

2017

Annual Activity Report

**DG Migration and
Home Affairs**



FOREWORD

In 2017, DG HOME continued to take steps towards the development and implementation of a comprehensive European response to the ongoing migration and security challenges that Europe is facing. DG HOME managed to hit most of its performance targets, thus driving forward progress towards longer-term objectives in both areas. Together with other Commission services, the Agencies, the Member States and the other Institutions, DG HOME has worked throughout the year to continue delivering on the ambitious objectives set out in the European Agenda on Migration and pushed forward the work to build an effective and genuine Security Union.

Regarding migration, efforts concentrated on working with the main countries of transit and origin to prevent irregular flows and to address the root causes of migration, to improve cooperation on readmission and to fight against migrant smuggling. Supporting EU Member States to manage effectively the return of irregular migrants was another priority. Resettlement efforts continued in the framework of EU resettlement schemes of July 2015 and of EU-Turkey Statement of March 2016: by the end of 2017, 26 849 persons in need of international protection had been resettled since the launch of the EU resettlement schemes. Until the end of 2017, EU Member States put forward pledges to resettle more than 40 000 more to respond to the Commission's call for 50 000 resettlement places by 31 October 2019 and in 2018 the target was even overpassed. In addition, frontline Member States continued to receive financial and operational support and the management of the external borders was further reinforced, namely by smooth operationalisation of the European Border and Coast Guard Agency. Moreover, the EU relocation scheme continued being implemented successfully, with more than 94% of all eligible applicants being relocated with almost all Member States contributing. Work continued and intensified in 2017 on the reform of the Common European Asylum System, with most of the files reaching the stage of the trialogues. However, more progress is needed in this respect, and DG HOME will continue to provide full support to the co-legislators so as to complete the reform as soon as possible in 2018.

Work continued also in the area of legal migration, with the fitness check on legal migration which will be finalised in 2018 and the negotiations on the Blue Card Directive on which intense negotiations will need to continue in 2018 for a Blue Card with real added value. On integration, several key actions were taken in 2017 to implement the Action Plan on the Integration of Third-Country Nationals adopted in 2016, such as the European Partnership for Integration with social and economic partners.

In 2017, in the field of migration, DG HOME managed a budget of EUR 1 831.06 million through grants and the national programmes implemented by the Member States under the Asylum Migration and Integration Fund and Internal Security Fund - borders and visa instrument.

In the area of security, DG HOME produced nine Security Union reports setting out the progress towards an effective and genuine Security Union as a comprehensive tool to showcase developments in tackling terrorism and organised crime and the means to support them and strengthening defences against those threats. Filling gaps in the EU's large-scale IT architecture to protect external borders and help keeping Europe safe was a major theme for DG HOME in 2017. Building on the work of the High-level expert group on information systems and interoperability, DG HOME presented legislative proposals on a revised eu-LISA Regulation and on interoperability for the purpose of police and judicial cooperation, asylum and migration. The various facets of preventing and combatting terrorism also featured prominently in 2017 further to a series of terrorist attacks in EU Member States. DG HOME prepared a package of counter-terrorism measures comprising Action Plans on the protection of public spaces and on chemical, biological, radiological and nuclear threats, and a recommendation on improving the implementation of the Explosives Precursors Regulation. DG HOME successfully pursued its intense work with Internet companies to accelerate detection and take down of terrorist content online via the EU Internet Forum and stepped up EU level action countering radicalisation including the setting up of a High-level Commission Expert group. As regards the fight against serious and organised crime, a new Action Plan on Drugs was proposed and the revision of EU legislation on the scheduling of new psychoactive substances and criminalising illicit

drugs trafficking adopted by co-legislators. As part of the Commission's cyber security package, DG HOME proposed legislation on tackling non-cash means of payment fraud; it also pursued work on access to electronic evidence and the use of encryption in criminal investigations.

EU funding is an important tool to better protect citizens. In 2017, DG HOME managed a budget of EUR 313.75 million to implement the ISF-Police instrument to contribute to a safer Europe and to prevent and combat organised crime and terrorism.

A lot has been achieved both on migration and on security. Nevertheless, the situation remains fragile. We will remain vigilant, pro-active and continue to provide concrete and comprehensive replies in this dynamic landscape. We will continue working to ensure that our policies are embedded in all relevant policy instruments, and thereby guarantee that the Union has all the tools it needs at its disposal, to face current and future challenges.

Building a strong and comprehensive EU asylum system remains a key priority – one which is resilient to future crises, and where solidarity and responsibility are at its heart. Furthermore, the EU must continue to show solidarity towards Africa and tackle root causes of migration. To address the outstanding and longer-term challenges, DG HOME is actively supporting and will continue working very closely with EU Member States, as well all the other key stakeholders and partners. Our priority will remain to ensure a dignified treatment of all migrants while preventing irregular migration and promoting legal pathways to access protection and to facilitate labour migration to the EU.

For citizens to feel safe and secure in a Europe that protects them, additional steps will be needed in all priority areas of counter-terrorism, organised crime and cybercrime.

In 2018, DG HOME will remain fully committed to achieve further progress on building an open and safe Europe where the rights of both EU citizens and non-EU nationals are guaranteed.

Paraskevi Michou, Director-General, DG Migration and Home Affairs

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THE DG IN BRIEF

One of the fundamental objectives of the European Union is to create an area of free movement where the rights and security of both EU citizens and non-EU nationals are guaranteed. The aim is to ensure that people may live in a stable, lawful and secure environment.

Member States of the European Union are committed to increasing cooperation on cross-border issues, such as migration, border control, asylum, countering terrorism and organised crime. Directorate-General Migration and Home Affairs (DG HOME) prepares EU-level rules in these policy areas and monitors their application. Migration and home affairs policies are shared competences of the European Union provided for in Title V of Part three of the Treaty on the Functioning of the European Union (TFEU) related to the Area of Freedom, Security and Justice. They are based on the European core values and principles: freedom, democracy, and rule of law, equality, tolerance, and respect of human rights.

DG HOME works to develop a balanced and comprehensive EU migration policy, based on solidarity and responsibility. The aim is to create an EU-wide set of rules for legal migration, while taking into account the interconnection between migration and integration. DG HOME also aims to address irregular migration and trafficking in human beings, and to set up a Common European Asylum System, based on solidarity and respect for fundamental rights, to ensure effective protection for the people who need it.

DG HOME also contributes to ensuring EU security by fighting terrorism and organised crime, promoting police cooperation and preparing to swiftly respond to emerging crises. Actions in these areas include stricter rules against illicit trafficking of firearms and on trafficking in human beings, as well as revision of legislation on combating child sexual abuse, sexual exploitation and child pornography. The fight against terrorism and the Internal Security Strategy, coherent with the broader European Security Strategy, will continue to be cornerstones of DG HOME's efforts to make Europe more secure by strengthening cooperation on law enforcement, border management, civil protection and disaster management.

In all these areas, DG HOME promotes dialogue and cooperation with non-EU countries, so as to work in partnership and jointly tackle common challenges. External action contributes to the strengthening of the Union's position as a reliable, active and pragmatic global player, while ensuring the effectiveness of our policies.

To cater for EU interests, whether concerning migration management or security, financial instruments must match the Union's ambitions. Sound and effective management of these instruments is an essential component of Migration and Home Affairs policy. DG HOME manages EU financing instruments that support actions in the field of home affairs.

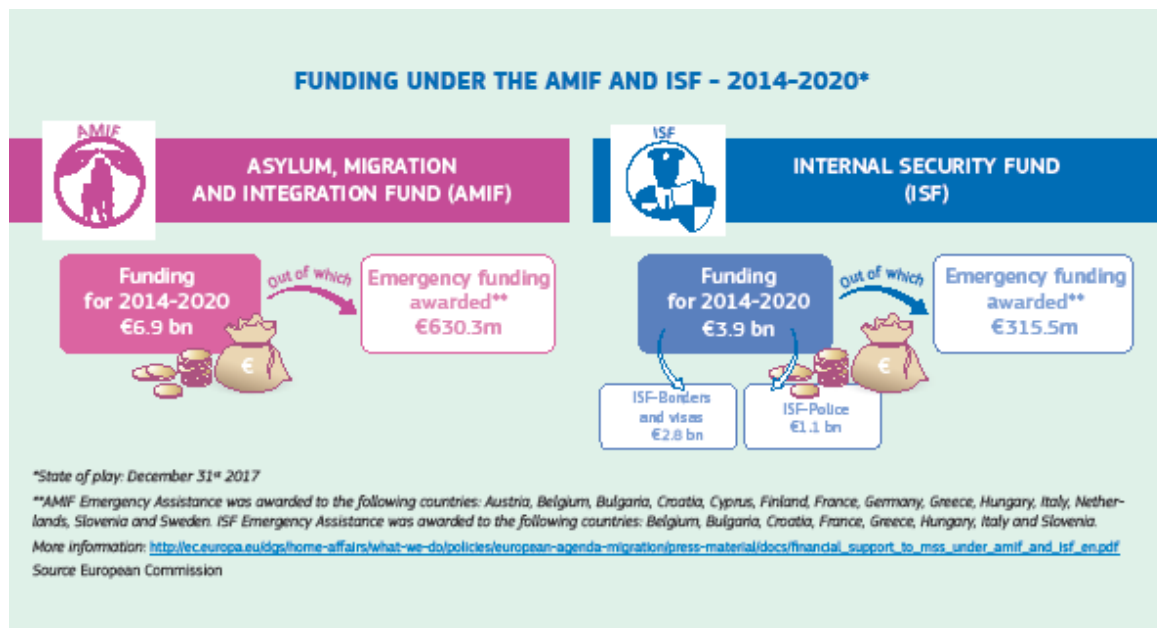
For the period 2014-2020, the overall Home Affairs budget amounts to EUR 16.1 billion.

The largest part of these resources¹ consists of two dedicated Home Affairs Funds: *Asylum, Migration and Integration Fund (AMIF)* and *Internal Security Fund (ISF-Borders and ISF-Police)*. The initial overall budget of EUR 6.9 billion for the Multiannual Financing Framework 2014-2020, was substantially reinforced from 2015 to 2017, by EUR 3.9 billion. The AMIF supports actions in relation to various aspects of migration management: asylum, including resettlement and relocation, legal migration and integration of third-country nationals, and return operations. The ISF is composed of two instruments: ISF Borders and ISF Police. ISF Borders supports the Member States' efforts on borders management and visa policy and ISF Police provides support for police cooperation, prevention and fight against serious cross-border crime, terrorism and

¹ The total budget implemented by DG HOME includes but is not limited to the amounts allocated to AMIF and ISF.

violent extremism, as well as for crisis management and the protection of EU critical infrastructure.

This table provides an overview of the overall allocations for the AMIF and the ISF up to 31 December 2017.



As of 2015, DG HOME, together with Research Executive Agency (REA), manages also the funding for research and innovation activities needed to protect citizens, society and economy as well as infrastructures and services. Such activities are funded under one of the *Societal Challenges of Horizon 2020*, the EU Research and Innovation programme running from 2014 to 2020. The Societal Challenge "Secure societies – Protecting freedom and security of Europe and its citizens" has a budget of about 1.7 billion Euros until 2020, which is divided between DG HOME/REA (75% of the budget), and DG CNECT (25% of the budget).

Another programme managed by DG HOME was the Drug Policy Initiatives (EUR 20.97 million for the period 2014-2020), which aimed at implementing the objectives set by the EU Drugs Strategy 2013-2020 and at fostering cross-border cooperation and research on drug issues. The funds under the programme Europe for Citizens Programme contributing to citizens' understanding of the EU, its history and diversity and foster European citizenship and improve conditions for civic and democratic participation at EU level) are implemented through the executive agencies REA (Research Executive Agency) and EACEA (Education, Audiovisual and Culture Executive Agency).

The EU has also established decentralised agencies in the area of Migration and Home Affairs to support EU Member States in coping with the challenges which have emerged in recent years. Each agency has a specific mandate defined in its founding act. The European Border and Coast Guard Agency (*commonly referred to as Frontex*), European Police Office (Europol), European Police College (Cepol, from 1 July 2016 EU Agency for Law Enforcement Training), European Monitoring Centre for Drugs and Drug Addiction (EMCDDA), European Asylum Support Office (EASO) and EU Agency for the Operational Management of large-scale IT systems in the area of freedom, security and justice (eu-LISA) provide operational support, information and advice, oversee operations and support the Commission and the member States in meeting the policy objectives.

Budget implementation modes

For the implementation of the allocated budget, DG HOME uses several **implementation modes**, described briefly below and in more details under 3.1.1 (Control results):

- *shared management* (43% of payments made in 2017): through national programmes of Member States under AMIF/ISF (for about 84% of the appropriations); DG HOME continued in 2017 with the closure of former generation of programmes 2007-2013 (SOLID).

- *direct management* (22% of the payments made in 2017): through Union actions and emergency assistance under AMIF/ISF, DG HOME cooperates directly with international and civil society organisations, respectively via grants and contracts that are awarded through calls for proposals and procurement procedures. The funds for research and innovation activities (Societal Challenges of Horizon 2020), as well as the funds under the drugs chapter of the JUST programme² are also implemented by DG HOME through contracts and grants under direct management mode.

- *indirect management* (32% of the payments made in 2017): four delegation agreements exist under AMIF and ISF annual work programmes for Union Actions with Europol (Empact), eu-LISA (Smart Borders Pilot project), International Centre for Migration Policy Development (ICMPD/Mobility Partnership Facility) and UN Refugee Agency (UNHCR/support to Greece). The subsidies voted by the budgetary authority for the decentralised agencies established in the area of Migration and Home Affairs are also paid by DG HOME through indirect management.

In order to better assess the impact and results of the funding, a set of indicators was established in 2016 in the framework of the Common Monitoring and Evaluation Framework (CMEF) of the Funds³. In 2017, DG HOME monitored the implementation of national programmes more closely and launched the interim evaluation of AMIF and ISF, which will be completed in 2018.

Furthermore, DG HOME supervises the work of two executive agencies: EACEA for the programme Europe for Citizens and REA for the Horizon 2020 programme Secure Societies.

Organisation and administrative structure

In terms of **human resources**, at the end of 2017, DG HOME had **556** staff members, compared to 480 in 2016. The **staff reinforcements** were motivated by the need to cope with the increased activities in the context of the migration crisis and threats to the internal security.

The proportion of women reaches 63% across all grades. Concerning **women representation in middle management positions**, DG HOME scored between the best DGs of the Commission: 50% against 37% Commission's average.

² Supporting initiatives in the field of drugs policy.

³ Commission delegated Regulation (EU) 2017/207 of 3/10/2016 on the common monitoring and evaluation framework provided for in Regulation (EU) No 514/2014 of the European Parliament and the Council [laying down general provisions on the Asylum, Migration and Integration Fund and on the instrument for financial support for police cooperation, preventing and combating crime, and crisis management].

LIST OF ABBREVIATIONS

Abbreviation	Definition
ACP	African, Caribbean and Pacific Group of States
AFIS	Automated Fingerprint Identification System
AMIF	Asylum, Migration and Integration Fund
AWP	Annual Work Plan
CBRN	Chemical, Biological, Radiological and Nuclear
CBRN-E	Chemical, Biological, Radiological, Nuclear and Explosives
CEN	European Committee for Standardisation
CENELEC	European Committee for Electrotechnical Standardisation
CJEU	Court of Justice of the European Union
COREPER	Committee of the Permanent Representatives of the Governments of the Member States to the EU
COSI	Standing Committee on Internal Security
CSDP	Common Security and Defence Policy
CSWD	Commission Staff Working Document
CT	Counter-Terrorism
DANTE	Detecting and Analysing Terrorist-related Online Content and Financing Activities
DG CNECT	European Commission DG for Communications Networks, Content and Technology
DG DEVCO	European Commission DG for International Cooperation and Development
DG ECHO	European Commission DG for European Civil Protection and Humanitarian Aid Operations
DG EMPL	European Commission DG for Employment, Social Affairs and Inclusion
DG GROW	European Commission DG for Internal Market, Industry, Entrepreneurship and SMEs
DG JUST	European Commission DG for Justice and Consumers
DG NEAR	European Commission DG for European Neighbourhood Policy and Enlargement Negotiations
EACEA	Education, Audiovisual and Culture Executive Agency
EASO	European Asylum Support Office
EBCGA	European Border and Coast Guard Agency (Frontex)
EBF	External Borders Fund
EC3	European Cybercrime Centre
ECOWAS	Economic Community of West African States
ECTC	European Counter-Terrorism Centre
EEAS	European External Action Service
EES	Entry/Exit System
EIF	European Fund for the Integration of Third-Country Nationals
EIN	European Integration Network
EIS	Europol Information System
EMCDDA	European Monitoring Centre for Drugs and Drug Addiction
EMLO	European Migration Liaison Officer
EMPACT	European Multidisciplinary Platform Against Criminal Threats
EMSC	European Migrant Smuggling Centre
EP	European Parliament
ERF	European Refugee Fund
ESCN	European Strategic Communications Network
ETIAS	European Travel Information and Authorisation System
ETSI	European Telecommunications Standards Institute
EU ATC	EU Anti-Trafficking Coordinator
eu-LISA	EU Agency for the Operational Management of Large-Scale IT Systems
Eurodac	European Dactyloscopy - EU fingerprint database
EURTF	EU Regional Task Force

FAR	Frontex Application for Return
FP7	EU Seventh Framework Programme for Research and Technological Development
FTE	Full-Time Equivalent
GRECO	Council of Europe Group of States against Corruption
ICMPD	International Centre for Migration Policy Development
IOM	International Organisation for Migration
IPCR	EU Integrated Political Crisis Response Arrangements
IRMA	Integration Return Management Application
ISAA	Integrated Situational Awareness and Analysis
ISC	Inter-Service Consultation
ISF	Internal Security Fund
ISF-B	Internal Security Fund-Borders and Visa
ISF-P	Internal Security Fund-Police
JHA	Justice and Home Affairs
KPI	Key Performance Indicator
MASP	Multi-Annual Strategic Plan
MFF	Multi-Annual Financial Framework
MS	EU Member State
NPS	New Psychoactive Substances
OAP	Operational Action Plan
OLAF	European Anti-Fraud Office
PCP	Pre-Commercial Procurement
PNR	Passenger Name Record
RAN	Radicalisation Awareness Network
RF	European Return Fund
SG	European Commission Secretariat-General
SIENA	Secure Information Exchange Network Application
SIS	Schengen Information System
SME	Small and Medium-Sized Enterprise
SOP	Standard Operating Procedure
SPRAR	Protection System for Refugees and Asylum Seekers
SRSS	European Commission Structural Reform Support Service
TCN	Third-Country National
THB	Trafficking in Human Beings
TRL	Technology Readiness Level
UAM	Unaccompanied Minor
UASC	Unaccompanied and Separated Children
UN	United Nations
UNHCR	United Nations High Commissioner for Refugees
UNODC	United Nations Office on Drugs and Crime

EXECUTIVE SUMMARY

a) Key results and progress towards the achievement of general and specific objectives of the DG (executive summary of section 1)

General objective 1: Towards a new policy on migration

In 2017, DG HOME continued to monitor and report on the progress made towards a comprehensive approach on migration as presented in the European Agenda on Migration. The mid-term review was carried out in September 2017 and identified further priority actions which guided further work by DG HOME.

Under the specific objective "*Reduce incentives for irregular migration*", DG HOME took further initiatives in 2017 both on the external and internal dimensions of migration to address the root causes of irregular migration, enforce effective returns and readmissions, fight migrant smuggling and address trafficking in human beings.

In 2017, the total return rate decreased from 50.06% to 41.37%. The rate of effective return to third countries decreased from 45.8% to 36.6%.

While the number of return decisions taken EU-wide in 2017 has increased, this is not matched by a similar increase in the number of implemented returns

The downward trend in both total return rate and effective return rate is partially explained by the fact that the volume of potential returnees from the Western Balkans has significantly decreased. Cooperation with these third countries on readmission of their own nationals has been excellent over the last two years, facilitated by closely managed and effective EU readmission agreements. The return rate showed that the previously accumulated backlog from these countries has been effectively dealt with in 2015 and even more in 2016. Technically, this pushed the EU average return rate up. This being said, if data regarding Western Balkans countries is removed from the overall 2017 EU return data, there is still a decrease of the return rate from 34.5 % in 2016 to 29, 2% in 2017. This may be due to the increase in the number of return decisions for nationals of less cooperative countries of origin of irregular migrations to the EU.

One of the incentives for irregular migration is the awareness that the EU's system to return migrants who have no right to stay, has shortcomings. DG HOME took additional initiatives to help address them. In March 2017, a **revised EU Action Plan on Return** and a **Recommendation** to Member States on how to make return more effective were presented by the Commission. This was followed by a **revision of the Return Handbook** in September 2017. The use of new mandate of the **European Border and Coast Guard Agency** (EBCGA, commonly referred to as Frontex) to provide operational support in the return of irregular migrants became a priority. EBCGA co-ordinated and co-financed a growing number of Return Operations: a total of 342 such operations in 2017 (232 in 2016) ensured the return of 14 271 people in 2017 (up 33.4% compared to 2016). In 2018, EBCGA's return capacity will be further expanded and Member States encouraged to use Joint Operations to return higher numbers of migrants.

In the financial year 2017 (16 Oct 2016 - 15 Oct 2017), Member States spent **EUR 100.2 million of EU funding** (AMIF national programmes) in the area of return, maintaining the implementation pace of the previous year. The cumulative expenditure amounts to EUR 233.6 million, reaching a 25% absorption rate under the Return objective in the national programmes of the Member States.

DG HOME continued its efforts to address challenges facing the EU's readmission policy. Building on the positive examples of operational **arrangements on readmission** established in 2017 with some third countries, such as Bangladesh, similar arrangements or readmission agreements should be established with further partner countries in 2018 and Member States should make full use of them to swiftly return more persons in the context of operations organised by the European Border and Coast Guard.

The fight against migrant smuggling to prevent the exploitation of migrants by criminal networks and reduce incentives to irregular migration was another priority for DG HOME. To coordinate EU action on migration in Ethiopia, Jordan, Lebanon, Mali, Niger, Nigeria, Pakistan, Senegal, Serbia, Sudan, Tunisia and Turkey, DG HOME cooperated with EEAS to deploy 12 **European Migration Liaison Officers** (EMLOs) in these countries in the first months of 2017. EMLOs contribute to enhance information sharing in these countries. DG HOME provided training and guidance for EMLOs throughout the year and reviewed the quality of the 90 monthly reports they produced in 2017.

Furthermore, DG HOME continued supporting the **European Migrant Smuggling Centre** (EMSC), which received an increasing flow of intelligence from Member States leading to 12 300 contributions processed by Europol in 2017 (compared with 11 942 between February 2016 and February 2017).

Under the specific objective "Effective border management: Save lives and secure the external borders", efforts to preserve the Schengen area are contingent on having secure external borders. The **European Border and Coast Guard Agency** reinforced its Joint Operations at the EU external borders equating to 347 805 man-days (up 11.6% on 2016). However, there remain gaps in the human and technical resources made available by Member States.

In December 2017, based on the work of DG HOME, the Commission presented two proposals on the **interoperability of EU information systems** for security, border and migration management. The aim is to enable information exchange and data sharing between the various central EU systems and ensure that border guards and police officers have access to the right information exactly when and where they need it to perform their duties. The proposals seek to ensure the highest data protection standards in full respect of fundamental rights.

