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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:	28 November 2017
To:	Mr Märt KIVINE, President of the Council of the European Union
Subject:	Report on the annual accounts of the European Union Agency for Network and Information Security for the financial year 2016 together with the Agency's reply

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Delegations will find attached the European Court of Auditors' report on the annual accounts of the European Union Agency for Network and Information Security for the financial year 2016.

This report is accompanied by the Agency'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 Union Agency for Network and Information Security for the financial year 2016 together with the Agency'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 Union Agency for Network and Information Security  
for the financial year 2016  
together with the Agency's reply

## **INTRODUCTION**

1. The European Union Agency for Network and Information Security (hereinafter “the Agency”, aka “ENISA”), which is located in Athens and Heraklion<sup>1</sup>, was created by Regulation (EC) No 460/2004 of the European Parliament and of the Council<sup>2</sup> which, following different amendments was superseded by Regulation (EU) No 526/2013<sup>3</sup>. The Agency's main task is to enhance the Union’s capability to prevent and respond to network and information security problems by building on national and Union efforts.
2. **Table 1** presents key figures for the Agency<sup>4</sup>.

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

	<b>2015</b>	<b>2016</b>
Budget (million euro)	10	11
Total staff as at 31 December <sup>5</sup>	69	69

*Source:* data provided by the Agency.

## **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 Agency's supervisory and control systems. This is supplemented by evidence provided by the work of other auditors and an analysis of management representations.

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<sup>1</sup> The Agency’s operational staff was relocated to Athens in March 2013.

<sup>2</sup> OJ L 77, 13.3.2004, p. 1.

<sup>3</sup> OJ L 165, 18.6.2013, p. 41.

<sup>4</sup> More information on the Agency's competences and activities is available on its website: [www.enisa.europa.eu](http://www.enisa.europa.eu).

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

**OPINION**

4. We have audited:

- (a) the accounts of the Agency 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 2016, and
- (b) the legality and regularity of the transactions underlying those accounts,

as required by Article 287 of the Treaty on the Functioning of the European Union (TFEU).

***Reliability of the accounts******Opinion on the reliability of the accounts***

5. In our opinion, the accounts of the Agency for the year ended 31 December 2016 present fairly, in all material respects, the financial position of the Agency at 31 December 2016, the results of its operations, its cash flows, and the changes in net assets for the year then ended, in accordance with its Financial Regulation and with accounting rules adopted by the Commission's accounting officer. These are based on internationally accepted accounting standards for the public sector.

***Legality and regularity of the transactions underlying the accounts*****Revenue*****Opinion on the legality and regularity of revenue underlying the accounts***

6. In our opinion, revenue underlying the accounts for the year ended 31 December 2016 is legal and regular in all material respects.

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<sup>6</sup> The financial statements comprise the balance sheet, the statement of financial performance, the cashflow statement, the statement of changes in net assets and a summary of significant accounting policies and other explanatory notes.

<sup>7</sup> The reports on implementation of the budget comprise the reports which aggregate all budgetary operations and the explanatory notes.

**Payments***Opinion on the legality and regularity of payments underlying the accounts*

7. In our opinion, payments underlying the accounts for the year ended 31 December 2016 are legal and regular in all material respects.

***Responsibilities of management and those charged with governance***

8. In accordance with Articles 310 to 325 of the TFEU and the Agency's Financial Regulation, management is responsible for the preparation and presentation of the accounts on the basis of internationally accepted accounting standards for the public sector and for the legality and regularity of the transactions underlying them. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them. The Agency's management bears the ultimate responsibility for the legality and regularity of the transactions underlying the accounts.

9. In preparing the accounts, management is responsible for assessing the Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

10. Those charged with governance are responsible for overseeing the entity's financial reporting process.

***Auditor's responsibilities for the audit of the accounts and underlying transactions***

11. Our objectives are to obtain reasonable assurance about whether the accounts of the Agency are free from material misstatement and the transactions underlying them are legal and regular and to provide, on the basis of our audit, the European Parliament and the Council or other respective discharge authorities with a statement of assurance as to the reliability of the accounts and the legality and regularity of the transactions underlying them. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit will always detect a material misstatement or non-compliance when it exists. These can arise from fraud or error and are considered material if,

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounts.

12. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts and the legality and the regularity of the transactions underlying them. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the accounts and of material non-compliance of the underlying transactions with the requirements of the legal framework of the European Union, whether due to fraud or error. In making those risk assessments, internal controls relevant to the preparation and fair presentation of the accounts and legality and regularity of underlying transactions, are considered in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the accounts.

