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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's Judicial Cooperation Unit for the financial year 2016 together with Eurojust's reply

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Delegations will find attached the European Court of Auditors' report on the annual accounts of the European Union's Judicial Cooperation Unit for the financial year 2016.

This report is accompanied by Eurojust'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's Judicial Cooperation Unit for the financial year 2016 together with Eurojust'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's Judicial Cooperation Unit  
for the financial year 2016  
  
together with Eurojust's reply

## **INTRODUCTION**

1. The European Union’s Judicial Cooperation Unit (hereinafter “Eurojust”), which is located in The Hague, was set up by Council Decision 2002/187/JHA<sup>1</sup> with a view to reinforcing the fight against serious organised crime. Its objective is to improve the coordination of cross-border investigations and prosecutions between the Member States of the European Union, and between Member States and non-Member States.

2. **Table 1** presents key figures for Eurojust<sup>2</sup>.

**TABLE 1: KEY FIGURES FOR EUROJUST**

	<b>2015</b>	<b>2016</b>
Budget (million euro)	33,8	43,5
Total staff as at 31 December <sup>3</sup>	246	245

Source: data provided by Eurojust.

## **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 Eurojust’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> OJ L 63, 6.3.2002, p. 1.

<sup>2</sup> More information on Eurojust’s competences and activities is available on its website: [www.eurojust.europa.eu](http://www.eurojust.europa.eu).

<sup>3</sup> Staff includes officials, temporary and contract staff and seconded national experts.

**OPINION**

4. We have audited:

- (a) the accounts of the Eurojust which comprise the financial statements<sup>4</sup> and the reports on the implementation of the budget<sup>5</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 Eurojust for the year ended 31 December 2016 present fairly, in all material respects, the financial position of the Eurojust 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>4</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>5</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 Eurojust'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 Eurojust'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 Eurojust'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 Eurojust 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, is 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 Eurojust'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. Advance payments are examined when the recipient of funds provides justification for their proper use and the Eurojust e 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 Eurojust s accounts as stipulated in Article 208(4) of the EU Financial Regulation<sup>6</sup>.

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

### **COMMENTS ON BUDGETARY MANAGEMENT**

17. Carry-overs of committed appropriations were high for Title II (expenditure for support activities) at 6 446 530 euro, i.e. 40 % (2015: 1,6 million euro or 22 %). They mainly relate to

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<sup>6</sup> Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council (OJ L 298, 26.10.2012, p. 1).

works beyond year-end and purchases ordered in preparation of Eurojust's move to new premises in 2017 (4 867 482 euro).

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

18. 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 12 September 2017.

*For the Court of Auditors*

Klaus-Heiner LEHNE

*President*

Follow-up of previous years' comments

Year	Court's comments	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
<b>2011</b>	In the report for the financial year 2010, the Court noted that there was scope to reconsider the definition of respective roles and responsibilities between the Director and the College of Eurojust in order to avoid the overlap of responsibilities, currently resulting from the Founding Regulation. No corrective measures were taken in 2011 <sup>1</sup> .	<b>Ongoing</b>
<b>2015</b>	The level of committed appropriations carried over is high for Title II (administrative expenditure) at 1,6 million euro, i.e. 21 % (2014: 1,5 million euro or 20 %). These carry-overs are mainly related to specific contracts for security and hospitality services (0,3 million euro) and for ICT projects, hardware and maintenance (0,6 million euro) as well as consultancy and project costs for the new premises (0,3 million euro), whereby 0,5 million euro were committed late in the year, mostly for services to be provided in 2016.	<b>N/A</b>

<sup>1</sup> The new Eurojust Regulation is still under consideration by the legislator.



**EUROJUST'S REPLY**

18. Eurojust accepts the fact that carry-overs to 2017 for title II are relatively high, however refers to the explanations provided by the Court. Eurojust remains vigilant to avoid any unjustified carry-overs, which are not the direct result of the move to new premises, ongoing security requirements and operational expenses.