In addition to making EU information systems work better together, DG HOME also sought to develop individual systems. Following the adoption of the Regulation on the new **Entry/Exit System (EES)** on 30 November 2017, DG HOME continues to prepare grounds so that the EES becomes operational by the end of 2020. The system will modernise external border management by replacing manual stamping of passports through electronic recording of identity data of non-EU nationals as well as the time, date and place of their entry and exit.

Negotiations between co-legislators as regards DG HOME proposal for a **European Travel Information and Authorisation System** (ETIAS) to strengthen security checks on visa-free travellers started at the end of October 2017, with adoption by co-legislators expected in the first semester 2018.

DG HOME prepared proposals to strengthen the Schengen Area which the Commission presented in September 2017. The aim is to reform the **Schengen Borders Code** to prolong the time limits for internal border controls, while making sure they are used more effectively and only in exceptional situations.

The total amount spent in 2017 by Member States in relation to border management and visa policies is equal to **EUR 206.6 million of EU funding** under ISF Border and Visa, higher than the cumulative amount spent in 2014, 2015 and 2016 (EUR 184 million).

In order to assist the frontline Member States, Greece and Italy, in coping with the irregular arrivals at their external border, DG HOME continued in 2017 to provide substantial financial and technical support for the implementation of the **hotspot approach** in cooperation the relevant EU decentralised Agencies. 5 hotspots continued operating in Greece and 5 in Italy with a total capacity of around 7 600 places⁴ in Greece and 1 850 in Italy. Thanks to these efforts, conditions in both Italian and Greek hotspots improved, particularly for the most vulnerable migrants. Hotspots also facilitated an increased number of secondary security checks to identify risk profiles and fight smugglers' networks, and became one of the tools used to implement relocation schemes. Work also continued to support national authorities in ensuring the identification and appropriate referral of victims of trafficking in human beings (THB).

⁴ Including Kara Tepe.

The main challenges remain the overcrowding of the hotspots in Greece and the volatile situation on the Central Mediterranean migration route which necessitates inter alia an increase in hotspot and detention capacity.

Under the specific objective "*Enhance protection and solidarity*", the **reform of the Common European Asylum System (CEAS)** remained a priority for DG HOME. However, progress in the negotiations between the co-legislators was slow due to diverging views, in particular on Dublin reform to ensure a fair sharing of responsibilities between Member States, on the Asylum Procedures Regulation which establishes a common procedure for international protection as well as on the Qualification Regulation setting out uniform standards for the qualification and the rights granted to beneficiaries of international protection. In line with the Commission's political roadmap from December 2017⁵, work towards a comprehensive agreement on a sustainable migration policy should be intensified with a view to reach an agreement by June 2018.

In the financial year 2017, Member States spent **EUR 75.3 million of EU funding** under AMIF national programmes for projects in the area of asylum (52% more than in 2016) while the allocation to national programmes was increased to EUR 3.4 billion by the end of 2017 (from EUR 1.8 billion at the end of 2016) for the period 2014-2020. In 2017, with support of AMIF 297 083 persons received assistance through reception and asylum projects.

Progress was achieved in implementing the emergency **relocation** schemes launched in 2015⁶ to alleviate the pressure on Italy and Greece. As of 31 December 2017, 33 151⁷ persons had been relocated (11 445 from Italy and 21 706 from Greece). This represented over 94% of all those eligible and registered for relocation in Italy and Greece. 23 226 people were relocated in 2017 alone, against 9 656⁸ in 2016 and 269 in 2015. The significant increase proves that relocation works when all parties fulfil their commitments. AMIF continued to support relocation with an amount of EUR 6.000 per each relocated person.

By December 2017, 26 849 persons⁹ in need of international protection had been **resettled** under the EU resettlement schemes that were launched under the Council Conclusions in July 2015¹⁰ and the EU-Turkey Statement¹¹ in March 2016. 12 644 people were resettled in 2017 alone under the EU resettlement schemes, against 14 205¹² in 2016 and 2015. AMIF continues to support Member States resettlement efforts with an amount of EUR 10.000 per each resettled person.

A new ambitious resettlement scheme was proposed by the Commission in September 2017 for at least 50 000 refugees by October 2019 underpinned by a financial support amounting to EUR 500 million. By the end of 2017, 19 EU Member States had already pledged to resettle some 40 000 people under the new scheme.

Given that **child migrants** are exposed to high risks of violence, the Commission proposed a series of actions to improve their **protection**¹³.

Under the specific objective "*A new policy on legal migration to address skill shortages in the EU and enhance effective integration*", following the review of progress on the European Agenda on Migration presented on 27 September 2017, DG HOME engaged to coordinate and financially support interested Member States under **pilot projects for legal migration** with third countries. They should focus initially on countries which have

⁵ COM(2017) 820 final.

⁶ Council Decision (EU) 2015/1523 of 14 September 2015, Council Decision (EU) 2015/1601 of 22 September 2015.

⁷ Source: Hotspots daily reports.

⁸ In the 2016 Annual Activity report, the number of persons relocated was 9 654. Two cases were subsequently transferred from Dublin procedure to relocation as it was concluded that they were eligible applicants for relocation.

⁹ Source of data: Member States.

¹⁰ Council document 11130/15, 20.07.2015.

¹¹ SN38/16, 18.03.2016.

¹² 2016 Annual Activity Report of DG HOME.

¹³ COM(2017) 211 final.

shown political engagement in finding joint solutions to tackle irregular migration and readmission of irregular migrants. Progress in the negotiations on the proposal for a revised **EU Blue Card Directive** which will improve the EU's ability to attract and retain highly skilled workers and ensure that Member States can rely on the work force they need, was slow. It was due to a number of issues on which diverging views between the Council and the European Parliament persist. DG HOME facilitated discussions on issues such as the relationship between the EU Blue Card and national schemes and the recognition of professional experience. DG HOME moved forward with work on the **fitness check** of the existing **legal migration** acquis of which results will be presented in 2018.

In 2017, DG HOME focused on the preparatory work to reform the **visa policy** to meet current and future challenges in terms of mobility, notably facilitating tourism and business, but also to prevent security risks or risks of irregular migration. The Commission proposal on the revision of Visa Code was adopted in March 2018 and the revision of the Visa Information System is foreseen for May 2018.

In 2017 highly visible actions were also taken to implement the **Action Plan on the Integration of Third-Country Nationals** adopted in 2016. An online multilingual **skills profiling tool** became available to identify the skills of migrants and better match skills with labour shortages, the **Employers together for integration** initiative was launched in May 2017 and the **European Partnership for Integration** signed in December 2017, demonstrating the common willingness of the Commission and economic and social partners at EU level to work further together on the issue of labour market integration.

In the financial year 2017 (16 Oct 2016 - 15 Oct 2017), an amount of EUR 82.1 million was spent by Member States under AMIF National Programmes to support legal migration and integration (EUR 43.8 in 2016). Final beneficiaries of integration measures in 2017 were more than 1.3 million third-country nationals; these measures included language training and preparatory actions to facilitate access to the labour market, access to housing, legal advice.

General objective 2: An Area of Justice and Fundamental Rights Based on Mutual Trust

In 2017, DG HOME continued to monitor and report on the progress made towards building an effective, genuine Security Union, in full respect of fundamental rights.

Under the specific objective *"A strong EU response to preventing radicalisation and tackling terrorism"*, citizens expect the EU to facilitate coordination and cooperation between relevant authorities. A **High-Level Commission Expert Group on radicalisation** was set up in July 2017 to help the Commission improve cooperation among stakeholders and at EU level, and to further develop EU policies. To stop terrorists abusing the internet, DG HOME continued cooperating with EU Member States, Europol and the biggest technology and social media companies, using the **EU Internet Forum** to ensure that illegal content, including terrorist propaganda, is taken down as quickly as possible. Moreover, DG HOME provided further support to the **European Strategic Communications Network**, which helps Member States to communicate and civil society to develop counter/alternative narratives and other communication responses to the unprecedented nature and scale of the terrorist threat facing Europe.

The co-legislators adopted the Commission's proposal for a Directive on combating terrorism in March 2017. To better defend EU citizens against terrorist threats, DG HOME prepared a set of operational and practical measures that the Commission presented on 18 October 2017 alongside its 11th Security Union Progress Report. The measures aim to address vulnerabilities exposed by recent attacks and will support Member States in improving the protection and resilience against terrorism including through **protecting public spaces**. DG HOME also helped to prepare proposals to further strengthen the EU's external action on counter-terrorism resulting in Foreign Affairs Council conclusions in June 2017. Moreover, DG HOME led on a proposal recommending that the EU opens negotiations on a revised **Passenger Name Record** agreement with Canada and on proposals recommending the opening of negotiations for an agreement between the European Union and, respectively, eight third countries on the exchange of personal data

between the European Union Agency for Law Enforcement Cooperation (Europol) and the third country's competent authorities for fighting serious crime and terrorism.

In 2017 ISF-Police continued to support the prevention and fight against terrorism and radicalisation; an amount of EUR 17.2 million of EU funding was spent by the Member States through their National Programmes (EUR 10.8 million in 2016).

Under the specific objective "*Disrupt organised crime*", 2017 was an important year for progressing on drugs policy. For the first time, the Commission proposed a common EU position for the UN-level scheduling of new psychoactive substances, which was formally adopted by the Council ahead of the vote in the Commission on Narcotic Drugs in March 2017. Following an in-depth evaluation of the previous action plan and the EU Drugs Strategy, the Commission proposed and the Council adopted a **new EU Action Plan on Drugs**¹⁴ **2017-2020** to provide a strengthened response to the newly-emerging health and security challenges in the area of illicit drug use and trafficking. The newly adopted legislative package on **new psychoactive substances** should also contribute in this fight against drug use and trafficking across Europe, in particular for those substances which pose the greatest risks to public health as well as social threats. The work on drug supply is well embedded in the overall work on organised crime. Other important areas of work in 2017 were anti-corruption, firearms and financial crime.

On 4 December 2017, the Commission adopted its Communication¹⁵ **Reporting on the follow-up to the EU Strategy towards the Eradication of trafficking in human beings and identifying further concrete actions** to step up the EU's response to the crime and enhance prevention.

In relation to the specific objective "*An effective response to cybercrime*", the European Commission and the High Representative proposed, on 19 September 2017, a wide-ranging set of measures to step up the EU's cybersecurity capacity. DG HOME contributed to their elaboration. They include measures to **combat fraud and the counterfeiting of non-cash means of payment** as well as measures to improve cybersecurity, including a proposal for a **strong EU Cybersecurity Agency** and a proposal for a **new European certification scheme** to make products and services cyber secure. On 28 September 2017, the Commission presented **guidelines and principles for online platforms** to step up more proactive prevention, detection and removal of illegal content inciting hatred, violence and terrorism online.

In 2017 ISF-Police continued to support the prevention and fight against crime and cybercrime; an amount of EUR 75.1 million of EU funding was spent by the Member States through their National Programmes (EUR 35 million in 2016).

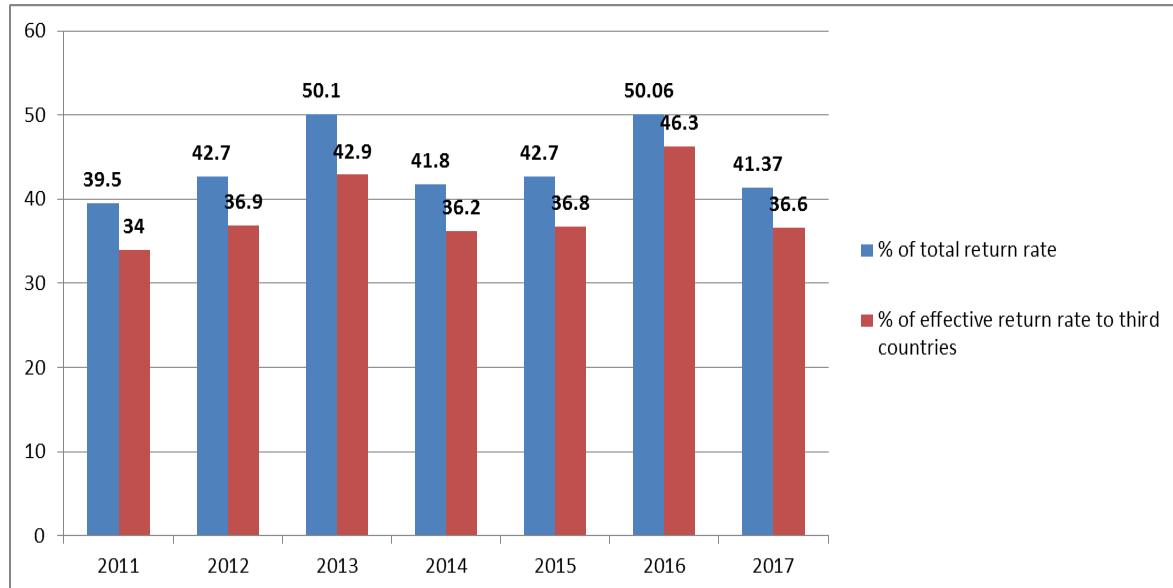
¹⁴ COM(2017) 195 final.

¹⁵ COM(2017) 728 final.

b) Key Performance Indicators (KPIs)

Key performance indicator 1

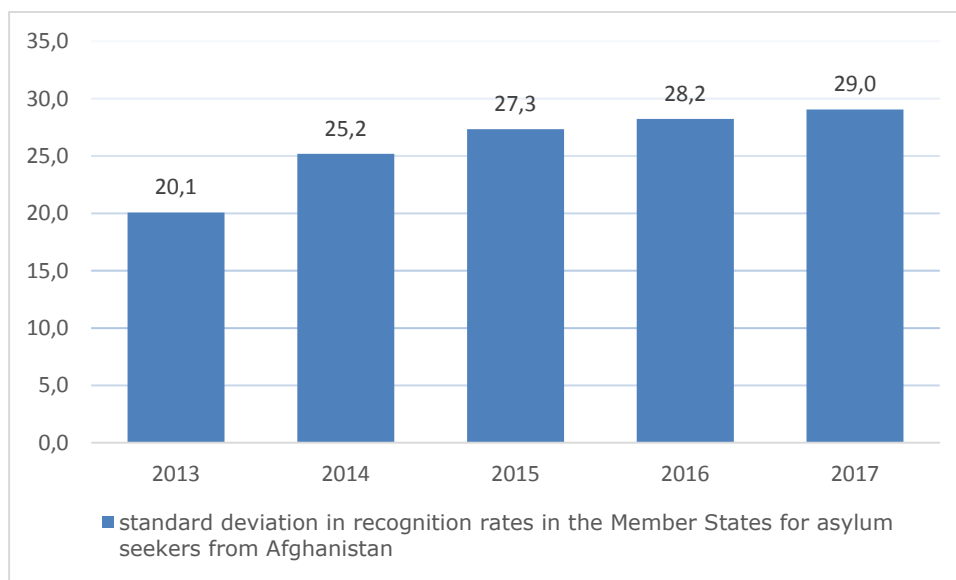
Rate of return of irregular migrants to the third countries measured as % of effected returns compared to return decisions issued by the Member States (impact indicator 1a in Strategic Plan)



Source: DG HOME calculation on Eurostat data.¹⁶

Key performance indicator 2

Convergence of protection recognition rates for asylum seekers from the same country (result indicator 1.3c in Strategic Plan)¹⁷



Source: Eurostat

Key performance indicator 3

¹⁶ Eurostat collects both the nominator and the denominator annually from the Ministries of Interior / Border Guards / Police of the Member States. The data depend very much on national circumstances and policies. In addition, the time lag between the return decision and its execution means that the reference population of the nominator and denominator are not the same.

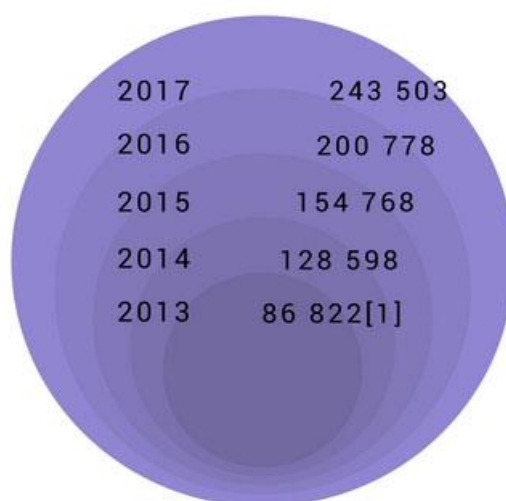
¹⁷ Convergence is measured by the standard deviation in the recognition rates in the Member States for asylum seekers from a specific relevant nationality – the lower the standard deviation is, the greater the convergence. The chart displays this indicator for asylum seekers from Afghanistan.

Use of EU information exchange mechanisms measured through the number of hits in SIS and Prüm databases and the use of Europol's Siena and EIS (result indicator 2.2b in Strategic Plan)

	2012	2013	2014	2015	2016	2017
SIENA - messages exchanged			605 245		869 858	1 005 610
EIS - searches performed			367 922		1 436 838	2 478 825
Prüm: total matches	725 762	1 527 714	2 082 741	2 219 311	2 806 642	Not available ¹⁸
Prüm: DNA matches	26 264	24 457	38 268	37 313	40 376	Not available
Prüm: fingerprints matches verified	3 874	4 594	5 855	5 826	8 146	Not available
Prüm: VRD total responses	695 624	1 498 663	2 038 618	2 176 172	2 758 120	Not available

Source: Europol, EU-LISA,

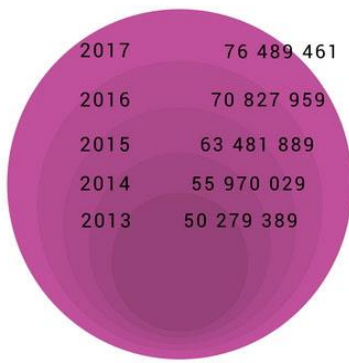
SIS: total hits



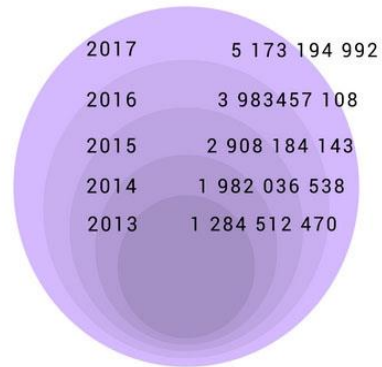
[1] All SIS statistics for 2013 are for the reporting period from 3 April 2013 (SIS II goes live) until 31 December 2013, thus covering a period of less than 9 months.

¹⁸ The Prüm Decision foresees that information on implementation is submitted to the Council. The Secretariat General of the Council will collect the 2017 data from Member States and produce an overview in Q3 of 2018.

SIS: total number of alerts



SIS: searches performed



Source of data: Member States

Key performance indicator 4

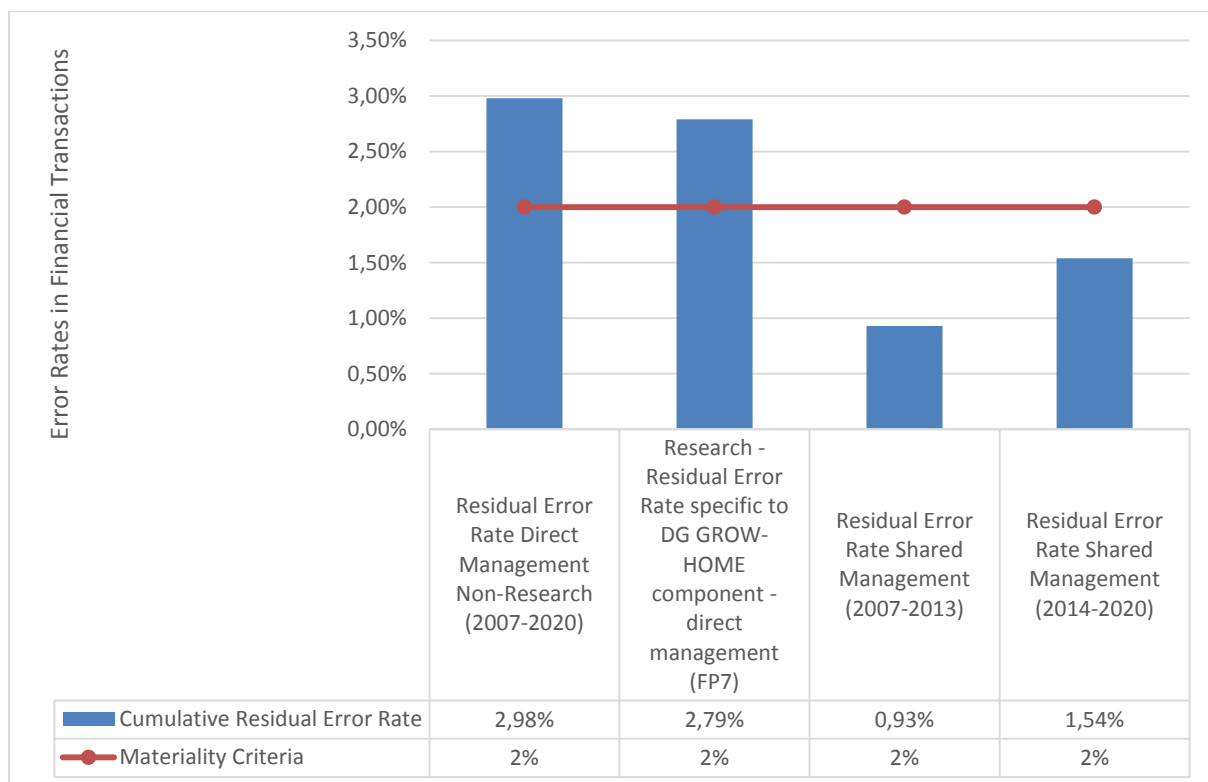
Number of operations conducted with the involvement of EC3 (result indicator 2.3b in Strategic Plan)

	2013	2014	2015	2016	2017
European Cybercrime Centre at Europol – number of high-profile operations supported	57	72	131	175	180

Source: Europol (EC3)

Key performance indicator 5

The assurance is assessed for each of the defined control systems. The control objective is to ensure that for each control system/Member State, the residual error remains below 2%. The graph below presents the Residual error rates (RERs) for the most relevant internal control systems.



c) Key conclusions on financial management and Internal control (executive summary of section 2.1)

In accordance with the governance statement of the European Commission, (the staff of) DG HOME conducts its operations in compliance with the applicable laws and regulations, working in an open and transparent manner and meeting the expected high level of professional and ethical standards.

The Commission has adopted a set of internal control standards/principles, based on international good practice, aimed to ensure the achievement of policy and operational objectives. The financial regulation requires that the organisational structure and the internal control systems used for the implementation of the budget are set up in accordance with these standards/principles. DG HOME has assessed the internal control systems during the reporting year and has concluded that the internal control standards/principles are implemented and function as intended. More details are provided in section 2.1.3 of this report.

In addition, DG HOME has systematically examined the available control results and indicators, including those aimed to supervise entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by internal auditors and the European Court of Auditors. These elements have been assessed to determine their impact on the management's assurance as regards the achievement of control objectives. Section 2.1.2 of this report provides more details on this.

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. In his capacity as Authorising Officer by Delegation, the Director-General has signed the Declaration of Assurance, albeit qualified by five reservations.

d) Provision of information to the Commissioner(s)

In the context of the regular meetings during the year between the Director-General and the Commissioners on management matters, also the main elements of this report and assurance declaration, including the reservations, have been brought to the attention of Commissioner Avramopoulos, responsible for Migration, Home Affairs and Citizenship, and Commissioner King, responsible for Security Union.