13. For revenue, we verify the subsidy received from the Commission and assess the Agency's procedures for collecting fees and other income, if any.

14. For expenditure, we examine payment transactions when expenditure has been incurred, recorded and accepted. This examination covers all categories of payments other than advances at the point they are made. Advance payments are examined when the recipient of funds provides justification for their proper use and the Agency accepts the justification by clearing the advance payment, whether in the same year or later.

15. In preparing this report and Statement of Assurance, we considered the audit work of the independent external auditor performed on the Agency's accounts as stipulated in Article 208(4) of the EU Financial Regulation<sup>8</sup>.

16. The comments which follow do not call the Court's opinion into question.

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<sup>8</sup> Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council (OJ L 298, 26.10.2012, p. 1).

### **COMMENTS ON BUDGETARY MANAGEMENT**

17. Commitment appropriations carried over are high for Title II (administrative expenditure) with 0,3 million euro, i.e. 25 % (2015: 0,15 million euro, i.e. 22 %) of committed appropriations. This high level mainly results from transfers made from Title I (staff expenditure) and Title III (operational expenditure) and primarily relate to investments in IT and a service car near year end.

### **COMMENTS ON SOUND FINANCIAL MANAGEMENT AND ON PERFORMANCE**

18. As required by the Agency's Financial Regulation, external evaluations of ENISA's performance were prepared for 2014 and 2015, with the final reports being delivered in October 2015 and May 2016, respectively. The evaluation of 2014 concluded that the core operational activities carried out under the Work Programme 2014 have a clear connection to the legal mandate of ENISA and the Agency's effectiveness was assessed as good. However, it identified room for improvement in relation to the division of the Agency between Heraklion and Athens which leads to cumbersome work processes and a lack of communication and cooperation. The 2015 evaluation concluded that ENISA's work and outputs are responding to a need for Network Information Security across the EU and within Member States and that the Agency effectively meets its stakeholders' expectations. However, the report highlighted that there is a need for improving communication between ENISA and its stakeholders, who find ENISA's mandate and outreach too limited. The Agency is implementing an action plan agreed with the Management Board in response.

19. In 2016, the Agency moved eight additional staff to Athens, reducing the number of staff in Heraklion to 14. As highlighted in the Court's 2013 Report, it is likely that costs could be further reduced if all staff were centralised in one location.

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

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

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 19 September 2017.

*For the Court of Auditors*

Klaus-Heiner LEHNE

*President*



AnnexFollow-up of previous years' comments

Year	Court's comments	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
<b>2015</b>	Carry-overs of committed appropriations are high for Title II (administrative expenditure) at 0,15 million euro, i.e. 22 % (2014: 0,6 million euro, i.e. 49 %). These carry-overs relate to investments in IT infrastructure that was ordered as planned near the end of the year.	<b>N/A</b>
<b>2015</b>	In 2016 the Agency plans to relocate some administrative staff from Heraklion to Athens while its basic Regulation provides that staff primarily engaged in the administration of the Agency should be based in Heraklion.	<b>Ongoing</b>

### THE AGENCY'S REPLY

17. ENISA have identified a stakeholder's map and defined priorities. At the same time, ENISA is implementing a Stakeholders Relationship Management (SRM) software that is intended to support the alignment of the stakeholders needs and expectations thereby enhancing an effective communication strategy.

The carry-over is therefore justified and related to the procurement of the SRM software which was finalised in December 2016 as well as the procurement for the Agency's service car.

18. In order to increase efficiency, the Agency has improved its video conference facilities and uses a software called "Paperless" that allows the Agency to deal with the daily business in a more effective way (this is a complete "paperless" electronic workflow software). Both of these measures resulted in an improved communication inside the Agency.

Regarding ENISA and its external relations, the Agency has discussed with its host country authorities the possibility to relocate fully yhr Agency's staff into its Athens's office.

Moreover, the Agency's Management Board and Management are discussing the future of the Agency and the best way to reach the Agency's Stakeholders as well as the way to enhance the outreach of the Agency within the available human and financial resources. The communications team was integrated into a new department, called them Stakeholders Relations and Administration with the objective of internal and external efficiency. Strategic and operational plans are continuous evaluated to best serve EU with cybersecurity information and the required awareness. And as explained in point 17, ENISA invested in a SRM tool.

19. Seven staff members in 2016 and two in 2017, requested to move to Athens office, due to the constrains of the Heraklion location. The total staff expected to be in Heraklion at the end of 2017 are eight.