been implemented.



Year	Court's comment	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
<b>2013</b>	<p>There is room to improve the transparency of recruitment procedures: questions for interviews and written tests were drafted after examination of the applications, which increases the risk of questions being influenced by individual applications; the selection committees did not always award scores to all selection criteria included in the vacancy notices; the declaration of conflict of interest signed by selection committee members only considers a personal relationship to constitute a potential conflict of interest and explicitly excludes professional relationships; in the case of one specific recruitment procedure a discrepancy was noted between one eligibility criterion indicated in the vacancy notice and the corresponding selection criterion concerning the number of years of proven professional experience.</p>	<b>Ongoing</b>
<b>2014</b>	<p>The Office, in its budget management system (ABAC) for the year 2014, carried over budgetary commitments amounting to some 1,3 million euro which were not covered by legal commitments. This is in contradiction with the Financial Regulation. Following the Court's audit, the Office decided to correct the irregular carry overs and this is reflected in its final accounts for the year 2014. However, since the 2014 financial period was already closed, correction in the system was no longer possible and needs to be done in the 2015 financial period.</p>	<b>N/A</b>
<b>2014</b>	<p>The Office made 1 062 (28,6 %) payments after the time limits set in the Financial Regulation. The average delay for late payments was 24 days.</p>	<b>Outstanding</b>
<b>2014</b>	<p>Of the 689 875 euro of non-differentiated committed appropriations carried over from 2013, 146 417 euro (21,2 %) were cancelled in 2014 (2013: 16,5 %). This indicates weaknesses in the Agency's budget planning and is at odds with the budgetary principle of annuality. Cancellations are mainly related to interim services and staff training courses as well as to administrative support services and translation costs.</p>	<b>N/A</b>

Year	Court's comment	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
<b>2014</b>	The Office implemented commitment appropriations of only 12,4 million euro, i.e. 84,7 % of the approved budget (2013: 10,5 million euro, i.e. 87,3 %). The level of committed appropriations for title II (administrative expenditure) carried over to 2015 was high at some 608 848 euro, i.e. 27,9 % (2013: 540 269 euro, i.e. 30,7 %) and mainly related to advisory and IT consultancy services delivered in 2014 but not yet invoiced or still to be delivered in 2015.	<b>N/A</b>
<b>2014</b>	The Office has a high staff turn-over, 14 staff left the Office in 2014, including four in key positions. This high turn-over of staff causes a considerable risk to the achievement of the objectives set in the annual and multi-annual work programme.	<b>Ongoing</b>
<b>2014</b>	According to a decision by the Executive Director, participants in meetings organized by EASO are classified in one of the three categories (A, B or C) for cost reimbursements. Total 2014 reimbursements to meeting participants amounted to 997 506 euro. Category "A" participants, who are supposed to assume a specific duty in the meetings, receive a flat rate reimbursement for travel and daily subsistence costs, whereas Category "B" participants receive a flat rate reimbursement for travel costs only. Category "C" participants are not eligible for any reimbursement. The number of participants classified as recipients of category "A" reimbursements increased from 61 % in 2013 to 69 % in 2014. There is no documentation justifying the classification of participants in the three categories.	<b>Ongoing<sup>3</sup></b>

<sup>3</sup> In 2015, reimbursements to meeting participants amounted to 987 515 euro. The number of participants classified as recipients of category "A" reimbursements decreased from 69 % in 2014 to 52 % in 2015.

**THE AGENCY'S REPLY**

13. Concerning carry overs, these were planned in advance and well justified, due to EASO's role in the migration crisis, in consideration of which the the Budget Authority significantly increased EASO budget and staff for 2016. As a consequence, at the very end of 2015, EASO had to get ready to accommodate extra staff (+30 Temporary Agents) by procuring necessary goods and services.

14. EASO is in line with the general comments of ECA, and is committed to have fully transparent recruitment procedures via the new EASO Recruitment Policy implementation. This is reflected in the recruitments from November 2015 onwards, addressing issues identified in past audits.