1. KEY RESULTS AND PROGRESS TOWARDS THE ACHIEVEMENT OF GENERAL AND SPECIFIC OBJECTIVES OF DG HOME

1 Towards a New Policy on Migration

In 2017, DG produced a number of regular progress reports on specific aspects of migration policies (e.g. relocation and resettlement, operationalisation of the European Border and Coast Guard). As of November 2017, they were replaced by consolidated progress reports reviewing all aspects of migration.

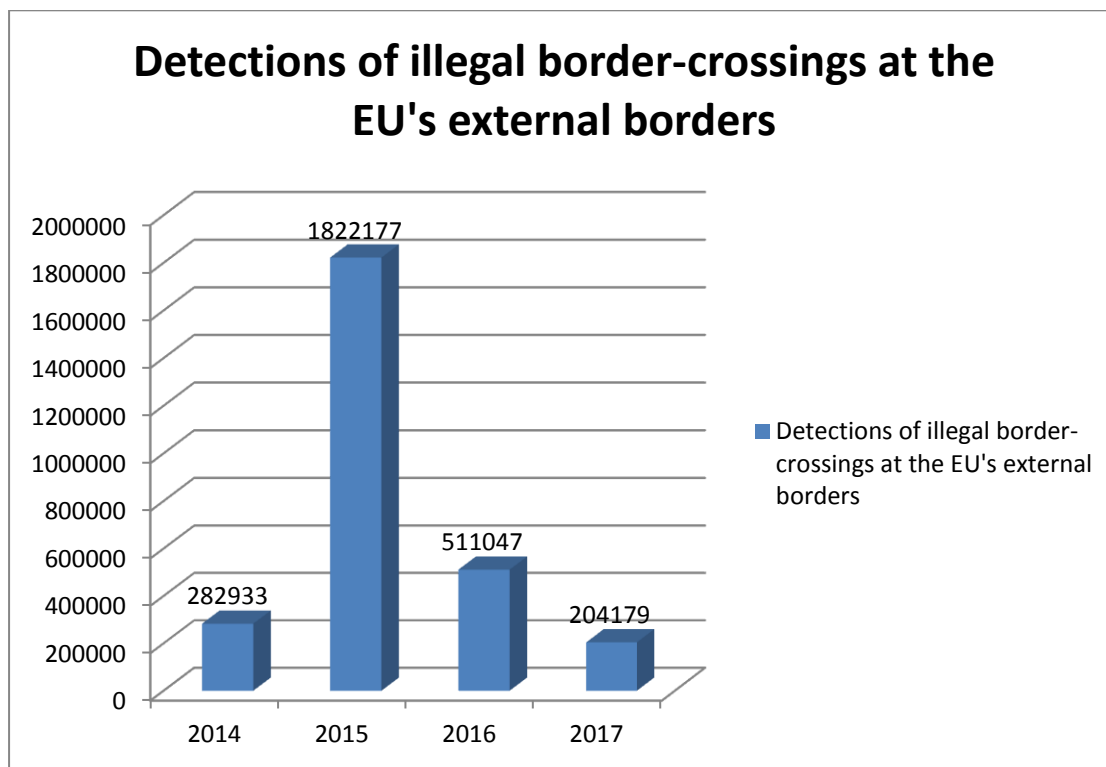
Furthermore, DG HOME continued editing the weekly ISAA reports on the migration and refugee crisis (46 ISAA reports produced in 2017 only).

DG HOME also coordinated the preparation of a mid-term review of progress on the European Agenda on Migration¹⁹, which the Commission presented in September 2017.

As regards the Home Affairs Funds, DG HOME and the national Responsible Authorities pursued the implementation of the Common Monitoring and Evaluation Framework to assess progress with the implementation of the national programmes. On the basis of the interim evaluations and of the conclusions of the Mid-term review process, all launched in 2017, the Commission will adopt by 30 June 2018 an EU wide interim evaluation report which will also include the results of the ex post evaluations of previous period (2007-2013) with quantitative and qualitative indications on the achievements of the implementation.

DG HOME started intense preparations and consultations with relevant authorities, organisations and other stakeholders to prepare the legal framework for the funding instruments in the next MFF-post 2020. The aim is to build performant architecture of EU programmes in the area of migration, borders and security with appropriate allocations to optimally meet future evolving challenges.

1.1. Reduce incentives to irregular migration



¹⁹ COM(2017) 558 final Communication on the Delivery of the European Agenda on Migration.

To progress towards this specific objective, DG HOME took further steps in 2017 to address the root causes of irregular migration, fight against smuggling, reinforce EU action on return and address trafficking in human beings. A comprehensive approach combining a range of internal and external policy tools was favoured and action taken on both the external and internal dimensions of migration policy.

- *Addressing the root causes of irregular migration and forced displacement in third countries*

The EU has gradually put in place a genuine external migration policy, complementing and reinforcing the internal dimension. DG HOME contributed to the definition of external migration policies, the implementation of measures and the monitoring of progress on all migration aspects with third countries and played a key role in relevant processes: it continued leading the Prague²⁰ process and the Regional Development and Protection Programme²¹; it remained involved in the steering of processes led by the European external Action Service (EEAS), namely the Migration Compacts²², Refugee Compacts²³, La Valletta, Rabat²⁴ and Khartoum Processes²⁵; it monitored progress in implementing the Partnership Framework²⁶; and it supported the EU-Africa Trust Fund²⁷ with EUR 77 Mio funding from the AMIF programme.

DG HOME successfully secured funding for the continuation of the core activities of the **Prague Process** (Mobility Partnership Facility under AMIF with around EUR 1.9 million committed in 2017 to International Centre for Migration Policy Development, through a delegated agreement) and contributed to a Joint Communication²⁸ to the European Parliament and the Council for a renewed impetus of the **Africa-EU Partnership**. Furthermore, DG HOME fed contributions to regular reports on the progress made in the **Partnership Framework** with third countries (four reports in 2017²⁹).

To coordinate EU action on migration in Ethiopia, Jordan, Lebanon, Mali, Niger, Nigeria, Pakistan, Senegal, Serbia, Sudan, Tunisia and Turkey, DG HOME, in cooperation with EEAS, selected 12 **European Migration Liaison Officers** (EMLOs) by the end of 2016 and deployed them in these countries in the first months of 2017 where they enhanced information sharing amongst all stakeholders. In 2017, one additional EMLO was selected and will be deployed in Morocco in early 2018. DG HOME provided training, support and guidance for EMLOs throughout the year and reviewed the quality of the 90 monthly reports they produced in 2017.

- *Enforcing effective return and readmission under human conditions*

People who have no right to stay in Europe must be returned to their countries of

An effective and fair return policy is an essential part of the EU's approach to reducing

²⁰ <https://www.pragueprocess.eu/en/>

²¹ https://ec.europa.eu/home-affairs/what-we-do/policies/asylum/external-aspects_en

²² <http://refugeesmigrants.un.org/migration-compact>

²³ <http://refugeesmigrants.un.org/refugees-compact>

²⁴ <https://www.rabat-process.org/fr/>

²⁵ <https://www.khartoumprocess.net/>

²⁶ https://eeas.europa.eu/headquarters/headquarters-homepage/408/migration-partnership_en

²⁷ https://ec.europa.eu/trustfundforafrica/content/homepage_en

²⁸ JOIN(2017) 17 final, Joint Communication to the European Parliament and the Council for a renewed impetus of the Africa-EU Partnership.

²⁹ COM(2017) 205 final, Report from the Commission to the European Parliament, the European Council and the Council - Third Progress Report on the Partnership Framework with third countries under the European Agenda on Migration; COM(2017) 350 final, Report from the Commission to the European Parliament, the European Council and the Council - Fourth Progress Report on the Partnership Framework with third countries under the European Agenda on Migration; COM(2017) 471 final, Report from the Commission to the European Parliament, the European Council and the Council - Fifth Progress Report on the Partnership Framework with third countries under the European Agenda on Migration - COM(2017) 669 final, report from the Commission to the European Parliament, the European Council and the Council - Progress report on the European Agenda on Migration.

origin. This is the only way Europe will be able to show solidarity with refugees in real need of protection.

European Commission President Jean-Claude Juncker, State of the Union Address, 13 September 2017

the incentives for irregular migration.

The EU remains confronted with unsatisfactory return rates due to inefficient enforcement of existing instruments at EU and national level and a common readmission policy which does not fully deliver.

In 2017, the total return rate³⁰ decreased from 50.06% to 41.37% . The rate of effective return to third countries³¹ decreased from 45.8% to 36.6% .

While the number of return decisions taken EU-wide in 2017 has increased, this is not matched by a similar increase in the number of implemented returns

The downward trend in both total return rate and effective return rate is partially explained by the fact that the volume of potential returnees from the Western Balkans has significantly decreased. Cooperation with these third countries on readmission of their own nationals has been excellent over the last two years, facilitated by closely managed and effective EU readmission agreements. The return rate showed that the previously accumulated backlog from these countries has been effectively dealt with in 2015 and even more in 2016. Technically, this pushed the EU average return rate up. This being said, if data regarding Western Balkans countries is removed from the overall 2017 EU return data, there is still a decrease of the return rate from 34.5 % in 2016 to 29, 2% in 2017. This may be due to the increase in the number of return decisions for nationals of less cooperative countries of origin of irregular migrations to the EU.

Key challenges to the effectiveness of return are both internal to the European Union and the Member States, as well as external.

While EU MS are primarily responsible for deciding on returns and for implementing decisions, DG HOME took further steps in 2017 to reinforce the EU dimension of return policy, and thus contribute to the efforts required for national return systems to be more coordinated and effective.

Together with the **Renewed Action Plan on Return** of 2 March 2017³² · DG HOME prepared concrete **recommendations**³³ to Member States on how to make returns more effective by closing the gaps and addressing still fragmented national return practices. The **Return Handbook** was revised accordingly³⁴ and published in September 2017.

In 2017, DG HOME continued supporting inter-institutional negotiation with a view to having the proposal³⁵ for a Regulation on the use of the **Schengen Information System** for the return of illegally staying third country nationals adopted by co-legislators in 2018.

In addition, as part of the **Schengen evaluation mechanism**, DG HOME performed on-site visits in Denmark, Iceland, Sweden, Portugal, Spain, Norway and Hungary to assess return practices, foster compliance with the relevant acquis, and achieve more effective return policies.

With the support of DG HOME, the **EBCG Agency** (commonly referred to as Frontex) took operational steps to fulfil its expanded mandate and build up its support to Member

³⁰ The total return rate measures the % of effected returns compared to return decisions issued by the Member States.

³¹ The rate of effective return measures the % of effected returns to third countries compared to return decisions issued by the Member States.

³² COM(2017) 200 final.

³³ C(2017) 1600 adopted on 7.3.2017, Commission Recommendation on making returns more effective when implementing the Directive 2008/115/EC of the European Parliament and of the Council.

³⁴ C(2017) 6505 adopted on 27.9.2017 Commission Recommendation establishing a common "Return Handbook" to be used by Member States' competent authorities when carrying out return related tasks.

³⁵ COM(2016) 881 final.

States in the field of return. In 2017, Frontex coordinated and co-financed 342 return operations at EU level (+ 47% compared with 2016), including 153 joint return operations, 38 collecting return operations and 151 national return operations. During the reported period, 14 271 persons (+ 33% compared with 2016) were returned to their countries of origin in Frontex Joint Return Operations³⁶. The total number of third countries of return reached in 2017 increased to 33 (+ 16% compared with 2016).

Timely and good quality data are important to progress in this area. In 2017, returns and readmissions were facilitated by the further roll-out of the **Integrated Return Management Application** (IRMA). The Frontex Application for Return (FAR) module was integrated into IRMA and all joint return operations were entered into the application. All Member States, Schengen Associated states and relevant EU Agencies had joined IRMA and by the end of the year 22 Member States were participating in the collection of data exercise via IRMA.

Cooperation with third countries is a prerequisite to effective and sustainable return. In 2017 negotiations to conclude **readmission agreements** continued with Tunisia and should resume with Morocco and Nigeria in early in 2018 following steps taken in 2017. However, negotiations with Jordan did not progress.

In order to further increase the effectiveness of the return and readmission policy, in view also of the fact that readmission of own nationals is an obligation under international law, DG HOME has sought to conclude legally non-binding **readmission arrangements** whenever third countries were not ready to negotiate formal Readmission Arrangements. Mid 2017, two such arrangements were concluded with Bangladesh and Guinea. DG HOME closely supervises their implementation - as well as the implementation of the Joint Way Forward with Afghanistan that was agreed in 2016.

Similar arrangements have been proposed to Ethiopia, The Gambia, Ivory Coast and Ghana. A final agreement is likely to be reached with Ethiopia in early 2018 and with The Gambia later in 2018. However, no progress was achieved with Ivory Coast and Ghana.

In close cooperation with other Commission services DG HOME also supported the work of international organisations on return and protection. For this purpose DG HOME contributed EUR 77 million to the EU Trust Fund for Africa in 2017. The results of this support yielded concrete results in less than a year. In particular 19 370 migrants³⁷ were repatriated by the International Organisation for Migration from Libya (compared to 2 777³⁸ in 2016) and the numbers of irregular arrivals dropped in Italy: from 181 436 in 2016 to 119 369 in 2017 – below 2014 levels³⁹. Work will continue to help people to leave Libya and cooperation with the Libyan authorities will seek to eliminate the systematic detention of migrants.

To support the return policies, the global amount available to Member States in their AMIF national programmes for the period 2014-2020 was increased in 2017 from EUR 806 million to EUR 943 million.

Member States spent **EUR 100.2 million EU funding** (AMIF national programmes) in the area of return in the financial year 2017 (16 Oct 2016 - 15 Oct 2017), maintaining the implementation pace of the previous year. The cumulative expenditure amounts EUR 233.6 million, reaching a 25% absorption rate under the Return objective in the national programmes of the Member States.

With the assistance of the funds, 48 250 persons were returned to their origin countries. Out of the total number of returnees, 19 822 persons received pre or post return reintegration assistance co-financed by the Fund, most of them under the national programmes of the Netherlands, Belgium, France and United Kingdom.

Concerning the capacity building of the relevant actors, 4 085 employees benefited from training in return-related topics. To ensure compliance of removals with the human rights

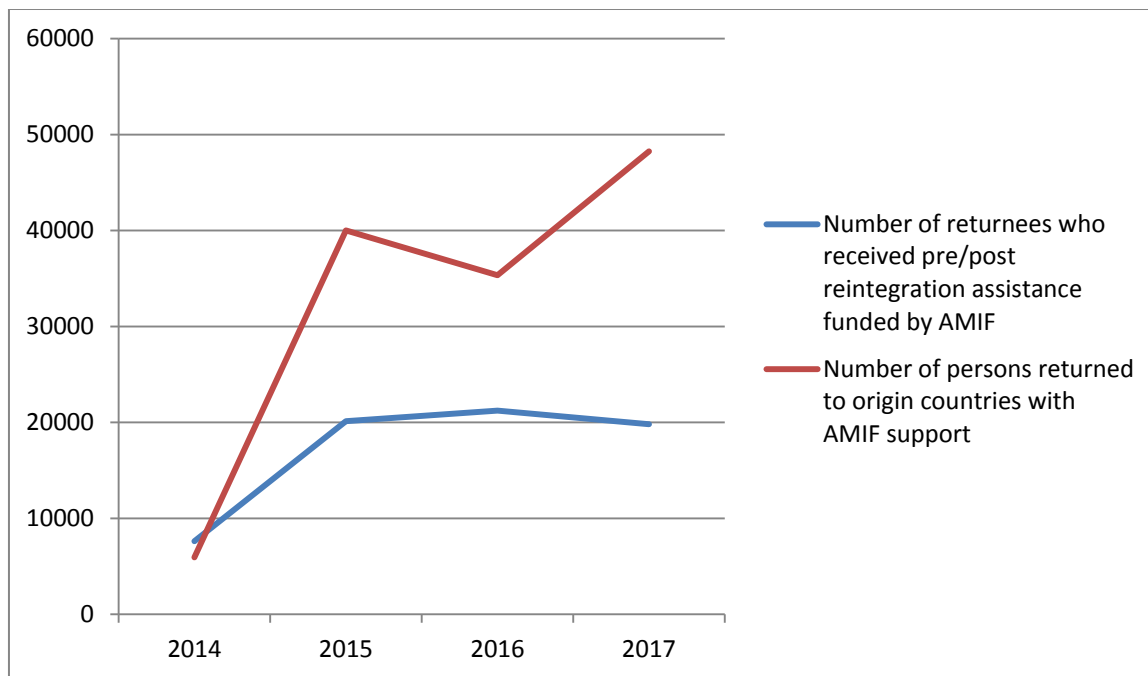
³⁶ Data provided by EBCGA.

³⁷ <https://www.pmnewsnigeria.com/2018/01/02/un-repatriates-19370-illegal-immigrants-libya-2017/>

³⁸ <https://www.iom.int/news/iom-libya-helps-334-migrants-return-home-nigeria-and-senegal>

³⁹ As per data received from the EBCGA.

and the dignity of the returnees, 6 737 removal operations were monitored with financial support under AMIF.



Source: 2017 annual implementation reports from Member States by 10 April 2018

➤ *Fighting against migrant smuggling*

The fight against migrant smuggling is a priority to prevent the exploitation of migrants by criminal networks and reduce incentives to irregular migration.

To assist Member States in investigations linked to migrant smuggling, DG HOME continued to support activities of the **European Migrant Smuggling Centre (EMSC)** within Europol. After its launch in 2016, the EMSC continued receiving a significant flow of intelligence from Member States with 12 300 contributions processed by Europol in 2017, in comparison with 11 942 during its first year of operation between February 2016 and February 2017. 27 075 datasets on suspects were contributed to the EMSC. EMSC supported 27 joint and common action days, (stable results compared with 2016).

DG HOME also continued to support Member States' operational efforts to disrupt criminal networks across Europe, notably by:

- Contributing to the elaboration of the new **European multidisciplinary platform against criminal threats (EMPACT) Policy Cycle** to run between 2018 and 2021. One of the aims will be to disrupt organised crime groups who provide facilitation services to irregular migrants along the main migratory routes crossing the external border of the EU and within the EU, particularly focussing on those whose methods endanger people's lives, those offering their services online and making use of document fraud as part of their business model
- Encouraging thematic work on financial investigations linked to migrant smuggling
- Establishing a network of National Contact Points to facilitate strategic cooperation between Member States.

In addition, DG HOME supported further efforts to work in and with third countries of origin to better address migrant smuggling. While 2017 saw the above-mentioned deployment of the **European Migration Liaison Officers (EMLOs)** into 12 locations⁴⁰. As part of their mandate, EMLOs are expected to develop the Cooperation platform approach. No new **cooperation platform on migrant smuggling** was launched in 2017

⁴⁰ In Ethiopia, Jordan, Lebanon, Mali, Niger, Nigeria, Pakistan, Senegal, Serbia, Sudan, Tunisia, Turkey.

because EMLOs first needed to enlist the support of Host Governments. In addition, it was recognized that the approach would not be appropriate in all locations. However, a second Cooperation Platform meeting was held in Pakistan in November 2017 and it was agreed that a Cooperation Platform would be launched in 2018 in Tunisia. At the same time a grant was awarded (to the value of approx. EUR 1.2 million) to a consortium of European law enforcement authorities⁴¹ to work for 24 months with law enforcement authorities along the Silk Route, in particular Afghanistan and Pakistan, to better address migrant smuggling.

In terms of legislative work, DG HOME continued work on the evaluation of the **EU legislation** on the **networks of Immigration Liaison Officers** with two expert meetings supporting the process in 2017. The findings from the evaluation (Staff Working Document) will be accompanying the Commission proposal for a revision of the Immigration Liaison Officers Regulation⁴² to be put forward in 2018.

Trafficking in human beings was acknowledged to persist in key origin and transit countries and a sharp increase (by 600% from 2014 to mid 2017) was reported by IOM⁴³ in the number of women and girls trafficked to the EU through the Central Mediterranean route for the purpose of sexual exploitation, predominantly from Nigeria, highlighting a need to enhance efforts and cooperation to step up investigations and prosecutions, with the support of relevant EU Agencies. On 4 December 2017, the Commission adopted its Communication "Reporting on the follow-up to the EU Strategy towards the Eradication of trafficking in human beings and identifying further concrete actions"⁴⁴.

Finally, DG HOME stepped up its work on establishing **information and awareness raising campaigns** for prospective migrants in priority third countries of origin and transit. The infomigrant project was launched in 2017 with Deutsche Welle, France Media Monde and ANSA to provide an information portal (in EN, FR and AR) for migrants. For more information, please refer to section 2.2.4. Two expert seminars on designing and implementing information campaigns were held during the year, supported by two studies on the information channels used by migrants when travelling to Europe through West Africa and the Central Mediterranean, as well as upon arrival to Italy. DG HOME also published a call for proposals under AMIF for a total of EUR 4.5 million co-funding, to establish information and awareness raising campaigns in priority third countries.

1.2. Effective border management - save lives and secure EU external borders

➤ *Saving lives at sea*

In 2017 the number of lives lost and missing persons at sea dropped by 38% compared to 2016 and is estimated to have reached 2 853⁴⁵ along the central Mediterranean route (a 38% fall from 2016) and 62, in the Aegean Sea⁴⁶ (compared to 434 in 2016).

Under the supervision of DG HOME, the **European Border and Coast Guard** Agency continued pursuing an effective presence of patrolling assets at sea thereby contributing to saving people in distress and fighting against irregular immigration and cross-border crime. The Agency deployed on average over 400 officers each day in the Central Mediterranean (including the disembarkation points in Italy), while 10 vessels, 3 aircraft and 3 helicopters were permanently deployed in the Triton joint operation throughout 2017. In the Eastern Mediterranean, over 800 officers each day assisted Greece in the framework of the joint operation Poseidon and Flexible Operational Activities. These joint operations ensured the deployment of 10-12 maritime assets (off-shore and coastal

⁴¹ Austria, Bulgaria, Hungary supported by Interpol.

⁴² Council Regulation (EC) No 377/2004 of 19 February 2004.

⁴³ <http://www.italy.iom.int/it/notizie/rapporto-oim-sempr-pi%C3%B9-giovani-e-sempr-pi%C3%B9-vulnerabili-le-potenziali-vittime-di-tratta>

⁴⁴ COM(2017)728 final.

⁴⁵ Source: IOM's Missing migrants project (<https://missingmigrants.iom.int/region/mediterranean>)

⁴⁶ Id.

patrol vessels, coastal patrol boats) and other equipment (i.e. helicopters, patrol cars buses and thermos-vision vans) all along the year.

In the Central Mediterranean alone, joint efforts contributed to the rescue of over 111 000 people (93.3%) out of more than 119 000 migrants who arrived in Italy via the Central Mediterranean route (a 34% decrease of arrivals compared to 2016). They mainly came through Libya despite the significant reduction in departures from that country from mid-July 2017.⁴⁷

In January 2017, DG HOME contributed to a Communication⁴⁸ in which the Commission and the European External Action Service set out how to better manage migration and save lives along the **Central Mediterranean route**. One priority is to improve the living conditions of migrants and refugees in Libya and neighbouring countries DG HOME also contributed to prepare the Malta Declaration issued on 3 February 2017 and had a leading role in the regular update of the Malta Implementation Plan.⁴⁹ As a result of a seasonal spike, in July, the Commission presented a further action plan⁵⁰ to support Italy, which, together with the January Communication, focused on five key areas: saving lives; fighting smuggling and trafficking in Libya (including through a EUR 46.3 million project co-funded by the EU); increasing engagement with key non-EU countries; stepping up return operations; and building stronger solidarity in the EU.

➤ *Strengthening the protection of EU's external borders*

In 2017, DG HOME stepped up efforts to reinforce the controls at the external border reflecting the EU's commitment to preserving the freedom of movement within the Schengen area and ensuring the security of EU citizens.

The determination to protect the external borders went hand in hand with the further roll-out of the **European Border and Coast Guard** in 2017. Progress in making the European Border and Coast Guard Agency fully operational was recorded in six reports⁵¹ produced by DG HOME. During 2017 the Agency deployed between 1 175 and 1 700 border guards to assist the front line Member States. It set up the rapid reaction pools for border guards and equipment and new pools for return intervention teams.

In 2017, the Agency coordinated 15 Joint Operations at EU external borders. These activities totalled 347 805 deployed man-days (up 11.6% on 2016 and against 88 502 man-days in 2013)⁵².

Almost all Member States contributed to the rapid reaction pool of 1 500 border guards who, in case of a rapid border intervention, can be deployed within 5 working days thus making it possible for the Agency to act quickly and effectively. As regards the Rapid Reaction Equipment Pool, while some additional pledges were confirmed, more efforts on the side of the Member States are needed. EU funding under the Internal Security Fund/ Borders and Visa has been made available to the Member States to purchase equipment which should then contribute to the Agency's needs. In addition to the EUR 208 million in 2015 and 2017, the Commission is in the process of further allocating resources in the

⁴⁷ As per data received from the EBCGA.

⁴⁸ JOIN(2017) 4 final, Joint Communication 'Migration on the central Mediterranean route — managing flows, saving lives.

⁴⁹ <http://www.consilium.europa.eu/en/press/press-releases/2017/02/03/malta-declaration-4317/pdf>

⁵⁰ SEC(2017) 339, Action plan on measures to support Italy, reduce pressure along the Central Mediterranean route and increase solidarity.




⁵¹ COM(2017) 42 final, First report from the Commission to the European Parliament, the European Council and the Council on the operationalisation of the European Border and Coast Guard; COM(2017) 201 final - Second report from the Commission to the European Parliament, the European Council and the Council on the operationalisation of the European Border and Coast Guard; COM(2017) 219 final - Third report from the Commission to the European Parliament, the European Council and the Council on the operationalisation of the European Border and Coast Guard; COM(2017) 325 final - Fourth report from the Commission to the European Parliament, the European Council and the Council on the operationalisation of the European Border and Coast Guard; COM(2017) 467 final - Fifth report from the Commission to the European Parliament, the European Council and the Council on the operationalisation of the European Border and Coast Guard; COM(2017) 669 Report from the Commission to the European Parliament, the European Council and the Council - Progress report on the European Agenda on Migration (Annex 4 European Border and Coast Guard).

⁵² Source of data: EBCGA.

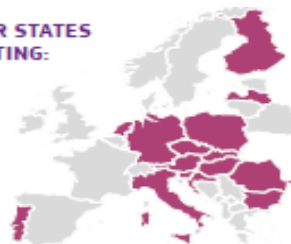
course of 2018 for Member States in this respect.

The budget of the Agency increased from EUR 232 million 2016 to EUR 253 million in 2017.⁵³

Rapid Reaction Equipment Pool- situation December 2017

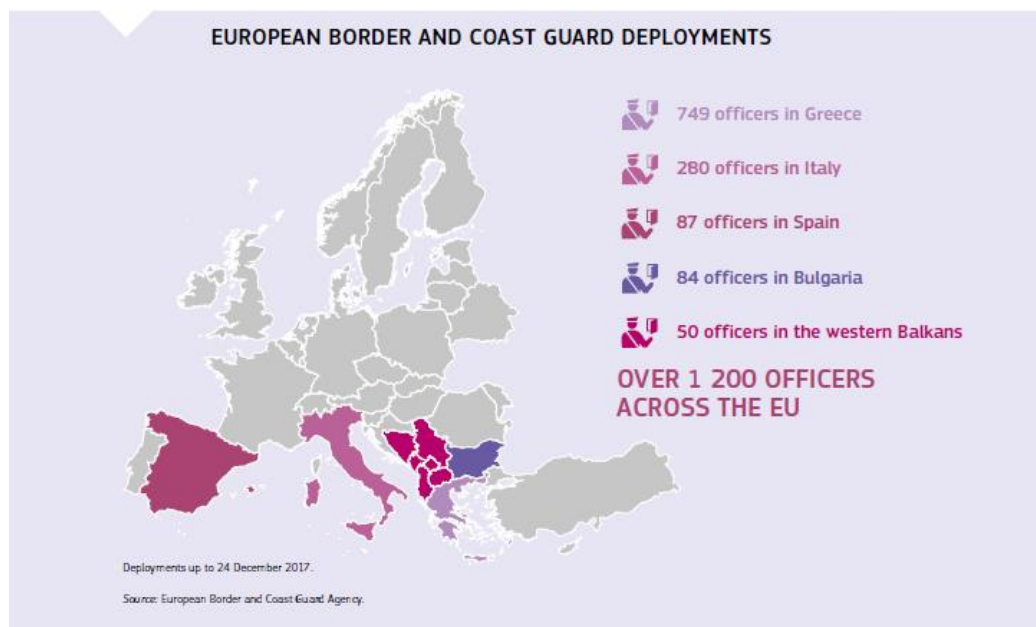
TYPE OF EQUIPMENT	STILL MISSING (ASSETS - MONTH)
	53
	33
	78

14 MEMBER STATES CONTRIBUTING:



Source : COM(2017) 820 final, 7.12.2017

European Border and Coast Guard deployments – situation December 2017



In addition, in January 2017, DG HOME prepared Recommendations that the Council should authorise the Commission to open negotiations on a status agreement with Serbia and the former Yugoslav Republic of Macedonia to allow for deploying European Border and Coast Guard teams to both countries. In June 2017, DG HOME prepared similar Recommendations to open negotiations with Montenegro, Bosnia and Herzegovina and Albania. On 12 February 2018, the Commission concluded the negotiations on a status agreement with Albania to allow for deploying European Border and Coast Guard teams. Negotiations with Serbia are on-going while negotiations with the former Yugoslav Republic of Macedonia are advancing well. In addition, in October 2017, the Council adopted the Recommendations to authorise the Commission to open the negotiations with Bosnia and Herzegovina as well as with Montenegro.

Mindful of the disadvantages of prolonged **internal border controls**, namely the economic costs and the obstacles to the free movement of citizens, and remaining fully committed to a normal functioning of the Schengen area without internal border controls, DG HOME prepared a Recommendation⁵⁴ that the Commission issued in May 2017 to encourage Member States to better use their police powers and to give precedence to police checks before deciding on the temporary reintroduction of internal border controls. Six Schengen states, however, notified the Commission of their intention to maintain temporary internal border controls based on various grounds.

⁵³ Source of data: EBCGA.

⁵⁴ C(2017) 2923.

In September 2017, the Commission proposed⁵⁵, based on DG HOME's work, that the **Schengen Borders Code** be updated to adapt the rules for the reintroduction of temporary internal border controls to the needs to respond to evolving and persistent serious threats to public policy or internal security. At the same time, stronger procedural safeguards would ensure that border controls at internal borders remain an exception - a measure of last resort - and are used only if necessary and proportionate, limiting the impact on free movement. Pending the adoption of these legislative amendments, the Commission issued a Recommendation⁵⁶ to Member States on the same day on the better application of the existing Schengen rules.

Also during 2017, several announced and unannounced Schengen evaluation visits were carried out under the **Schengen evaluation mechanism**⁵⁷ in order to verify the correct application of the Schengen acquis in all relevant policy fields, including management of the external border, common visa policy, return, police cooperation, the Schengen Information System and data protection as well as the absence of border control at the internal borders.

The Border and External Security call of the Horizon 2020 Secure Societies Challenge Work Programme also contributed to efforts to protect the external borders, financing five projects in 2017 worth a total EUR 35 million in EU contribution. These projects cover, among others, topics such as risk based screening and alert system for passengers and luggage, through-foilage detection and data analytics for European customs risk management.

To support border management and the common policy visa, an amount of EUR 2 billion was allocated to the Member States in their National Programmes under ISF Border and Visa 2014-2020.

The total amount of **EUR 206.6 million EU funding** was spent in the financial year 2017 under ISF Border and Visa, more than the cumulative amount spent in 2014, 2015 and 2016 (EUR 184 million).

Member States continued to strengthen the operational capacities through training of staff in aspects related to border management (2 532 persons). The Member States (Spain, Finland, France etc) have reported 704 interventions aimed at upgrading the border control infrastructure. There also have been reported acquisitions of high-value assets essential in the effective management of the external borders (such as procurement of patrol vehicles and of dedicated IT systems, upgrade of patrol aircraft and vessels etc.).

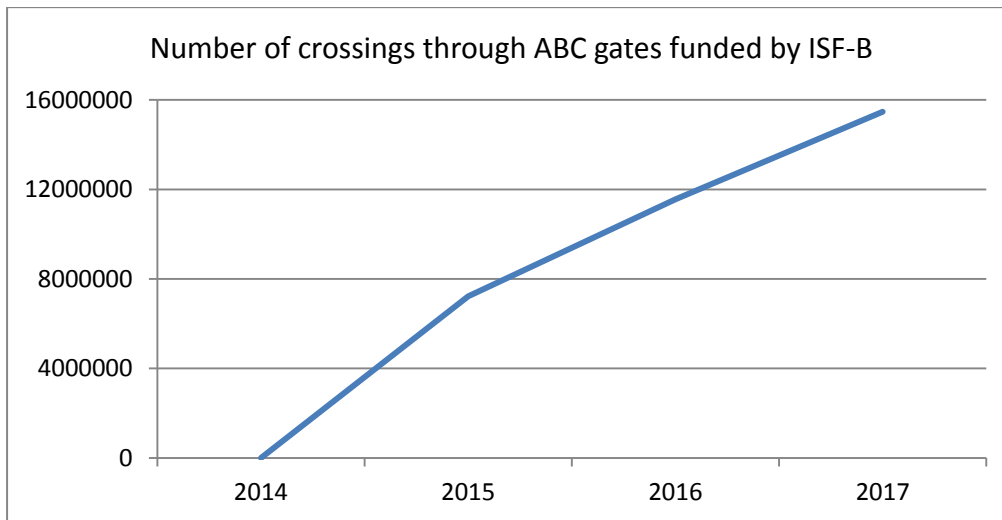
In the framework of EUROSUR, in 2017 Member States further developed their border surveillance infrastructures under their national programmes. In this area, Member States spent a total amount of **EUR 14.1 million EU funding**, allocated to the national programmes from ISF Borders and Visa.

The number of border crossings of the external borders through the Automated Border Control (ABC) gates funded by ISF-B has had a constant ascending trend, reaching the value of almost 15.5 million in 2017, most of them being reported by Germany (87%).

⁵⁵ COM(2017) 571 final; 2017/0245 (COD) Proposal for a Regulation amending Regulation (EU) 2016/399 as regards the rules applicable to the temporary reintroduction of border control at internal borders.

⁵⁶ C(2017) 6560 Commission Recommendation on the implementation of the provisions of the Schengen Borders Code on temporary reintroduction of border control at internal borders in the Schengen area.

⁵⁷ OJ L 295, 6.11.2013, p. 27.



Source: 2017 annual implementation reports from Member States by 10 April 2018

- Use of IT systems and technologies for Smart Borders to better ensure internal security and facilitate the border crossing of bona fide travellers

To address the existing shortcomings of **EU information systems** for security and border management and ensure their interoperability, DG prepared the Commission proposals⁵⁸, adopted on 29 June 2017, to strengthen the mandate of the EU Agency for the operational management of large scale IT systems (**eu-LISA**), building on an evaluation Report⁵⁹ of the Agency adopted on the same day.

WHAT IS INTEROPERABILITY?

Interoperability of EU information systems for security, border and migration management is the ability of different and separately developed **IT systems** to exchange data and to enable the sharing of **information**, in full respect of fundamental rights, data protection and with strict purpose limitations.

Interoperability is NOT about:

- collecting more and more new data
- creating one big database available to everyone
- reducing data protection and fundamental rights

Interoperability is about a targeted and intelligent way of using existing data in the most efficient way.



The next step was the presentation of a comprehensive package in December 2017 - based on two proposals for regulations - **to close information gaps by upgrading EU information systems for security, border and migration management and making them work together in a smarter and more efficient way**⁶⁰. In line with the major recommendations presented in the final report of the High-level Expert Group on information systems and interoperability, the proposals introduce new elements including a faster access to information through a European search portal to simultaneously search multiple EU information systems, a capacity to detect multiple identities, to counter identity fraud and to facilitate on-the-spot-checks within Member States.

On 7 April 2017, Member States started carrying out systematic checks against relevant databases on EU citizens who are crossing the EU's external borders, in addition to the systematic checks already being carried out on all third-country nationals entering the Schengen zone. The new rules - adopted by the Council on 7 March 2017 - significantly

⁵⁸ COM(2017) 352 final; 2017/0145 (COD) - Proposal for a Regulation on the European Agency for the operational management of large-scale IT systems in the area of freedom, security and justice, and amending Regulation (EC) 1987/2006 and Council Decision 2007/533/JHA and repealing Regulation (EU) 1077/2011.

⁵⁹ COM(2017) 346 final; SWD(2017)249 and SWD(2017)250.

⁶⁰ COM(2017) 794 final; Proposal for a Regulation of the European Parliament and of the Council on establishing a framework for interoperability between EU information systems (police and judicial cooperation, asylum and migration).

reduce the risks that people who pose a security threat — including EU nationals who have travelled abroad for terrorist purposes — pass the borders unnoticed.

While seeking to make EU information systems work better together, DG HOME also took steps to improve the use of individual systems. For instance, the Schengen Information System (SIS) was consulted 5 billion times in 2017⁶¹ compared with 4 billion times in 2016. This reduces the chances that people who pose a security threat, including returning EU nationals, cross borders unnoticed. During 2017, DG HOME also monitored the SIS development, by eu-LISA, of an automated fingerprint identification system (AFIS) that will be introduced in early March 2018 and will to identify criminals and terrorists entering the Schengen area under false identities.



Source: Member States

As regards the proposal for a **European Travel Information and Authorisation System** (ETIAS) presented in November 2016 to strengthen security checks on visa-free travellers, the Council agreed its position on the proposal in June 2017, followed in October 2017 by the European Parliament. Trilogue negotiations started at the end of October 2017 and adoption by co-legislators is expected in the first semester 2018.

On 30 November 2017, the Regulation on the new **Entry/Exit System** (EES) was adopted by the co-legislators. Its development could start and the System should become operational by the end of 2020. The EES will modernise external border management by replacing manual stamping of passports through electronic recording of identity data of non-EU nationals as well as the time, date and place of their entry and exit.

Entry/Exit System (EES)

Recording crossing of the EU's external borders

The Entry/Exit System will collect the data of non-EU nationals (identity and travel documents) and register their entry and exit records (date and place of entry and exit) to facilitate border crossing of bona fide travellers and to identify visa over-stayers. It will replace the current system of manual stamping of passports.

<p>Participating countries</p> <p>21 EU Member States</p>  <p>Denmark to decide</p>  <p>4 Schengen Associated Countries</p>     <p>Switzerland Norway Iceland Liechtenstein</p>	<p>To whom does it apply?</p> <p>All non-EU nationals</p>  <p>(for short stay visits only)</p>	<p>Next Steps</p> <ul style="list-style-type: none"> • Presented by the Commission: 6 April 2016 • Adoption: November 2017 • Scheduled operation: 2020
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➤ *The hotspot approach was further rolled out*

While Member States remain responsible for ensuring the implementation of the hotspots approach, provision of adequate reception condition to migrants and an effective processing of their cases, DG HOME continued supporting Italy and Greece in the

⁶¹ Source: Member States.

implementation of the hotspot approach in 2017.

5 hotspots continued operating in Greece and 5 in Italy, with a total capacity of around 7 600 places in Greece (including Kara Tepe) and 1 850 in Italy. It is estimated that more than 276 000 migrants arrived in the hotspots between 1st January 2016 and 31 December 2017 (around 196 000 in Greece, of which around 56 000 from the implementation of the EU-Turkey Statement, and more than 80 000 in Italy⁶²). They were offered medical care and screening, properly identified, fingerprinted, screened, registered and informed about their rights in one single location so as to ensure that they were immediately channelled into the appropriate procedure, contributing to swifter decision-making on their status. Hotspots facilitated an increased number of secondary security checks by Europol and national authorities, which contributed to identifying risk profiles and fighting smugglers networks. Hotspots also contributed to better identifying vulnerable cases (such as victims of trafficking in human beings, people with serious health conditions and unaccompanied minors) and referring them to the relevant support services.

DG HOME chaired meetings of EU Regional Task Forces (EURTF) involving EU Agencies in Italy and Greece (one meeting per week in Italy, two per month in Greece). It also participated in regular meetings at central level and in hotspots to coordinate work by national authorities, international organisations (e.g. UNHCR, IOM), EU agencies (such as EASO, EBCG or Europol) and other Commission services such as ECHO and SRSS. Furthermore, it provided support to countries hosting hotspots by keeping 4 staff members deployed in Rome, 2 staff members in Athens, 1 staff member in Lesbos and 1 staff member in Kos and Leros.

In line with the recommendations of the First progress report on trafficking in human beings⁶³, trafficking in human beings was addressed in the context of the Hotspots approach, to raise awareness and ensure cooperation and coordination of all relevant actors to improve identification of victims and appropriate referral to assistance and protection, and to step up investigations and prosecutions.

In relation to Greece, DG HOME continued providing substantial financial and technical support, including experts on the ground, to the Greek authorities. In this sense, the Financial Plan 2017, agreed in 2016, contributed to further improving the situation on the islands and more broadly in Greece by replacing camps-based accommodation with rental accommodation and improving reception standards. In 2017 DG HOME:

- Provided the necessary funding to complete the winterization of the hotspots by extending/upgrading their capacity with new prefabricated housing units and adequate heating and electricity connections as well as by ensuring cleaning, sanitation and medical care. It continued monitoring closely the implementation of works;
- Provided the necessary support for the creation of safe zones in the hotspots to accommodate women and unaccompanied children. These safe zones had been created in all hotspots by the end of 2017. Persons responsible for child protection were appointed in each hotspot and trained by the EU agencies. Moreover DG HOME maintained a continuous dialogue with the Greek authorities looking for the best ways to support the creation of additional shelter places suitable for minors, as well as for ensuring that children were urgently moved to proper reception centres. To that end, another EUR 3 million was made available under the AMIF National Programme for the Ministry of Defence to provide up to 1 000 new places for unaccompanied minors. More generally, although security and upkeep of public order inside the hotspots falls within the responsibility of the Greek authorities, DG HOME worked with the Greek authorities to increase security inside the hotspot and EBCGA funded 280 Hellenic Police officers with security tasks;
- In close cooperation with the relevant EU Agencies (mainly EASO and the EBCGA)

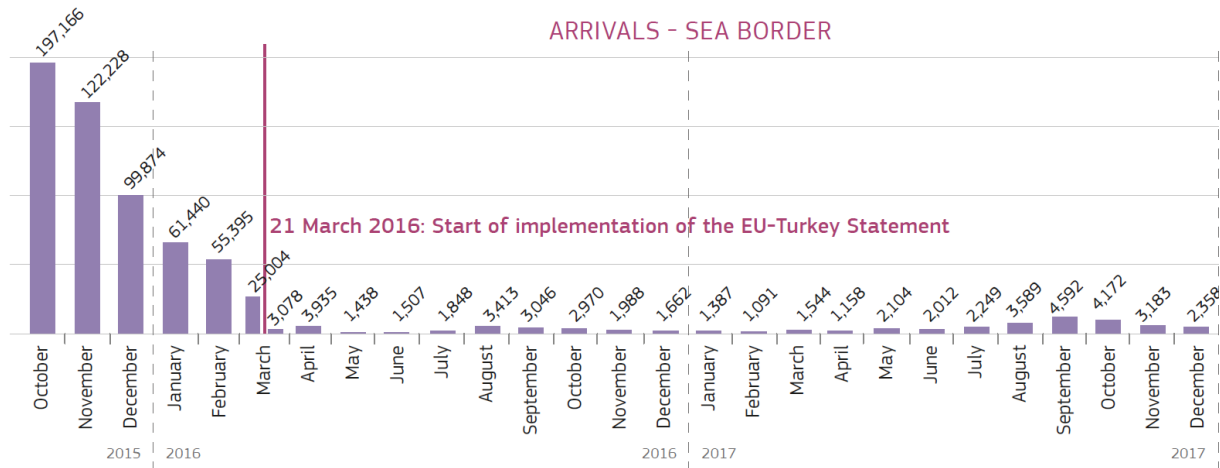
⁶² DG HOME on the basis of data from Hellenic Police and Italian Interior Minister.

⁶³ COM(2017) 728 final.

and international organisations, was in constant contact with the Greek authorities to find solutions to accelerate the processing of asylum applications and return procedures and to provide the necessary operational support. EASO, with the financial support of DG HOME, continued providing support to the Greek authorities with the processing of asylum applications in view of reducing the time asylum applicants have to stay on the islands. EASO's operational support under the 2017 Operational Plan to Greece contributed to informing arriving migrants, to referring them to adequate asylum-related procedures and to the registration and follow-up of asylum seekers in asylum and Dublin procedures. EASO experts provided targeted support in all areas needed. Under the AMIF National Programme, IOM supported the Greek authorities in providing information on asylum and migration law with particular focus on assisted voluntary return and reintegration.

- Supported the transfers from the islands to the mainland of vulnerable persons, persons whose application were Dublin cases or persons with a positive decision on their asylum application. In 2017, DG HOME funds supported the transfer of 17 280 persons from the islands to the mainland, contributing to the decongestion of overcrowded hotspots.

On the Eastern Mediterranean route, the downward trend seen since the EU-Turkey Statement in March 2016 continued in 2017. DG HOME fed contributions to regular reports on the implementation of the **EU-Turkey Statement** (three reports in 2017⁶⁴).



Source of data: Hellenic police as reported on a daily basis to SRSS

The main challenges in Greece remained the need to increase the reception capacity and reception conditions in the hotspots, to better address the specific needs of vulnerable groups including delivery of planned shelter places, and to accelerate second level appeal and return procedures (particularly returns to Turkey) which would greatly contribute to the decongestion of the hotspots. At the same time, dismantling the smugglers' business model remains a challenge.

Funding to Greece in relation to hotspots in 2017

National programmes

⁶⁴ Report from the Commission to the European Parliament, the European Council and the Council - Fifth Report on the Progress made in the implementation of the EU-Turkey Statement, COM(2017) 204 final of 2.3.2017; Report from the Commission to the European Parliament, the European Council and the Council - Sixth Report on the Progress made in the implementation of the EU-Turkey Statement COM(2017) 323 final of 13.6.2017; Report from the Commission to the European Parliament, the European Council and the Council - Seventh Report on the Progress made in the implementation of the EU-Turkey Statement COM(2017) 470 final of 6.9.2017.

In line with the Financial Plan for reception facilities in Greece for 2017, the funding support for reception places in the 5 Reception and Identification Centres (hotspots) of the Eastern Aegean islands and provision of related services was gradually transferred from emergency assistance to the National programme under the Asylum, Migration and Integration Fund. The implemented projects included the provision of catering, cleaning and maintenance services and the upgrading of the hotspots.

Under the Internal Security Fund National programme, Greece implemented a project for the reinforcement of the Reception and Identification service with additional staff in the 5 hotspots for a total amount of 2.6 million EU contribution.

Emergency assistance

Emergency assistance continued to support the uninterrupted provision of services in the hotspots until the full transition of the aforementioned activities to the Greek National programme, or to cover unforeseen urgent needs. In that context, a project of a total of EUR 7 million EU contribution was implemented under the Asylum, Migration and Integration Fund to support the provision of catering services to respond to the needs of the increased population present in the hotspots. Other projects covered the provision of health care in the mainland and islands, including for the 5 hotspots, as well as interpretation and other services, amounting to a total of EUR 27.5 EU contribution.

In July 2017, the Commission awarded an emergency assistance grant to UNHCR for an amount of EUR 9.3 million EU contribution for the continuation of targeted support to guarantee a smooth transition from emergency mode to stable management of the refugee and migrant situation led by the Greek government.

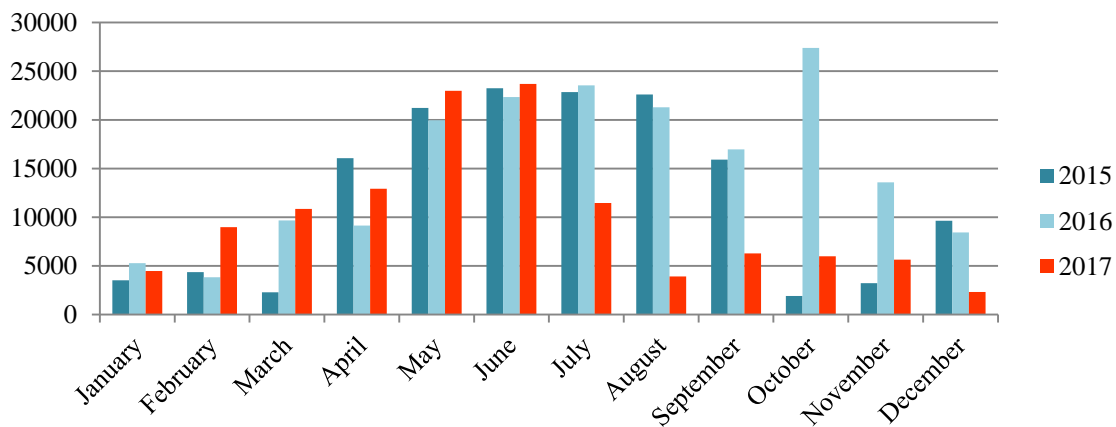
Furthermore, during 2017, UNHCR assisted the Greek authorities to expand the capacity of Vial hotspot (Chios island) with funding ensured through emergency assistance.

Measures to enhance the asylum procedures continued to be supported in 2017 both under the Asylum, Migration and Integration National programme and emergency assistance.

In relation to Italy, DG HOME continued providing substantial financial and technical support to the Italian authorities. The nearly 100% fingerprint rate achieved in 2016 was sustained (99.69% in December 2017). Furthermore, the Italian authorities opened a new hotspot in Messina on 30 September 2017 increasing the hotspot capacity by 15%. As in 2016, Italian authorities applied the hotspots approach to other ports of disembarkation which are not designated as hotspots. During one of DG HOME's visit, the Italian Interior Ministry further committed to open additional hotspots. DG HOME continued regularly monitoring all 5 hotspots with a specific focus on UAMs. Furthermore, after the formal adoption of the Standard Operating Procedures in 2016, DG HOME consistently asked the Ministry of Interior to improve the situation of minors in arriving migration streams and to clarify national legal provisions on their passage in hotspot structures. A specific annex to the Standard Operating Procedures focusing on minors was developed in 2017.

The lower influx of migrants by sea (see graph) and the creation of dedicated first line facilities for minors significantly reduced the permanence of minors in hotspots before their transfer to dedicated reception facilities.

Monthly arrivals in Italy (2015-2017)ⁱ



Data provided by the Italian Ministry of Interior; last updated on 31 December 2017.

A reception area reserved for vulnerable migrants, particularly for Unaccompanied Minors (UAM) and women, was finalised in 2017 at the Pozzallo hotspot. Dedicated areas for vulnerable migrants also became available in Trapani, Lampedusa and Taranto. Under AMIF national programme, Italian authorities increased the number of first and second line reception facilities for UAM. 416 new places in the Protection System for Refugees and Asylum Seekers (SPRAR) were created for UAM in 2017. Prefectures also created, where needed, temporary facilities for UAM. A new EUR 52 million call for tender published in 2017 will allow 20 additional projects to open in 2018 for 1 100 new places in first line governmental facility funded by AMIF. The recent Italian law (number 47/2017) on unaccompanied minors continued being implemented. It strengthens protection for UAM in areas of identification, asylum procedures, reception, right to health and education. By foreseeing the creation of voluntary guardians (area where EASO is supporting Italian authorities both under 2017 and 2018 Operational Programme) it aims at reducing the time needed for the nomination of guardians. DG HOME supported Italian authorities in these fields through EU funding, both under AMIF and ISF national programme and emergency assistance, as detailed below.

Funding addressing Italy's Hotspots

AMIF and ISF national programmes

Under its Asylum, Migration and Integration Fund national programme, Italy implemented projects related to hotspots and other areas of disembarkation of migrants for a total amount of **EUR 7.8 million** EU contribution, channelled through international organisations and NGOs. The main activities included legal counselling of arriving migrants, early identification and protection of victims of trafficking and unaccompanied minors, child protection, monitoring of reception standards and respect of fundamental rights as well as staff training. For example, MIRECO project, initiated in 2017 under Italy's AMIF national programme, focuses on the monitoring of reception facilities.

Under its Internal Security Fund national programme, Italy implemented projects related to hotspots and other areas of disembarkation of migrants for a total amount of **EUR 8.5 million** EU contribution, including for the procurement of equipment for border checks and interpretation/inter-cultural mediation services.

Emergency assistance

As regards EU emergency support for the functioning of hotspots and other areas of disembarkation, in 2017 the Italian authorities and other partners operating in Italy were implementing emergency assistance grants for a total amount of EUR 21.6 million EU contribution (of which EUR 19.1 million under the Internal Security Fund and EUR 2.5 million under the Asylum, Migration and Integration Fund). These grants financed, among others, equipment for border checks, overtime of the Border Police personnel, psycho-social assistance to unaccompanied minors, medical equipment and interpretation/inter-cultural mediation services. Moreover, in November 2017 the Commission awarded emergency assistance grants (all

under the Internal Security Fund) covering hotspots and other areas of disembarkation for an additional amount of EUR 28.5 million EU's contribution (start of implementation foreseen for 2018).

➤ *The Integrated Situational Awareness and Analysis (ISAA) report*

At the end of October 2015, the Luxembourg Presidency activated the **European Union Integrated Political Crisis Response arrangements** (IPCR), a mechanism which supports the Presidency of the Council of the European Union in dealing with major natural or man-made disasters. Integrated Situational Awareness and Analysis reports (the so-called 'ISAA reports') are prepared by the relevant services in the European Commission or the European External Action Service to inform decision-making in managing crises.

Since the beginning of 2016, DG HOME has been the editor of the ISAA reports on the migration and refugee crisis and has gathered inputs from other Commission services (SRSS, ECHO, NEAR), the European External Action Service, EU Member States, Schengen Associated States, as well as relevant European Union Agencies (EASO, European Coast Guard and Border Agency, Europol and the Fundamental Rights Agency).

By the end of 2017, 99 ISAA reports and 4 flash reports had been drafted with 46 ISAA reports having been produced in 2017 (mostly on a weekly basis). They contain a factual, evidence-based analysis of the situation, the assessment of the European Union response, as well as the identification of possible shortcomings. Drafted by DG HOME, they have become the pinnacle source of reference for the decision makers tackling the migration crisis at EU and national level.

1.3. Enhance protection and solidarity

➤ *Strengthening the Common European Asylum System*

In 2017, **649 855** asylum applications were lodged within the EU.

First-time asylum applicants in the EU Member States and EFTA countries

	Number of first-time applicants			Share in EU total (%)
	2016	2017	Change (in %)	2017
EU	1 206 120	649 855	-46%	100.0%
Belgium	14 250	14 035	-1%	2.2%
Bulgaria	18 990	3 470	-82%	0.5%
Czech Republic	1 200	1 140	-5%	0.2%
Denmark	6 055	3 125	-48%	0.5%
Germany	722 265	198 255	-73%	30.5%
Estonia	150	180	21%	0.0%
Ireland	2 315	2 910	26%	0.4%
Greece	49 875	57 020	14%	8.8%
Spain	15 570	30 445	96%	4.7%
France	76 790	91 070	19%	14.0%
Croatia	2 150	880	-59%	0.1%
Italy	121 185	126 550	4%	19.5%
Cyprus	2 840	4 475	57%	0.7%
Latvia	345	355	3%	0.1%
Lithuania	415	520	26%	0.1%
Luxembourg	2 065	2 320	13%	0.4%
Hungary	28 215	3 115	-89%	0.5%

Malta	1 735	1 610	-7%	0.2%
Netherlands	19 285	16 090	-17%	2.5%
Austria	39 875	22 160	-44%	3.4%
Poland	9 780	3 005	-69%	0.5%
Portugal	710	1 015	43%	0.2%
Romania	1 855	4 700	154%	0.7%
Slovenia	1 265	1 435	14%	0.2%
Slovakia	100	150	49%	0.0%
Finland	5 275	4 325	-18%	0.7%
Sweden	22 330	22 190	-1%	3.4%
United Kingdom	39 240	33 310	-15%	5.1%
Iceland	1 100	1 065	-3%	-
Liechtenstein	75	:	-	-
Norway	3 240	3 350	3%	-
Switzerland	25 820	16 615	-36%	-

Source of data: Eurostat

Number of first-time applicants is rounded to the nearest 5. Calculations are based on exact data.

* Refers to the resident population on 1 January 2017.

: Data not available

- Not applicable

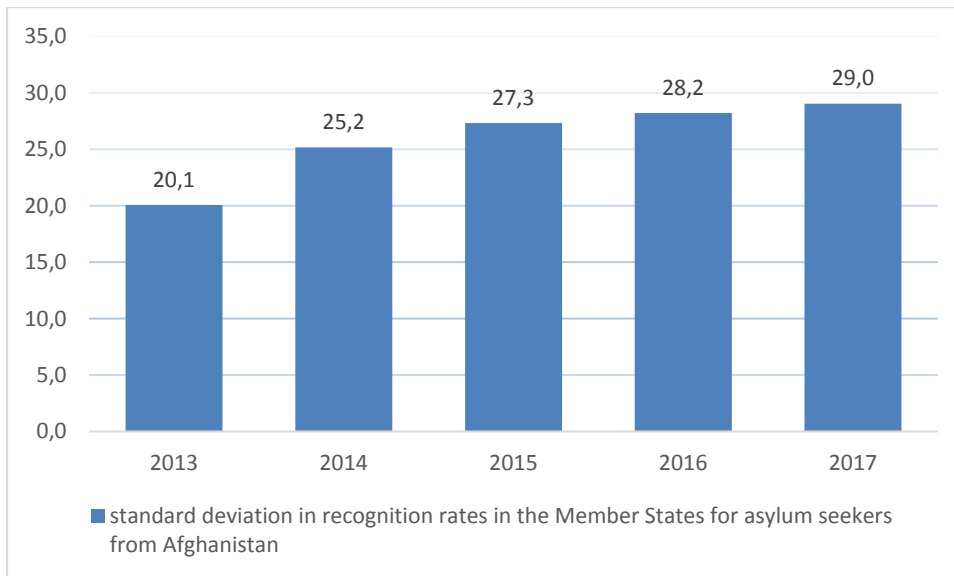
In spite of the 46% decrease in applications, pressure on national migration systems remained at a high level. At the end of 2017, 927 300 applications for international protection in the EU Member States were still under consideration by the national authorities. At the end of 2016, this figure was slightly higher (1 094 100). Germany had the largest share of applications pending in the EU at the end of 2017 (443 800, or 48% of the EU total), ahead of Italy (152 400, or 16%), Austria (57 700, or 6%) and Sweden (51 500, or 6%)⁶⁵.

The way Member States process applications for international protection from a source third country is one of the indicators of how much the Common European Asylum System contributes to the harmonisation of rules and practices in the EU regarding asylum procedures. Recognition rates for international protection among Member States for asylum seekers from the same source third country should tend to converge. In order to monitor progress, DG HOME analyses the standard deviation of recognition rates for international protection among Member States for asylum seekers from Afghanistan. The lower the standard deviation is, the greater the convergence. Although there has been a gradual increase in divergence over the last few years, results in 2017 showed stability (slight increase from 28.2 in 2016 to 29 in 2017).

Convergence of protection recognition rates for asylum seekers from the same country (result indicator 1.3c in Strategic Plan)⁶⁶

⁶⁵ Source of data: Eurostat

⁶⁶ Convergence is measured by the standard deviation in the recognition rates in the Member States for asylum seekers from a specific relevant nationality – the lower the standard deviation is, the greater the convergence. The chart displays this indicator for asylum seekers from Afghanistan



Source: Eurostat

Now is the moment to take the next steps to achieve a fair, robust and realistic EU migration policy. This means continuing to show solidarity with the most affected Member States, but also finding quickly the right compromise on the reform of the Common European Asylum system.

Commissioner for Migration, Home Affairs and Citizenship Dimitris Avramopoulos, 27 September 2017

Building a strong and comprehensive EU asylum system remains as important as ever – one which is resilient to future crises, and where solidarity and responsibility are at its heart. This underlines the need for the reform of the **Common European Asylum System (CEAS)**.

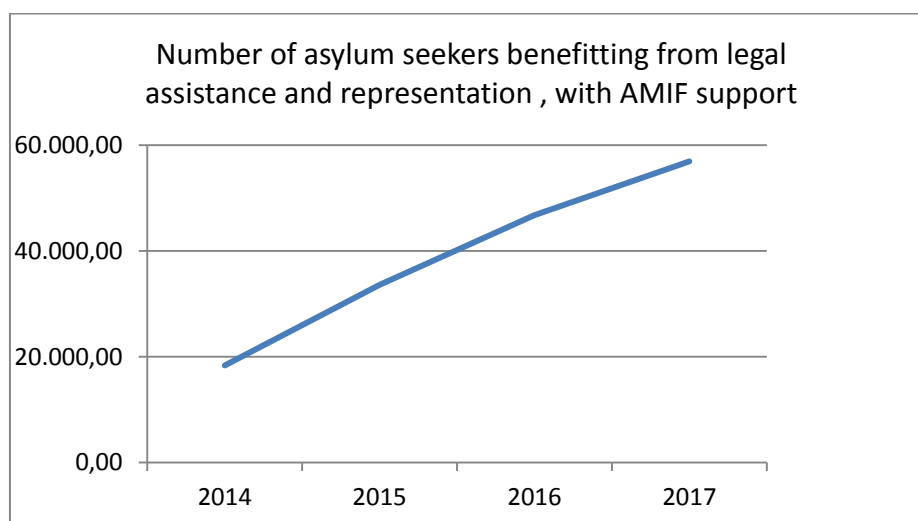
In 2016, DG HOME prepared proposals to reform the CEAS that were adopted by the Commission. By the end of 2017 the proposals had reached different stages in the negotiation that DG HOME facilitated between the European Parliament and the Council. Significant progress had been achieved on the proposals for a Regulation on the European Union Agency for Asylum, the EURODAC Regulation, the Union Resettlement Framework Regulation, the Reception Conditions Directive and the Qualification Regulation. Negotiations will continue on the proposal for an Asylum Procedure Regulation. As regards the Dublin Regulation (recast), the European Parliament adopted its position while discussions continue in the Council.

Under the current CEAS rules, there must be a possibility to return asylum seekers to the country of first entry to the EU. With a view to resuming transfers to Greece under the Dublin Regulation, the Commission addressed, in 2016, a Recommendation to the Member States according to which transfers could gradually resume for persons (other than vulnerable applicants) entering Greece as of 15 March 2017. Following that Recommendation, seven Member States have sent transfer requests to Greece (a large majority from Germany). Greece has accepted a number of transfer requests and transfers will start in 2018. In the financial year 2017, **EUR 75.3 million EU funding** was spent by Member States under their AMIF national programmes for projects in the area of asylum, with 52% more than in the previous year.

With AMIF support, in 2017, 297 083 target group persons received assistance through projects in the area of reception and asylum systems, the majority being reported by France, Italy, the Netherlands, Germany, the United Kingdom and Spain. Out of this category, 56 933 asylum seekers benefitted from legal assistance and representation and

52 054 vulnerable persons and un-accompanied minors were delivered specific assistance. The number of persons who benefited from advice and information throughout the asylum procedures, in AMIF funded projects, doubled in 2017 compared to 2016, reaching the value of 780 067.

Member States continued to improve the reception conditions, a total of 7 557 accommodation places being set up or renovated in the reference year, mostly in Bulgaria, Italy, Spain and France.



Source: 2017 annual implementation reports from Member States by 10 April 2018

To support the asylum policies, 12 846 staff attended various forms of training with the assistance of AMIF, respectively with 47% more than the cumulated value of the previous implementation period (2014-2016). 15 projects were designed to develop, monitor and evaluate the asylum policies in Member States and 298 966 country of origin products and fact-finding missions were conducted with the assistance of AMIF (an increase of 19x compared to the previous year).

➤ *Protecting child migrants*

Some two million people arrived in Europe through the Mediterranean in 2014-2017. Of them, 432 000 were children. Of the 178 000 new arrivals in 2017, more than 32 300 were children⁶⁷. In 2014-2017 European countries registered over 1 100 000 child asylum claims, including at least 160 000 in 2017.⁶⁸

Between 1 January and 31 December 2017, 15 779⁶⁹ unaccompanied and separated children (UASC) arrived in Italy by sea (down from 25 846 in 2016). Most of them were 16 and 17 year-old boys.

As children in migration are exposed to high risks of violence, child trafficking, exploitation along migration routes or may go missing, or become separated from their families, the Commission proposed⁷⁰ actions to improve their protection. DG HOME co-drafted the Communication that was presented on 12 April 2017. Recommendations include swift identification and protection upon arrival; adequate reception conditions for children; swift status determination and effective guardianship; speeding up of family tracing, family reunification procedures, relocation of unaccompanied migrants from Greece or Italy and resettlement of children in need of protection; durable solutions and early integration measures; addressing root causes, protecting children along migrant routes outside the EU and preventing child trafficking. Member States supported the

⁶⁷ UNICEF Fact Sheet – January 2018.

⁶⁸ UNICEF Fact Sheet – January 2018.

⁶⁹ UNHCR, Italy UASC Dashboard, December 2017.

⁷⁰ COM(2017) 211 final - Communication from the Commission to the European Parliament and the Council: The protection of children in migration (SWD(2017) 129 final).

Communication and adopted Conclusions on the protection of children in migration⁷¹ at the Justice and Home Affairs Council on 8 June 2017.

➤ *Relocations and resettlements*

To alleviate the pressure on Italy and Greece a relocation scheme was launched under Council Decisions in 2015⁷².

In monthly progress reports on **relocation and resettlement**⁷³, the Commission repeatedly called on Member States to speed up the pace of relocation). Thanks to DG HOME's efforts, 33 151 persons had been relocated (11 445 from Italy and 21 706 from Greece) by 31 December 2017 which represented over 94% of all eligible and registered candidates for relocation in Italy and Greece under the 2015 Council Decisions. 23 226 people were relocated in 2017 alone, against 9 656⁷⁴ in 2016 and 269 in 2015. The significant increase proves that relocation works when all parties fulfil their commitments. AMIF continued to support relocation with an amount of EUR 10.000 per relocated person.

On 15 June 2017, the Commission launched **infringement procedures** and sent letters of formal notice to the Czech Republic, Hungary and Poland for non-compliance with their legal obligations on relocation⁷⁵. The replies provided were not found satisfactory as none were accompanied by an indication that these Member States would start relocating swiftly to their territory. As a consequence, on 26 July 2017, the Commission sent them reasoned opinions. Following the replies to the reasoned opinions and in light of the continuing absence of a "pledge" on behalf of all three Member States the Commission considered that CZ, HU and PL continued to be in breach of their obligations under Article 5(2) of the 2015 Council Decisions on Relocation and thus proposed, on 7 December 2017, to refer these three cases to the Court of Justice of the European Union (CJEU).

Resettlement schemes⁷⁶ have been in place since July 2015 to provide a legal and safe pathway for vulnerable people in need of international protection. By December 2017, 26 849 persons⁷⁷ in need of international protection had been resettled under the EU resettlement schemes that were launched under the Council Conclusions in July 2015⁷⁸ and the EU-Turkey Statement⁷⁹ in March 2016. 12 644 people were resettled in 2017 alone under the EU resettlement schemes, against 14 205⁸⁰ in 2016 and 2015. AMIF continued to support resettlement with an amount of EUR 10.000 per resettled person to the host country. A new resettlement scheme⁸¹ for at least 50 000 refugees with financial support amounting to EUR 500 million was proposed in September 2017. By 31 December 2017, 19 Member States had submitted 39 839 pledges under this new scheme and further pledges were expected in early 2018.

Standard Operating Procedures for the **Voluntary Humanitarian Admission Scheme** with Turkey were preliminarily agreed between the Commission and Turkey in October 2017. Member States endorsed the text in COREPER on 6 December 2017. All elements

⁷¹ 10085/17 - Conclusions of the Council of the European Union and the representatives of the governments of the Member States on the protection of children in migration, 8.6.2017.

⁷² The temporary emergency relocation scheme was established in two Council Decisions in September 2015 (Council Decision (EU) 2015/1523 of 14 September 2015, Council Decision (EU) 2015/1601 of 22 September 2015).

⁷³ COM(2017) 74 final - Ninth report on relocation and resettlement; COM(2017) 202 final - Tenth report on relocation and resettlement; COM(2017) 212 final - Eleventh report on relocation and resettlement; COM(2017) 260 final - Twelfth report on relocation and resettlement; COM(2017) 330 final - Thirteenth report on relocation and resettlement; COM(2017) 405 final - Fourteenth report on relocation and resettlement; COM(2017) 465 final Fifteenth report on relocation and resettlement .

⁷⁴ In the 2016 Annual Activity report, the number of persons relocated was 9 654. Two cases were subsequently transferred from Dublin procedure to relocation as it was concluded that they were eligible applicants for relocation.

⁷⁵ See footnote no. 78.

⁷⁶ Established under the Council Conclusions of 20 July 2015 (Council document 11130/15) and the EU-Turkey Statement of 18 March 2016 (SN38/16, 18.03.2016).

⁷⁷ Source of data: Member States.

⁷⁸ Council document 11130/15, 20.07.2015.

⁷⁹ SN38/16, 18.03.2016.

⁸⁰ 2016 Annual Activity Report of DG HOME.

⁸¹ C(2017) 6504 Commission Recommendation on enhancing legal pathways for persons in need of international protection.

and conditions are thus in place for activating the Scheme, as set out in the EU-Turkey Statement. This will ensure the continuation of resettlements from Turkey and provide a safe and legal alternative to irregular migration to the EU.

In 2017, DG HOME continued cooperating very closely with the **European Asylum Support Office (EASO)** and supported the agency in delivering on their mandate and work programme, including through active participation in EASO's management board. The **European Asylum Support Office (EASO)** played an important role in managing the migration situation in the EU. EASO continued to provide operational support to several front-line Member States, mainly to Greece and Italy, but also to Bulgaria and Cyprus, while maintaining its permanent support activities on asylum related topics to all Member States. In terms of operational support, EASO contributed to the implementation of the emergency relocation scheme, functioning of the hotspots, support with the Dublin procedure, strengthening the reception capacity, activities in the field of unaccompanied minors, training or Country of Origin Information (COI).

1.4. A new policy on legal migration to address skill shortages in the EU and enhance effective integration

- *Promoting legal migration to the EU and attracting highly-skilled workers from outside the EU*

In the field of legal migration, DG HOME's efforts focused on the inter-institutional negotiation of the **revised blue card directive** proposal that the Commission adopted in June 2016 to attract and retain highly-skilled non-EU workers. Key political issues remain to be agreed between the European Parliament and the Council in 2018, for instance on the relationship between the Blue Card and the national schemes and the equivalence between formal qualifications and skills/professional experience.

In 2017, DG HOME continued performing a **fitness check of the legal migration acquis**, which will be finalized in 2018.

On 27 September 2017, the Commission announced in its communication on the delivery of the European Agenda on Migration its intention to coordinate and support **pilot projects on legal migration**, in particular to facilitate circular migration for labour purposes, reinforcing cooperation with third countries while addressing skills shortages in the EU. They should focus initially on countries which have shown political engagement in finding joint solutions to tackle irregular migration and readmission of irregular migrants.

The implementation of **AMIF** gathered pace in 2017 to promote the legal migration of third-country nationals to Member States. According to the 2017 AMIF accounts (covering the period between 16 October 2016 and 15 October 2017), Member States made payments to beneficiaries for a value of **EUR 2.6 million**.

AMIF provided support for the participation of 12 377 eligible third-country nationals in pre-departure measures, the result being achieved almost entirely by Germany (99.9%).

- *Developing visa policy*

In 2017, DG HOME prepared proposals to amend legislation⁸² concerning the Visa Information System and the Visa Code. The aim is to meet current and future challenges in terms of mobility, notably facilitating tourism and business, but also to prevent security risks or risks of irregular migration. Their adoption was postponed to March 2018 to ensure coherence with the other information systems proposals (e.g. EES, ETIAS) and take on board conclusions of studies to be delivered in early 2018.

⁸² Regulation 767/2008, Regulation 810/2009.

On 2 May 2017, the Commission adopted a Communication⁸³ defining its position and reporting on developments to achieve full visa reciprocity with Canada and the United States. In December 2017, all Bulgarian and Romanian citizens were granted visa-free access to Canada, leaving the United States as the only visa-free third country that does not grant reciprocal visa-free travel to all EU citizens. This was followed by a second **visa reciprocity** report adopted in December 2017, in which the Commission indicated that it continues to engage with the United States and the five Member States which are still visa required by the US.

On **visa liberalisation**, Georgian citizens were granted visa-free travel to the Schengen area in March 2017 for short stays of up to 90 days. In June 2017, visa-free travel for Ukrainian citizens entered into force. The revised **suspension mechanism** also entered into force in March 2017, on which the Commission then reported⁸⁴ in December 2017. HOME had a leading role in its preparation. The report follows up on the Commission's obligation to monitor the continuous fulfilment of the visa liberalisation requirements which had to be met by third countries having obtained visa-free regime by successfully concluding a visa liberalisation dialogue⁸⁵. The report concluded that the concerned countries continued to fulfill the requirements although some of them needed to take immediate action to ensure the sustainability of the reforms and further compliance.

Negotiations on **visa facilitation** agreements with Belarus and Tunisia continued in 2017. On 4 May 2017, parallel negotiations with China were launched by Commissioner Avramopoulos, on a visa facilitation agreement and an agreement on cooperation in the fight against illegal migration. The first round of negotiations on an EU-China visa facilitation agreement was held in July 2017.

➤ *Better integrating non-EU nationals in the EU*

While Member States have the primary role in developing integration policies, the EU has an important role to play to support their efforts and foster cooperation and exchange in order to develop a level-playing field in this area.

To monitor progress in integrating third country nationals in EU societies, one indicator measures the gap between the employment rates of third-country nationals compared to EU nationals, which should decrease by 2020. In 2017, the gap has been stabilising to 15.5 pps (compared to 15.3 pps in 2016), thanks to an increase in the employment rate of third-country nationals (by 0.9 pp, from 56.5% to 57.4%), though not as pronounced as for EU nationals (+1.2 pp, to 72.9%).

Designed as a dashboard, a monitoring tool became available on the European web site on integration on 29 June 2017 to provide, at a glance, an overview of the progress in the implementation of EU's Action Plan⁸⁶ to foster migrant integration. It shows that action was taken on many fronts in 2017.

In the context of the **European Integration Network**, study visits, network meetings dedicated to cooperation with local and regional authorities and integration contracts and were organised in 2017. A conference dedicated to funding available to local and regional authorities took place in March 2017.

Demonstrating the common willingness of the Commission to work together with economic and social partners and in particular employers on the issue of integration in the labour market, DG HOME organised the European Dialogue on skills and migration on 23 May 2017, in cooperation with DG EMPL. The "**Employers together for integration**" initiative was launched on this occasion. In December 2017, Commissioners Avramopoulos and Thyssen signed **the European Partnership for integration**⁸⁷ with

⁸³ COM(2017) 227 final - Communication from the Commission to the European Parliament and the Council defining the position of the Commission following the European Parliament resolution of 2 March 2017 on obligations of the Commission in the field of visa reciprocity and reporting on the progress achieved.

⁸⁴ COM(2017) 813 final.

⁸⁵ The visa-free Western Balkan and Eastern Partnership countries: Bosnia and Herzegovina, Serbia, Montenegro, the former Yugoslav Republic of Macedonia, Albania, Moldova, Ukraine and Georgia.

⁸⁶ COM(2016) 377 final.

⁸⁷ https://ec.europa.eu/home-affairs/sites/homeaffairs/files/e-library/documents/policies/legal-migration/integration/docs/20171220_european_partnership_for_integration_en.pdf

representatives of social and economic partners paving the way for further cooperation in 2018.

In cooperation with the European and Economic Social Committee, DG HOME organised the **European Migration Forum in Brussels**, in March 2017 where 200 representatives of NGOs in Brussels discussed migrants' access to rights and services in the EU.

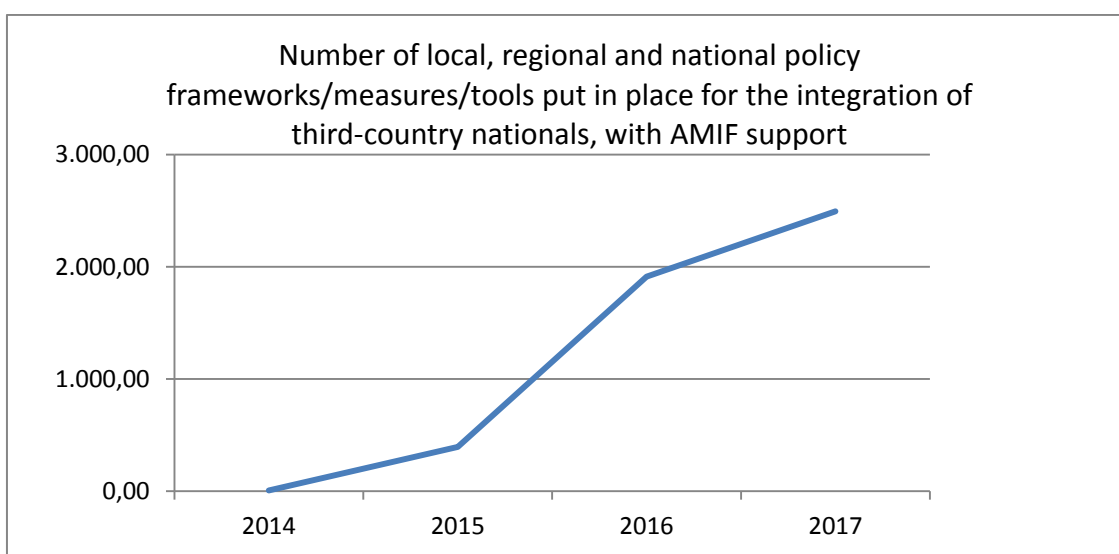
On the occasion of the World Refugee Day, the European Commission released the '**EU Skills Profile Tool for Third-Country Nationals**' on 20 June 2017. It is an off- and online web editor that makes it possible for non-EU nationals to present their skills, qualifications, and experience. It helps employers, education and training providers, reception centres, integration services, public employment services and other organisations to identify individuals' specific needs for integration into the labour market and to match jobseekers to vacancies. DG HOME was closely associated to the development of this tool, which was announced in the New Skills Agenda for Europe⁸⁸.

In the European Semester exercise 2016-2017, DG HOME provided input in country-specific recommendations addressed to three Member States in 2017: France, Belgium and Austria regarding the integration of third-country nationals.

According to the 2017 AMIF accounts (covering the period between 16 October 2016 and 15 October 2017), **EUR 82.1 million of EU funding** was spent by the Member States on measures supporting the social integration of the target groups, as well as to develop the capacity of the relevant actors in the area, which is an increase of 85% compared to the total expenditure of the financial year 2016.

With financial support from AMIF, in 2017, more than 1.3 million third-country nationals were assisted through integration measures in the framework of national, local and regional strategies. The actions consisted in education and training, including language training and preparatory actions to facilitate access to the labour market. Furthermore, advice and assistance were provided in the area of housing, means of subsistence and administrative and legal guidance, medical and psychological care. Significant results in this area have been reported by Poland, France, Spain and Italy.

AMIF sustained the integration policies, through 2 494 local, regional and national policy measures/tools involving the relevant stakeholders, with 30% more than in 2016. It also financed 34 projects designed to develop, monitor and evaluate the integration policies and/or enhance cooperation at the level of the Member States.



Source: 2017 annual implementation reports from Member States by 10 March 2018

⁸⁸ COM(2016) 381 final.

2 An area of justice and fundamental rights based on mutual trust

To monitor the implementation of the European Agenda on Security, DG HOME prepared regular reports on the progress towards an effective and genuine Security Union⁸⁹. They covered developments in tackling terrorism, organised crime and cybercrime and the means that support them as well as on strengthening our defences and building resilience against those threats. A comprehensive assessment of EU security policies since 2001 was published at the same time as the 9th Security Union progress report, on 27 July 2017.

2.1 A strong EU response to tackling terrorism and preventing radicalisation

A lower number of attacks and a higher number of terrorist-related arrests in 2016⁹⁰ indicate that law enforcement agencies of Member states put strong emphasis on prevention of terrorism. This trend was confirmed by an increase in using systems aimed at exchanging information such as **FIU.NET** and **European Bomb Data System**, both managed by **Europol**. Europol's mandate as the EU's central law enforcement agency was enhanced on 1 May 2017 to enable it to respond more rapidly to emerging international terrorist threats and serious and organised crime. Ahead of the entry into force of the new mandate, a cooperation agreement between Europol and Denmark was signed on 29 April 2017. DG HOME facilitated its negotiation.

The **European Counter-Terrorism Centre (ECTC)**, operational since 2016 at Europol, grew in 2017 in its capacity as a hub for counterterrorism cooperation at EU level. It brings together Europol's existing capabilities to build the necessary infrastructure to enhance information exchange and the ability to provide analytical and operational support in major investigations. A key role for the centre is to support major Counter Terrorism (CT) investigations of Member States. In 2017 ECTC launched within the Front Office of Europol a 24/7 CT service. The number of notifications on ongoing investigations increased from 133 in 2016 to 375 in 2017 while the number of notifications on court results increased from 269 in 2016 to 345 in 2017.

EU initiatives such as activities of the **Radicalisation Awareness Network** have laid a solid basis for more effective preventative work. However, to match the increasing speed and scale of radicalisation affecting the EU as a whole, the Commission critically reviewed its tools and identified the scope for increasing the effectiveness of its actions. **The High-Level Commission Expert Group on radicalisation** was set up in July 2017⁹¹ with the purpose to support the Commission in enhancing EU prevent work by improving cooperation and collaboration among stakeholders and initiatives, by further developing Union policies and by exploring options for future more structured cooperation mechanisms at Union level. In December 2017, the Group presented an Interim Report, setting out recommendations on priority areas and principles of any future enhanced cooperation mechanisms.

⁸⁹ COM(2017) 41 - Communication from the Commission to the European Parliament, the European Council and the Council - Fourth progress report towards an effective and genuine Security Union; COM(2017) 203 final - Communication from the Commission to the European Parliament, the European Council and the Council; Fifth progress report towards an effective and genuine Security Union; COM(2017) 213 final - Communication from the Commission to the European Parliament, the European Council and the Council - Sixth progress report towards an effective and genuine Security Union; COM(2017) 261 final - Communication from the Commission to the European Parliament, the European Council and the Council - Seventh progress report towards an effective and genuine Security Union; COM(2017) 354 final - Communication from the Commission to the European Parliament, the European Council and the Council - Eighth progress report towards an effective and genuine Security Union; COM(2017) 407 final, SWD(2017) 278 final - Ninth progress report towards an effective and genuine Security Union; COM(2017) 466 final - Tenth progress report towards an effective and genuine Security Union; COM(2017) 608 final - Eleventh progress report towards an effective and genuine Security Union; COM(2017) 779 final - Twelfth progress report towards an effective and genuine Security Union

⁹⁰ Statistics for 2017 will be available in May 2018.

⁹¹ C(2017) 5149.

To better defend and protect EU citizens against terrorist threats, DG HOME prepared a set of operational and practical measures that the Commission presented on 18 October 2017.

This **counter-terrorism package** includes measures to improve the protection and resilience against terrorism. First of all, with terrorists increasingly targeting public and crowded spaces, DG HOME launched an **Action Plan**⁹² aimed to support MS

Sadly there can never be zero risk of terrorism, but we are continuing to cut the space terrorists have to prepare and carry out their crimes. As terrorist tactics change, we are stepping up our support to Member States in meeting these threats: helping protect the public spaces where people gather, while cutting off terrorists' access to dangerous bomb-making materials, and sources of finance.

Commissioner for the Security Union Julian King, 18 October 2017

in **protecting public spaces**. The Action Plan includes measures such as:

- Financial support, in particular to support cities investing in security solutions
- Networks of practitioners and EU guidance material to protect public spaces. This included setting up a Practitioners' Forum to share good practice and a High Risk Security Network to provide a platform for common training and joint exercises to improve preparedness against attacks
- Involving local actors and the private sector, by for instance setting up an Operators' Forum to encourage public-private security partnerships and engage with private operators such as shopping malls owners, concert organisers, sports arenas and car rental companies

A second Action Plan was also adopted in the package namely on **Enhancing preparedness against chemical, biological, radiological and nuclear (CBRN) security risks**⁹³. Here, DG HOME elaborated a set of initiatives to step up EU level preparedness, resilience and coordination against attacks involving CBRN substances. The Action Plan focuses on:

- Reducing the accessibility of CBRN materials, incl. addressing an insider threat
- Ensuring a more robust preparedness for and response to CBRN security incidents
- Building stronger internal-external links in CBRN security with key regional and international EU partners
- Enhancing our knowledge of CBRN risks, incl. better take up of research results

The package also proposes short-term measures to:

- Restrict access to substances used to make home-made explosives: a Recommendation⁹⁴ sets out immediate steps to prevent the misuse of such substances by terrorists and the Regulation on explosive precursors⁹⁵ will be reviewed with an evaluation and an impact assessment during the first half of 2018
- Support law enforcement and judicial authorities when they encounter encryption in criminal investigations. Proposals include technical support measures, a new toolbox of techniques, training, and the setting up of a network of points of expertise
- Tackle terrorist financing: The Commission has looked into the obstacles to access financial transaction data in other Member States, and possible EU measures to facilitate and speed up such access.

⁹² COM(2017) 612 final.

⁹³ COM(2017) 610 final.

⁹⁴ C(2017) 6950 final.

⁹⁵ Regulation (EU) No 98/2013 of the European Parliament and of the Council of 15 January 2013 on the marketing and use of explosives precursors.

Furthermore, DG HOME contributed to a report⁹⁶ released by the Commission and the High Representative of the Union for Foreign Affairs and Security policy on 19 July 2017 on actions taken and next steps to implement the **2016 Joint Framework on countering hybrid threats**⁹⁷. The report showed that significant progress had been made. The EU has improved the information exchange between Member States on these growing security threats, which often combine conventional and unconventional methods, ranging from terrorism and cyber-attacks to disinformation campaigns or media manipulation. DG HOME worked on developing indicators for hybrid threats to critical infrastructures. However, as the nature of hybrid threats continues to evolve, more needs to be done to improve the awareness of the threats, to monitor and counter illegal online content and propaganda, to enhance the capacities of third countries and to step up cooperation with NATO.

To address the threat posed by terrorist content online effectively, DG HOME continued its efforts to address terrorists' use of the internet under the **EU Internet Forum** with EU Member States, the internet industry and other stakeholders. Efforts focused on the Forum's two objectives, namely to reduce accessibility to terrorist content online, and to empower civil society partners to increase the volume of effective alternative narratives online.

Important progress has been made on priorities established within the EU Internet Forum's ambitious Action Plan to Combat Terrorist Content Online. Internet platforms are increasingly relying on automatic tools for the detection of terrorist content. The database of hashes – announced in December 2016 and set up in 2017 – gathered over 40 000 hashes of known terrorist videos and images in 2017. The rate of manual referrals from the **EU Internet Referral Unit** also continued to increase and by the end of 2017, over 40 000 decisions for referrals were made to the internet companies and in over 80% of cases, the material was removed, thereby helping to reduce accessibility to terrorist content online. DG HOME hosted two successful workshops to involve more and smaller companies in the work of the EU Internet Forum. DG HOME also launched the **Civil Society Empowerment Programme** to develop effective alternative and counter narrative campaigns. On 5 October 2017, the Commission made available EUR 6 million to support the development of those campaigns by credible voices. In 2017, the EU Civil Society Empowerment Programme trained more than 250 civil society organisations across Europe to help them develop counter narratives online.

On 27 June 2017, the first Senior Officials' Meeting of the **EU Internet Forum** to counter terrorism brought together high-level representatives from Facebook, Google, Twitter, Microsoft, Ask.FM, Justpaste.it, Soundcloud, Snap and Yellow, as well as 26 EU MS, Switzerland, Iceland, Norway, Europol, RAN Centre of Excellence, the European Strategic Communications Network (ESCN), the CTC's office, Council Secretariat and several Commission services (HOME, SG, CNECT and JUST).

In addition, DG HOME continued to support the **European Strategic Communications Network** which helps Member States to enhance their capacity to design and deliver communication strategies.

The 11th Security Union⁹⁸ Progress Report looked at the next steps on countering radicalisation online and offline and proposed working with Member States towards the creation of a European Intelligence Unit, as announced by President Juncker as part of his vision for the European Union by 2025.

To step up international cooperation on counter-terrorism, DG HOME also presented **proposals**⁹⁹ for **Council Decisions on the conclusion of the Council of Europe Convention on the Prevention of Terrorism and its Additional Protocol**. The Convention, adopted by the Council of Europe in 2005, relates to the criminalisation of terrorist and terrorist-related activities, to international cooperation regarding such

⁹⁶ JOIN(2017) 30 final . - Joint Report to the European Parliament and the Council on the implementation of the Joint Framework on countering hybrid threats - a European Union response.

⁹⁷ JOIN(2016) 18 final . - Joint Framework on countering hybrid threats a European Union response.

⁹⁸ COM(2017) 608 final.

⁹⁹ COM(2017) 606 final, 2017/0265 (NLE), COM(2017) 607 final.

offences and to protection, compensation and support for victims of terrorism. The Additional Protocol to the Convention, adopted by the Council of Europe on 18 May 2015, furthers a common understanding of, and response to, offences related to foreign terrorist fighters. The EU signed the Convention and its Additional Protocol in October 2015. With the adoption of the Directive on Combating Terrorism in March 2017, the EU has now transposed all the provisions of the instrument, paving the way to completing its commitment to become a party to the Convention and its Additional Protocol. The 18 October proposals concluded this procedure.

To strengthen the EU's external action on counter-terrorism, DG HOME also prepared a recommendation¹⁰⁰ to negotiate a revised Passenger Name Record agreement with Canada in line with all the requirements set out by the European Court of Justice in its opinion of 26 July. The exchange of **Passenger Name Record** (PNR) data among law enforcement authorities remains crucial, not only within the EU, but also with recognized international partners, to fight terrorism and other serious crime that are transnational in nature. An agreement was to be concluded in 2017 between the EU and Canada on the processing and transfer of PNR data by air carriers, but this was put on hold awaiting the Opinion of the European Court of Justice on this agreement and its compatibility with EU law. In its opinion on 26 July 2017, the Court observed that the envisaged agreement may not be concluded as proposed because some of its provisions are incompatible with the fundamental rights (data protection and respect for private life). As a consequence, the conclusion of the agreement with Canada, the negotiations on a similar agreement with Mexico and the Communication on updating the global approach to transfers of PNR data to third countries were put on hold. Once resumed, they will have to duly take into account the Court's Opinion of 26 July.

DG HOME also elaborated Recommendations¹⁰¹ to the Council to authorise the opening of negotiations for agreements between the EU and Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Tunisia and Turkey on the transfer of personal data between Europol and these countries to prevent and combat terrorism and serious crimes.

Security Research activities conducted in the frame of the Horizon2020 **Secure Societies Challenge Work Programme** also significantly contributed to the overall effort in preventing radicalisation and tackling terrorism.

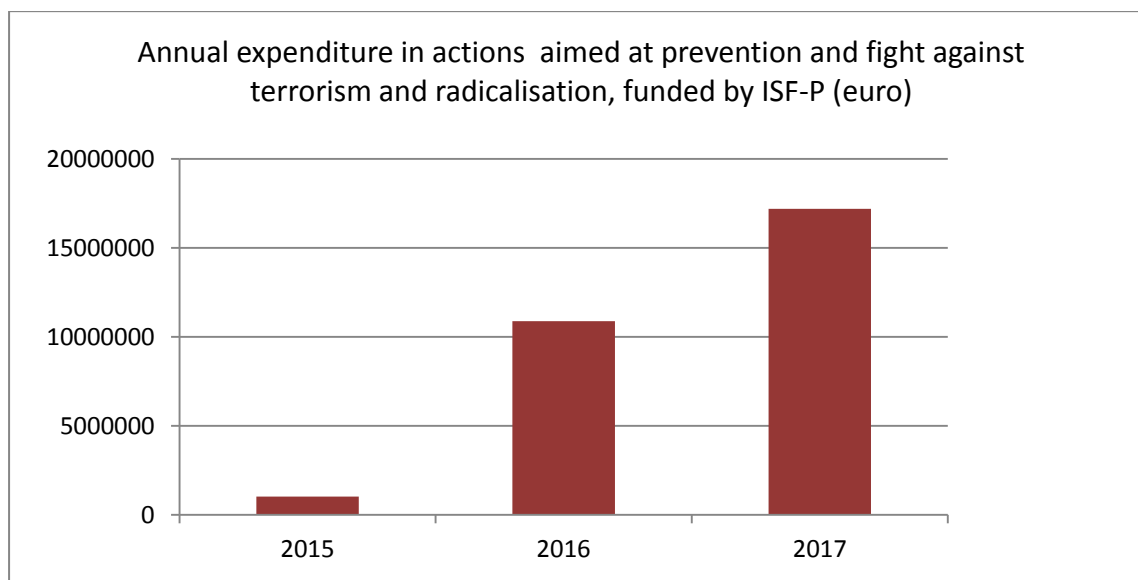
In 2017, five new security-research radicalisation-related projects were launched, for a total of EUR 17 M of EU contribution. Some of these projects deal with technology-related issues of the detection of terrorist content online, and some others tackle social, societal and human aspects of radicalisation and means to prevent it. DG HOME brought these five projects in contact with three other projects from the same family launched earlier, and made a bridge between them. As a result, these projects are currently preparing a list of their potential contributions, in 2018 and beyond, to the recommendations given in the interim report of the High-Level Commission Expert Group on Radicalisation related to several priority topics, such as communications and online propaganda, prisons, local dimension, ideology.

In the security-research Work Programme 2018-2020, a placeholder is put for a radicalisation-related topic in 2020, the description of which will be filled in in function of the output of the on-going projects and the corresponding needs/gaps.

In 2017, **ISF-P** continued to support the prevention and fight against security related-risks and crisis (including terrorism), in order to ensure a high level of security in the Union. In the financial year 2017 (16 October 2016 - 15 October 2017), the Member States, in particular the Netherlands, Estonia, Italy and Latvia, financed actions in this area reaching a total expenditure of **EUR 17.2 million EU funding**, with 58% higher than in 2016.

¹⁰⁰ COM(2017) 605 final.

¹⁰¹ COM(2017) 811 final; COM(2017) 809 final; COM(2017) 806 final; COM(2017) 798 final; COM(2017) 805 final; COM(2017) 808 final; COM (2017) 807 final and COM(2017) 799 final.



Source: 2017 annual accounts submitted by Member States by 28 February / 15 March 2018

To facilitate the protection of critical infrastructure by Member States in all sectors of the economy, 111 tools were put in place or upgraded with the help of the Fund, compared to 93 in 2016.

In the reference period, the Member States implemented 25 projects to improve the assessment and management of risks in the field of internal security and organised in total 153 of expert meetings and other specific events with the support of the Fund, compared to 46 in 2016.

2.2 Disrupt organised crime

In 2017, operational cooperation further improved as evidenced by the increased number of Joint Investigation Teams supported by Europol (from 42 in 2016 to 61 in 2017).

In the context of the preparation of the new EU Policy Cycle on **Organised Crime**, DG HOME was in charge of the preparation of the Multi-Annual Strategic Plans (MASP) for the following policy areas: cannabis, cocaine and heroin; synthetic drugs and New Psychoactive Substances (NPS); trafficking in human beings; environmental crime; organised property crime; criminal finances / money laundering / asset recovery; and disruption of organised crime groups (OCGs) involved in trafficking, distribution and use of firearms. The MASPs and the related Operational Action Plans (OAPs) were adopted by the Standing Committee on Operational Cooperation on Internal Security (COSI) in the last quarter of 2017.

On 26 June 2017, the Fourth **Anti-Money Laundering Directive** entered into force. It strengthens the existing rules making the fight against money laundering and terrorism financing more effective. It also improves transparency to prevent tax avoidance. This entry into force came as discussions with the European Parliament and the Council on extra measures further reinforcing the Directive were at an advanced stage. Although DG JUST is Chef de file, DG HOME is associated and covers the elements of the Directive which concern the prevention of money laundering as well as terrorist financing. From an organised crime perspective, DG HOME has a particular interest in the implementation of the provisions of this Directive, in particular those on the identification of beneficial ownership (which foresee the establishment of beneficial ownership registries for companies and trusts) and on the provisions on Financial Intelligence Units. Building on amendments of the 4th Anti-Money Laundering Directive, a proposal on broadening law enforcement access to centralised bank account registries and retrieval system is due for adoption in April 2018. The proposal contains an obligation for Member States to establish **centralised bank account registries**.

In 2017, the EU-Anti trafficking Coordinator (EU ATC), based in DG HOME, continued coordinating the work against **trafficking in human beings** at Commission level. DG HOME/EU ATC continued working with relevant stakeholders, including the EU network of National rapporteurs and Equivalent mechanism, the EU Platform of Civil Society against trafficking in human beings, Justice and Home Affairs agencies, Commission services, EU institutions and international organisations. From 2016 to 2017 Europol registered, 10 449 suspects of trafficking (66% of them being EU nationals) and 10 664 victims or potential victims of trafficking (68.4% of them being EU nationals). On 4 December 2017, the Commission adopted its Communication¹⁰² reporting on the follow-up to the EU Strategy towards the eradication of trafficking in human beings and identifying further concrete actions to step up the EU's response to prevent this crime. The Commission has outlined actions to take in three priority areas: (i) disrupting the traffickers' business model and untangling the trafficking chain, (ii) providing better access to and realising the rights for victims and (iii) intensifying a coordinated and consolidated response, both within and outside the EU, as well as cross cutting actions, such as widening the knowledge base and supporting anti-trafficking priorities in EU and non-EU countries.

In the first half of 2017, the European Parliament and the Council politically agreed and then formally adopted the new **Firearms Directive**¹⁰³. Although DG GROW was in the lead for this legislation, DG HOME substantively contributed to the negotiations.

On 12 December 2017, the evaluation report about the transposition of **Regulation (EU) 258/2012 implementing Article 10 of the United Nations**¹⁰⁴ **Protocol against the illicit manufacturing of and trafficking in firearms** was published by the Commission (DG HOME) as part of the December Security Union package, together with a detailed Staff Working Document. The report concluded that, although the Regulation has broadly achieved its assigned goals, it is nevertheless also the victim of both its imprecision and its complex articulations with other EU law instruments, and it is necessary to identify measures and actions which strengthen the system of export authorisations.

In 2017, **anti-corruption** became a key issue in the European Semester on economic governance in 2017. A number of country reports included specific analyses of corruption risks and associated challenges as well as recommendations which were endorsed by the European Council. DG HOME continued implementing its experience-sharing programme on anti-corruption, holding three workshops in 2017 where Member State experts exchanged experiences on indicators for measuring corruption, the prevention of conflicts of interest and the economic impact of corruption. DG HOME released two Eurobarometer surveys on corruption, which provided a fresh set of data on how companies and the general public from the EU28 perceive and experience corruption. These activities were complemented by working alongside international organisations active in the field such as the Council of Europe's Group of States against Corruption (GRECO), G20 and United Nations Office on Drugs and Crime (UNODC).

On 6 February 2017, the Commission adopted for the first time a Proposal¹⁰⁵ prepared by DG HOME on the position to be adopted, on behalf of the European Union, on additional substances to be scheduled under UN Conventions on **Narcotic Drugs and on Psychotropic Substances**. The proposal was adopted by the Council in March 2017, ahead of the meeting of the Commission on Narcotic Drugs.

On 15 March 2017, DG HOME proposed a **new EU Action Plan on Drugs**¹⁰⁶ for the period 2017-2020 following the evaluation of the EU Action Plan on Drugs for the period

¹⁰² COM(2017) 728 final.

¹⁰³ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017L0853&from=EN>

¹⁰⁴ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52017DC0737&from=en>

¹⁰⁵ COM(2017) 72 final 2017/0026 (NLE) Proposal for a Council Decision on the position to be adopted, on behalf of the European Union, in the sixtieth session of the Commission on Narcotic Drugs on the scheduling of substances under the Single Convention on Narcotic Drugs of 1961 as amended by the 1972 Protocol and the Convention on Psychotropic Substances of 1971 <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017L0853&from=EN>

¹⁰⁶ COM(2017) 195 final.

2013-2016 and the mid-term assessment of the EU Drugs Strategy 2013-2020¹⁰⁷. Overall, the evaluation recommended updating the 2013-2016 Action Plan to

- Respond to newly-emerging health and security challenges in the area of illicit drug use and trafficking
- Create more synergies with other EU policy areas such as the EU Health Strategy
- Pay more attention to the use of new communication technologies in illicit drug production and trafficking and the role of internet in drug prevention
- Reduce demand for New Psychoactive Substances (NPS), their supply and the harm associated with their use

On the basis of the above, the Council of the EU adopted the action plan in June 2017¹⁰⁸. While maintaining and updating the core policy areas and crosscutting themes of the overall EU Drugs Strategy 2013-2020, the Action Plan identifies new priority areas for action, including the monitoring of NPS as well as the use of new communication technologies in illicit drug production and trafficking and evidence gathering on the potential connection between drug trafficking and financing of terrorist groups, organised crime, migrant smuggling or trafficking in human beings.

On 6 June 2017, the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) published the **European Drug Report 2017: Trends and Developments**¹⁰⁹. This annual report provides a comprehensive analysis of recent trends in the drug situation in Europe, including issues related to the rising overdose deaths, the continued availability of new psychoactive substances and the growing health threat of highly potent synthetic opioids. For the first time, the report was accompanied by 30 Country Drug Reports presenting summaries of national drug phenomena in the EU28, Turkey and Norway. DG HOME coordinates at policy level within the Commission these annual reports in order to have an appropriate basis for evidence-based policy making.

In autumn 2017, the **new legislative framework on new psychoactive substances** (NPS) was formally adopted by the European Parliament and the Council. DG HOME was involved in the trilogue negotiations of the legislative package which includes a Directive¹¹⁰ and a Regulation¹¹¹. The new legislation, once fully effective in November 2018, will help to reduce the availability of those dangerous NPS through swifter, more effective action at the Union level. The package also strengthens the role of the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA).

On 28 November 2017, the EMCDDA and Europol published the report *Drugs and the darknet: Perspectives for enforcement, research and policy*¹¹², which presents the latest understanding of how darknet markets function in relation to drugs, the threats they pose to health and security and how Europe can respond. DG HOME ensures coherence between the information provided in the report and actions taken at EU level in that area.

Most of the outcomes are related to capacity building, such as 103 joint investigation teams (JITs) and European Multidisciplinary Platform against Criminal Threats (EMPACT) operational projects being supported by the Fund, 99 projects in the area of crime prevention and 45 projects aiming to improve law enforcement information exchanges that are related to Europol systems, representing an increase of 63% compared to the cumulated number of similar projects reported in 2016.

The Member States intensified the training activities so that the number of law enforcement officials trained on cross-border-related topics in 2017 reached the value of 8 134, an increase of 116% compared to 2016.

¹⁰⁷ SWD(2017) 95 final.

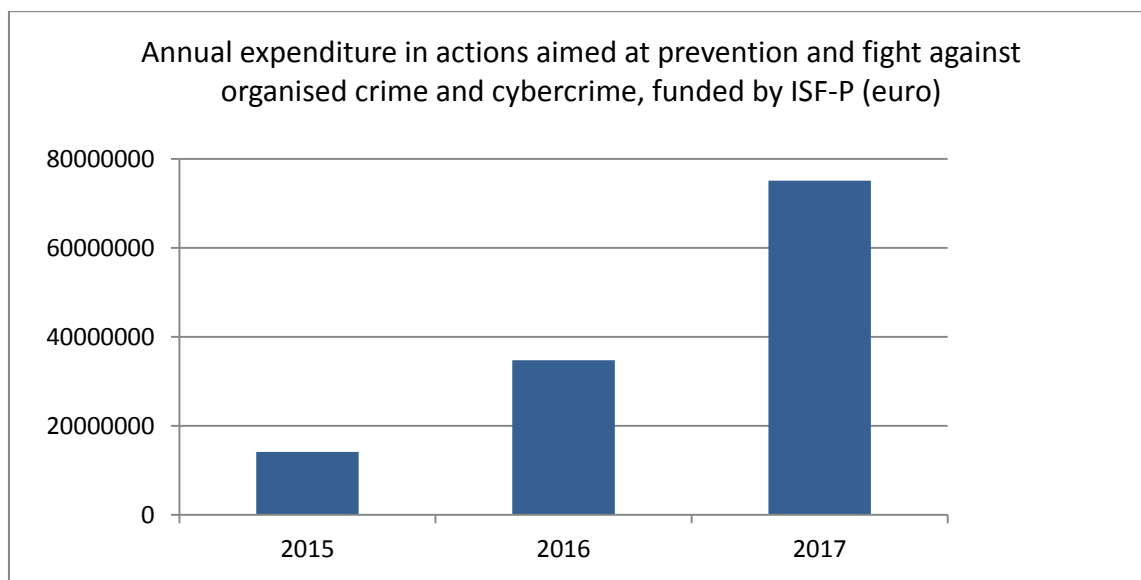
¹⁰⁸ [http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52017XG0705\(01\)&from=EN](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52017XG0705(01)&from=EN)

¹⁰⁹ European Drug Report 2017: Trends and Developments, EMCDDA, Lisbon, June 2017; http://www.emcdda.europa.eu/edr2017_en

¹¹⁰ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017L2103&from=EN>

¹¹¹ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R2101&from=EN>

¹¹² <http://www.emcdda.europa.eu/system/files/publications/6585/TD0417834ENN.pdf>



Source: 2017 annual accounts submitted by Member States by 28 February / 15 March 2018

Security Research activities conducted in the frame of the Horizon2020 **Secure Societies Challenge Work Programme** also contributed to the overall effort in fighting organised crime. EU funding support went for instance to research on high-impact petty crime, mitigate corruption and tax crimes in the EU, forensics and online illegal trafficking.

ACXIS ("Automated Comparison of X-ray Images for cargo Scanning")

Completed in May 2017, the main objective of ACXIS was to develop a manufacturer-independent reference database derived from X-ray images of illegal and legitimate cargo, plus information about procedures and algorithms for X-ray imagery produced by different cargo scanners using different measurement parameters. More than 30 000 X-ray images – consisting of real detections, X-ray mock-up scans and simulated projections of contraband for various types of cargo – were stored. One of the project's main challenges was to transform this diverse data into a manufacturer-independent format via geometrical and X-ray spectral corrections.

Dutch and Swiss customs authorities actively cooperated with the consortium's industrial and research centre partners to develop a software tool to automatically detect illegal goods stored in cargo such as weapons, cigarettes and drugs. ACXIS also developed a training simulator to increase the skills of customs officers in detecting illegal cargo. Both software and training simulator are now ready to be commercialised.

2.3 An effective response to cybercrime

On 13 September 2017, the European Commission and the High Representative proposed¹¹³ a wide-ranging set of measures to build strong cybersecurity in the EU. DG HOME coordinated or contributed to the elaboration of these proposals.

DG CNECT coordinated the elaboration of two proposals with contributions from DG HOME, namely the proposal to create an **EU Cybersecurity Agency** and one to set up an **EU-wide certification framework**.

DG HOME coordinated the preparation of a proposal for a Directive¹¹⁴ to **combat fraud and the counterfeiting of non-cash means of payment**. The proposed **Directive** will

¹¹³ JOIN(2017) 450 final, Joint Communication to the European Parliament and the Council "Resilience, Deterrence and Defence: Building strong cybersecurity for the EU".

¹¹⁴ COM(2017) 489 final Proposal for a directive on combating fraud and counterfeiting of non-cash means of payment and replacing Council Framework Decision 2001/413/JHA.

strengthen the ability of law enforcement authorities to tackle this form of crime, inter alia by **expanding the scope of the offences** related to information systems to all payment transactions, including transactions through virtual currencies. The Commission also announced that it would put forward proposals to facilitate cross-border access to electronic evidence in early 2018 while already working on implementing practical measures, including funding for training on cross-border cooperation, the development of an electronic platform to exchange information within the EU, and the standardisation of judicial cooperation forms used between Member States. To that end, the Commission awarded EUR 1 Mio to Europol in December 2017 under the Foreign Policy Instrument to improve cooperation between EU law enforcement and US authorities and service providers through capacity building, leveraging and expanding the SIRIUS platform.¹¹⁵

DG HOME contributed to the elaboration of a Communication on **Tackling Illegal Content Online - Towards an enhanced responsibility of online platforms** that the Commission presented, on 28 September 2017, which contains guidelines and principles for online platforms to step up more proactive prevention, detection and removal of illegal content online in cooperation with national authorities, Member States and other relevant stakeholders. The new guidance calls on online platforms to further boost their efforts to prevent the spread of illegal content and to take swift action. It aims to facilitate and intensify the implementation of good practices for preventing, detecting, removing and disabling access to illegal content so as to ensure the effective removal of illegal content, increased transparency and the protection of fundamental rights online.

In the financial year 2017 (16 October 2016 - 15 October 2017), the Member States implemented actions aimed at prevention and fight against organised crime and cybercrime, funded by **ISF-P**, spending **EUR 75.1 million EU funding**, more than the double of the 2016 expenditure.

An example of a high impact Horizon 2020 project is DANTE ("Detecting and ANALysing TErrorist-related online contents and financing activities"), which brings together radicalisation and cybercrime. Namely, DANTE will deliver effective, efficient and automated data mining, analytics solutions and an integrated system to detect, retrieve, and analyse huge amounts of heterogeneous and complex multimedia and multi-language (in five languages) terrorist-related contents from both the Surface and the Deep Web, including the Dark Net. The ultimate goal is to discover (by "connecting the dots"), analyse and monitor potential terrorist-related activities and people, with focus on online fund raising activities, but also considering propaganda, training and disinformation. Starting from lab and pre-prototype tools and methods, a market ready product with higher Technology Readiness Level (TRL) will be the major outcome of DANTE. The project started in September 2016 and should be finished by end of February 2019 (EUR 5 M of EU contribution).

3. A Union of democratic change

3.1 Enhance citizens' understanding of the Union, its history and diversity, foster European citizenship and improve conditions for civic and democratic participation at Union level

In 2017, DG HOME, in close cooperation with the Education, Audiovisual and Culture Executive Agency, continued implementing the **Europe for Citizens programme** 2014-

¹¹⁵<https://www.europol.europa.eu/newsroom/news/europol-launches-sirius-platform-to-facilitate-online-investigations>

2020.

According to Eurobarometer N° 88 (Autumn 2017), 70 % of EU citizens now feel European (compared to 67 % in Autumn 2016).

In 2017, 248 town-twinning projects, 32 networks of towns and 27 civil society projects were selected for support and 30 civil society organisations and think-tanks were financed through operating grants, which helped to progress towards the objectives set in the "**Democratic engagement and civic participation**" strand of the Europe for Citizens programme. Under this strand, the programme supports activities that cover civic participation in the broadest sense and focus in particular on structuring methods to ensure that funded activities have a lasting effect. In line with the general and specific objectives of the Europe for Citizens programme, this strand also covers projects and initiatives that develop opportunities for mutual understanding, intercultural dialogue, solidarity, societal engagement and volunteering at Union level.

In 2017, 39 remembrance projects were selected for support and 6 remembrance organisations were financed through operating grants, which helped to progress towards the objectives set in the "**European Remembrance**" strand of the programme. Under this strand, the programme supports activities that encourage reflection on European cultural diversity and on common values in the broadest sense. Funds are available for initiatives to reflect on the causes of totalitarian regimes in Europe's modern history and to commemorate the victims of their crimes. In line with the general and specific objectives of the programme, this strand also encompasses activities concerning other defining moments and reference points in recent European history to foster common European memory and culture of remembrance. In particular, preference is given to actions which encourage tolerance, mutual understanding, intercultural dialogue and reconciliation as a means of moving beyond the past and building the future, in particular with a view to reaching the younger generation.

Project Title: "Bagages à main" – One example of a town twinning project completed in 2017

Grant awarded in 2017: EUR 25 000

The project "Bagages à main" gathered in Italy in October 2017 22 partners from 10 different countries in order to debate around two of the annual priorities of the Europe for Citizens Programme: promoting solidarity in times of crisis and combatting the stigmatisation of migrants and minority groups. The main aim of the project was to shed light on the refugee crisis that has impacted Europe since 2015, to reduce political, institutional, moral or ethical gaps and practices between different countries in Europe and finally, to provide the local communities with the necessary tools for a successful integration of migrants.

The project reached its purpose through debates, workshops and an exhibition – in which more than 200 people with different backgrounds (academics, local governments' representatives, NGOs, migrants and other groups of vulnerable people) took part. The debates and workshops covered the following topics: history and future of the EU, inclusive and participatory democracy, reasons why migrants leave their countries, different types and means of migration, portraiture of migrants in the media.

By presenting 22 video-testimonials/interviews with migrants currently living in Italy and by organising an exhibition where migrants shared their stories and journeys, the project promoted a strong message of tolerance.

Project Title: "1968-2018 Do it yourself – Create your own society" – One example of a remembrance project completed in 2017

Grant awarded in 2017: EUR 100 000

"1968 was an iconic year. A massive wave of protest overflowed the world. People demanded liberty and more democracy. Even in authoritarian ruled countries this spirit of '68 touched people so much that it led, for instance, to the Prague Spring and extensive protests in Poland. Fifty years later people everywhere

seem disillusioned about what democracy has brought them. 'Strong leaders' gained popularity and civil liberties are under threat (...)" (Stichting Autres Directions; <http://www.ironcurtainproject.eu/en/new-plans-for-2018/>).

The multimedia project aims to commemorate the revolts of '68 and foster the participants' sense of ownership for how the EU develops and for the values it is built on. Which values are European citizens willing to stand up for? Do old methods like street protests or newer ones like 'online activism' suffice?

With the travelling 'Do It Yourself Pop-up Museum' the history of '68 will be shown by telling the personal stories of EU citizens who were an example of civic participation then and are now: abstract concepts like 'democratic values' and 'history' are turned into something concrete to which people can relate to. The interactive 'value game' in which visitors have to choose between seemingly opposing values, stimulates citizens to actively reflect on citizenship and participation. Together with the debates, workshops and the online website "Stichting Autres Directions" provides a platform for social and intercultural interaction between EU citizens to reflect on social mobilisation.

In this project +/- 500 direct visitors to the travelling exhibition and events are expected with an indirect outreach to +/- 75 000 citizens.

While DG HOME is responsible for the development and political steering of the Europe for Citizens programme as well as for its monitoring and evaluation, the Education, Audiovisual and Culture Executive Agency (EACEA) is responsible for most of its implementation.

The numbers of outputs produced in 2017 are slightly lower than the number of outputs foreseen due to:

- The higher average value of grant per project;
- Projects that are better structured with an enlarged partnership, involving a bigger number of participants and hence more citizens involved per project.
- The transfer of an amount of EUR 740 000 to the budgetary sub-line 18 04 01 02 dedicated to the European Citizens' initiative under the flexibility clause of the programme.

In 2017, sustainability and effectiveness were enhanced by using IT tools, lump sums and unit costs.

In 2017, the EACEA provided all the reports foreseen in the general memorandum of understanding between EACEA and its parent DGs on detailed arrangements and procedures of interaction, enabling DG HOME to closely monitor the implementation of the Europe for Citizens programme in 2017.

Through the active participation in the Steering Committee, DG HOME was informed about the IAS audit on Erasmus+ and Creative Europe, programmes managed by EACEA, which was finalised in December 2017 (see also section 2.1.2). The audit detected one critical and eight very important issues in relation to the programmes audited. DG HOME has closely supervised the follow up to the audit, as the changes in the working methods of EACEA have also an impact on the way the Europe for Citizens programme is managed by EACEA.

The Mid Term Evaluation Report of the Commission on the results obtained and on the qualitative and quantitative aspects of the implementation of Europe for Citizens was due to be adopted by the end of 2017. Following requests by DG HOME, the contractor has made the improvements and corrections to the final study report. The Commission report will be adopted in the first quarter 2018.

4 A Deeper and Fairer Internal Market with a

Strengthened Industrial Base

A strong and competitive EU security industry contributes to meeting the EU's security needs. Whilst technology cannot guarantee security, it is a principal enabler for security in today's society. Furthermore, a strong EU-based security industry ensures that Europe does not have to depend on third countries' technologies in highly sensitive domains.

The growth prospects for Europe's security sector are promising. According to a study carried out in 2015 at the request of DG HOME⁴, the sector employs 4.7 million people and accounts for an annual turnover approaching EUR 200 billion across more than 20 sub-sectors of the European economy. Most companies in the security sector reported growth over the last five years and a majority of these companies expect this trend to continue in the future. In terms of client groups, market demand for security products and services is also expected to show significant growth, especially in the area of critical infrastructure protection.

One of the major challenges in achieving a competitive EU security industry is the industry's focus on national or regional markets. This is mainly due to the type of products and services that are offered (often niche products), and to the public nature of purchasers which often leads to technical (and at times legal) specifications for the different products to vary considerably from country to country.

DG HOME, which is responsible for both the security research programme, as well as the security industry policy continued over the course of 2017 to launch dedicated initiatives to overcome these challenges and support the competitiveness of the EU security industry.

On 7 September 2016, the Commission adopted a proposal¹¹⁶ prepared by DG HOME for a Regulation establishing a Union certification system for aviation security screening equipment. The introduction of an EU certificate will allow security equipment approved in one Member State to also be put on the market in others.

In 2017, the progress on this file consisted in a number of presentations provided to the European Parliament, to Member States and bilateral discussions with stakeholders.

The decision taken in spring 2017 not to pursue the work on a harmonised certification scheme for alarm system components was based on a number of factors. Taking into account the current priorities of the European Commission and the time elapsed since the initiative was announced in 2012, it was considered that the initiative did no longer correspond to the Commission's priorities.

With the particular objectives of **overcoming market fragmentation** and strengthening the competitiveness of the EU industry, the Commission is currently involved in a number of standardisation initiatives, primarily in the areas of privacy by design, disaster resilience and CBRN-E (Chemical, Biological, Radiological, Nuclear and Explosives) with European Standardisation Organisations (CEN, CENELEC and ETSI) or through the introduction of standards in relevant legislation.

In this context, the FP7 research projects CRISP and HECTOS addressed standardisation, evaluation and certification approaches for security products and systems. This has led to guidelines for the certification of installed security systems and to the development of innovative products, published in 2017.

In 2017, a particular Focus was given to the introduction of the Pre-Commercial Procurement (PCP) funding scheme in the security research Work Programme. PCP responds to a common need identified by a consolidated group of users and offers the possibility to steer the development of solutions towards concrete public sector needs, whilst comparing/validating alternative solution approaches, thus accelerating the road to market for those solutions, which prove to be technologically mature and operationally relevant. Moreover, PCP enables public procurers and suppliers to facilitate the access of new innovative players (e.g. start-ups, SMEs) to the public procurement market and

¹¹⁶ COM(2016) 491 final

reduce market fragmentation by decreasing costs for procurers and creating wider markets for companies.

The first three PCP projects of the security research programme managed by DG HOME were successfully selected for funding in 2017, addressing the following issues: "Innovation activity to develop technologies to enable a pan-European interoperable broadband mobile system for Public Protection and Disaster Relief, validated by sustainable testing facilities", "Scientific High-throughput and Unified Toolkit for Trace analysis by forensic Laboratories in Europe" and "Next generation of information systems to support EU external policies.

2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

This section answers to the question *how* the achievements described in the previous section were delivered by the DG. This section is divided in two subsections.

The first subsection (2.1) reports the control results and all other relevant information that support management's assurance on the achievement of the financial management and internal control objectives. It includes any additional information necessary to establish that the available evidence is reliable, complete and comprehensive; appropriately covering all activities, programmes and management modes relevant for the DG.

The second subsection (2.2) deals with the other components of organisational management: human resources, better regulation principles, information management and external communication.

2.1 Financial management and internal control

Assurance is an objective examination of evidence for the purpose of providing an assessment of the effectiveness of risk management, control and governance processes.

This examination is carried out by management, who monitors the functioning of the internal control systems on a continuous basis, and by internal and external auditors. Its results are explicitly documented and reported to the Director-General. The reports produced are:

- the reports by Authorising Officers by Sub-Delegation (AOSDs) in the DG;
- the reports from Authorising Officers in other DGs managing budget appropriations in cross-sub-delegation;
- the reports on control results from management/audit authorities in Member States in shared management as well as the result of the Commission supervisory controls on the activities of these bodies;
- the reports of the external auditors on control results of decentralised agencies in indirect management as well as the result of the Commission supervisory controls on the activities of these bodies; the reports received in the framework of the delegation agreements;
- the contribution of the Internal Control Coordinator (ICC), including the results of internal control monitoring at DG level. Concerning Internal Control Standard 10 "Business Continuity" and the Commission decision of May 2017 to dismantle the Shared Resource Directorate (SRD) of DG Migration and Home Affairs (DG HOME) and DG Justice and Consumers (DG JUST) please see part 2.1.3;
- the results of the ex-post supervision and audit;
- the conclusion of the internal auditor on the state of internal control, and the observations and recommendations reported by the Internal Audit Service (IAS);
- the observations and the recommendations reported by the European Court of Auditors (ECA).

These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a complete coverage of the budget delegated to the Director-General of DG HOME.

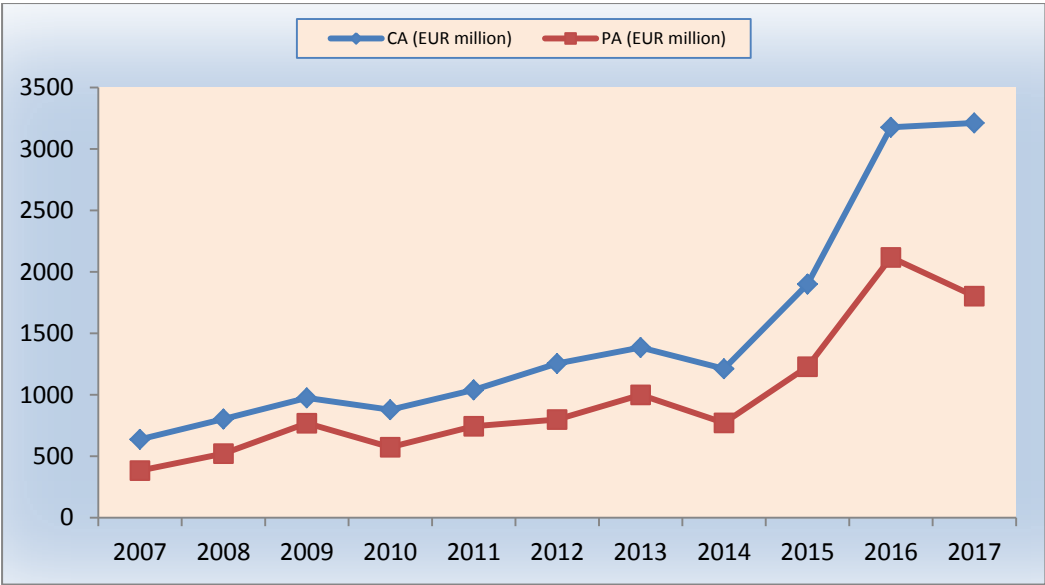
This section reports the control results and other relevant elements that support management's assurance. It is structured into (2.1.1) Control results, (2.1.2) Audit observations and recommendations, (2.1.3) Effectiveness of the internal control system, resulting in (2.1.4) Conclusions as regards assurance.

2.1.1 Control results

This section reports and assesses the elements identified by the management that support the assurance on the achievement of the internal control objectives¹¹⁷. The DG's assurance building and materiality criteria are outlined in the AAR Annex 4. Annex 5 outlines the main risks together with the control processes aimed to mitigate them and the indicators used to measure the performance of the control systems.

The main results of the control indicators are reported below, however Annex 10 presents a more complete overview, together with a comparison with the previous year.

In 2017, DG HOME's policies were supported by EUR 3.21 billion of commitment appropriations representing 2% of the EU budget, with a corresponding amount of EUR 1.80 billion of payment appropriations (commitment and payment appropriations authorised, Annex 3). The appropriations managed by DG HOME in 2017 saw a slight increase in commitments as compared to 2016 (1% increase in commitment appropriations) and 15% decrease in payment appropriations.



¹¹⁷ Effectiveness, efficiency and economy of operations; reliability of reporting; safeguarding of assets and information; prevention, detection, correction and follow-up of fraud and irregularities; and adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art. 32).

From the amount of EUR 3.21 billion in commitment appropriations of the year, EUR 3.12 billion (97%) were allocated to the two funds implemented in the migration and security area, AMIF and ISF. In 2017, the financial environment of DG HOME continued to be significantly impacted by the migration crisis and the subsequent increase in budget appropriations voted by the budgetary authority. The two funds have been reinforced in 2017, through the budgetary procedure with additional resources allocated to expanding the pool of equipment made available to the European border and coast guard agency (Frontex), to the development of Passenger Name Record system (PNR), information exchange between Member States, counter-terrorism measures as well as allocating

Example 18.03 Asylum and migration

Commitment appropriations: ↓6.5% in 2017 vs 2016: (↗ 122% 2016/2015)

Payment appropriations: ↓29.3% in 2017 vs 2016 (↗144% 2016/2015)

additional funding for integration and return measures under AMIF. Another important part of the reinforcement was used to increase the emergency assistance under AMIF/ISF and to reinforce the resources of EASO, Schengen Information System (SIS II) and Visa Information System (VIS). In case of

emergency assistance, the budget available increased from the initial amount of EUR 255.5 million at the beginning of the year to EUR 483 million by the end of 2017.

DG HOME managed to maintain good implementation rates as regards commitment and payment appropriations, achieving consumption rates of 89.73% for commitments¹¹⁸ and 94.61% for payments.

The implementation pace triggered an increase of 24% of the total RAL (*reste à liquider / open commitments*) at the end of 2017 (it reached 40% in 2016).

The below table provides an overview of the budgetary consumption of DG HOME's total commitments and payments in 2017 by programme.

Programmes	Implementation of commitment appropriations	Implementation of payment appropriations
	MEUR	MEUR
Admin/Support Expenditure	9,79	3,68
Asylum and Migration Fund - Asylum	801,71	351,36
Asylum and Migration Fund - Migration	616,85	224,92
Internal Security Fund – Borders	412,5	245,96
Internal Security Fund – Police	313,75	106,77
Completion EBF/ISEC/CIPS	0,32	77,80
Completion EIF/RF/ERF	0,04	52,60
Horizon 2020- Security	53,58	62,50
Completion FP7- Security	0,12	6,57
Drugs Programme	3,15	1,91
Completion Drugs programme	0	0,11
Europe for Citizens	0	0,00
Completion Europe for Citizens	0	0,00

¹¹⁸ Detailed implementation rate on commitments and payments is detailed in Annex 3. The Commitment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous commitment appropriations for the period (e.g. internal and external assigned revenue).

SIS/VIS/Eurodac	31,19	24,98
Pilot Projects	0	0,52
Executive agencies	2,25	2,25
Decentralised agencies	636,63	543,42
Total	2.881,88	1.705,35

The DG was responsible for six ABB¹¹⁹ activities (one on administrative expenditure and five on operational expenditure) which are managed under five separate internal control systems:

- Shared management SOLID (7% of total DG HOME payments in 2017). The 2007-2013 General Programme Solidarity and Management of Migration Flows (SOLID) consisted of four instruments: External Borders Fund (EBF), European Return Fund (RF), European Refugee Fund (ERF) and European Fund for the Integration of third-country nationals (EIF).
- Shared management AMIF/ISF (36% of total DG HOME's payments in 2017): the current Home Affairs instruments 2014-2020 include two Funds: Asylum, Migration and Integration Fund (AMIF) and Internal Security Fund (ISF – Borders and ISF Police). The share of funds implemented under shared management is as follows: AMIF 69% and ISF 43%. In 2017, Member States sent accounts for the financial year 2016 which have been cleared as reported in the Commission Decision C(2017)4490 final of 23.06.2017.
- Indirect management - Decentralised agencies (32% of total DG HOME payments in 2017). It represents the subsidies voted by the budgetary authority for the decentralised agencies. DG HOME acts as a partner DG for six agencies: the European Border and Coast Guard Agency (Frontex), European Police College (CEPOL), European Police Office (Europol), the European Asylum Support Office (EASO) the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA), and European Agency for the operational management of large-scale IT systems in the area of freedom, security and justice (eu-LISA).
- Indirect management delegation agreements (0.33% of total DG HOME payments in 2017). In 2015, DG HOME started the implementation of the delegation agreements foreseen under AMIF and ISF annual work programmes for Union Actions with Europol (Empact), eu-LISA (Smart Borders Pilot project) and ICMPD (Mobility Partnership Facility) and UNHCR (support to Greece for the development of the Hotspot/relocation scheme and increase the asylum reception capacity). In 2017 a new delegation agreement was signed with the International Organisation for Migration (IOM) to implement phase II of the readmission capacity building facility (EURCAP), for a global value of EUR 7 million.
- Direct management grants non-research (17% of total DG HOME payments in 2017). Under AMIF and ISF, grants are awarded under "Union Actions" (to respond to specific transnational or particularly innovative initiatives which can be of benefit to the EU as a whole or to specific Union priorities, such as for instance joint processing of asylum applications, joint return operations, law enforcement cooperation) or under "emergency assistance" (direct award to support Member States facing emergency situations). Other programmes managing grants under direct management were the Anti-Drugs Policy Programme (to help implement the objectives set by the EU Drugs Strategy 2013-2020 and to foster cross-border cooperation and research on drug issues). The funds under the programme Europe for Citizens (contributing to citizens' understanding of the EU, its history and diversity and foster European citizenship and improve conditions for civic and

¹¹⁹ Activity-based budgeting.

democratic participation at EU level) are implemented through the executive agencies EACEA.

- Direct management grants research (4% of total DG HOME payments made in 2017) include the Horizon 2020 Societal Challenge "[Secure societies – Protecting freedom and security of Europe and its citizens](#)" (together with its predecessor under FP7), implemented also under direct management mode, undertake the research and innovation activities needed to protect citizens, society and economy as well as our infrastructures and services. Grants vary from modest amounts for academic inquiry and studies to large-scale technology demonstration projects.
- Direct management procurement (3% of total DG HOME payments made in 2017): 2017 was characterised by a significant increase of transactions, which corresponds to developments in various policy areas and to the launch of studies for the interim evaluations of AMIF and ISF, and the preparation of the new multiannual financial framework.

The following table summarises the payments made by DG HOME in 2017, in terms of activities per control system, as well as the key indicators (Residual error rates (RER) and cost-efficiency) available for each layer.

Summary of payments, main internal control indicators and reservations, per control system, 2017

Control system	Total payments 2017 (€ million)	Indicators 2017	Indicators 2016
Shared management SOLID (MFF 2007-2013) reservation issued	116,84 6,85%	DER: 2.39% RER: 0.94% cost efficiency: 1.37%	DER: 2.26% RER: 0.75% cost efficiency: 0.86%
Shared management AMIF/ISF (MFF 2014-2020) reservation issued	620,36 36,38%	DER: n/a RER: 1.54% cost efficiency: 1.37%	DER: n/a RER: 1,34% cost efficiency: 0.86%
Direct management non research grants (MFF 2007-2013 and 2014-2020) reservation issued	295,48 17,33%	DER: 3.61% RER: 2.98% cost efficiency: 2.20%	DER: 3.53% RER: 3.07% cost efficiency: 1.50%
Direct management research grants (FP7 and H2020) reservation issued	68,45 4,01%	DER: 5,83 RER: 4.46% cost efficiency: 2.36%	DER: 5.03% RER: 2.70% cost efficiency: 5.94%
Direct management procurement no reservation issued	45,25 2,65%	DER: na RER: 0.2% cost efficiency: 4.70%	DER: na RER: 0.6% cost efficiency: 7.26%
Indirect management decentralised agencies reservation issued	543,42 31,97%	DER: na RER: <2% cost efficiency: 0.38%	DER: na RER: <2% cost efficiency: 0.43%
Indirect management delegation agreements no reservation issued	5,60 0.33%	DER: na RER: <2% cost efficiency: 7.65%	DER: na RER: <2% cost efficiency: 0.53%
Others	9,95	low risk	low risk
Total	1.705,35	RER: 1,32% cost efficiency: 1.34%	RER: 1,26% cost efficiency: 1.13%

Overall, reliable and complete control results are available for each control system. The analysis and conclusions of each relevant control category in terms of legality and regularity and cost efficiency is described and explained in details further below under Part 2.1.1. Key indicators have been defined for each stage of the relevant control system and presented in details in Annex 10. Five reservations have been issued based on the legality and regularity indicators and detailed in Part 2.1.4.

Regarding the overall efficiency of controls, a positive conclusion in relation to the overall efficiency of controls has been reached based on an overall cost-efficiency indicator of 1.34% (details in Part 2.1.1.2), slightly higher than in 2016 (1.13%). In 2017 DG HOME registered a general improvement of the "time-to" indicators, with the exception of procurement and payments to agencies.

Regarding fraud prevention and detection, DG HOME prepared a comprehensive revision of its anti-fraud strategy in 2017, and a chain of actions has been taken (Part 2.1.1.2). In 2017, two cases of suspicion of fraud and irregularities were transferred to OLAF for analysis.

Due to the fact that administrative arrangements, cross sub-delegations and contributions to executive agencies are immaterial (total less than 1% of the total payments of DG HOME), these activities are not detailed further in this AAR.

Coverage of the Internal Control Objectives and their related main indicators

2.1.1.1 Control effectiveness as regards legality and regularity

DG HOME has set up internal control processes aimed to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments concerned.

The methodology **to determine the materiality level for reservations** is described in detail in Annex 4.

The materiality is determined for each relevant distinct internal control system across various ABB chapters ("horizontal" approach). The main distinct internal control systems are (A1) shared management SOLID funds (A2) shared management AMIF/ISF (B) direct management – non research grants (C) direct management - research grants, (D) other direct management expenditure (procurement); (E) indirect management decentralised agencies (F) indirect management delegation agreements. These layers are determined by the differences in the ex-ante and ex-post control approach put in place in DG HOME to control and obtain assurance for each type of expenditure – each control approach is described in more detail throughout Chapter 2 and in Annex 5 (Internal Control Templates).

As a general principle, the main control objective is to ensure that the cumulative residual risk for control system does not exceed 2% of all payments made on a cumulative basis. Where the residual error rate is above 2%, a reservation is made.

There are five financial reservations in the AAR 2017, they were four in 2016.

Some reservations were already included in the AAR 2016 and remain in the AAR 2017 as the deficiencies or irregularities justifying them are not fully addressed yet (control

system **Germany**¹²⁰, direct management research grants¹²¹ and direct management non-research grants¹²²). DG HOME continues to monitor very closely these reservations and takes all necessary steps to address the deficiencies/irregularities.

Two new financial reservations concerning the management and control systems of the UK and Finland were identified.

The financial reservation for the **UK**¹²³ concerns the EIF¹²⁴ and RF¹²⁵ for the period 2009-2013 and is due to an ongoing ex-post audit by the Commission services.

The financial reservation for **Finland**¹²⁶ concerns the AMIF and ISF 2016 annual accounts. The management and control systems applied by the Finnish authorities worked partially, with substantial improvements needed.

There are two new reputational reservations because the identified deficiencies do not have a financial impact on the payments made by DG HOME during 2017.

DG HOME set a new reputational reservation on the **AMIF National Programme Greece**¹²⁷ based on the analysis of the annual accounts for the financial year 2016-2017 submitted by Greece on 15/02/2018. Deficiencies in the functioning of the management and control system of the national programme were identified by DG HOME auditors.

In 2017, DG HOME set a new reputational reservation on one of the decentralised agencies (EASO)¹²⁸. The reputational reservation on **EASO** is due to the results of the audit report issued by the European Court of Auditors in 2017 on EASO's 2016 accounts as well as the OLAF ongoing investigation, the IAS audit report and a number of concerns identified by DG HOME. The EP has decided to postpone 2016 EASO's discharge waiting for the outcome of OLAF's ongoing investigation.

in addition to those related to SOLID shared management, AMIF/ISF shared management, grants non-research and grants research.

For the four control systems already under reservation in 2016, the legality and regularity of transactions continued to present error rates above 2%. For SOLID funds, four funds in two Member State showed error rates above 2%. Concerning the management and control systems for the period 2014-2020, for AMIF and ISF one Member State (Finland) presents a residual error rate above 2% and for AMIF only, one Member State presents a reputational reservation for deficiencies on the Management and Control System. For grants non-research, a slight decrease in the residual error rate was calculated. In case of grants research, the residual error rate shows a slight increase (+0,09%) compared to the residual error rate of last year.

A) Shared management

Materiality criteria and reservations

For SOLID funds the residual risk of error is estimated in accordance with the

¹²⁰ More detailed analysis on the financial reservation is provided on page 111 – Reservation 1.

¹²¹ More detailed analysis on the financial reservation is provided on page 119 – Reservation 4.

¹²² More detailed analysis on the financial reservation is provided on page 117 – Reservation 3.

¹²³ More detailed analysis on the financial reservation is provided on page 112 – Reservation 1.

¹²⁴ European Fund for the Integration of third country nationals.

¹²⁵ Return Fund.

¹²⁶ More detailed analysis on the financial reservation is provided on page 114 – Reservation 2.

¹²⁷ More detailed analysis on the reputational reservation is provided on page 116 – Reservation 2.

¹²⁸ More detailed analysis on the reputational reservation is provided on page 120 – Reservation 5.

methodology described in Annex 4, by considering the multi-annual impact of the validated error rates and calculated since the beginning of the programming period, after deduction of financial corrections implemented by the Commission. It is expressed as a percentage of the value of the cumulative payments made for the programming period, up to 31 December of the reporting year.

For the management of funds under AMIF/ISF, in accordance with the methodology explained in Annex 4, at national programme level, reservations are made whenever material weaknesses in the national management and control systems are detected (either reported by the Audit Authority, identified by the European Commission's audit work or by other audit work), independently at this stage from any calculation of the cumulative residual risk/residual risk rate. In practice, this means that reservations or partial reservations are made for programmes whose management and controls systems are assessed as Category 3 (limited assurance with medium risk) and Category 4 (limited assurance with high risk).

Key control indicators and results reported

The control systems in shared management are grouped around three core processes: 1) negotiation and assessment/approval of spending proposals; 2) implementation of operations (Member States); 3) monitoring and supervision of the execution, closure of annual programmes and ex-post controls.

Different sources of information are used to build up the Director-General's annual declaration of assurance that the resources assigned to the activities have been used for the intended purpose and in accordance with the principle of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

The assurance is built on a comprehensive assessment by all parties involved in the management and control of each programme. If an internal evaluation of risk is different from the reported error rates, or if financial corrections have been implemented, the residual error rates are replaced by flat rate assessments.

A1) 2007-2013 MFF (SOLID Funds)

In 2017, 46 SOLID Annual Programmes were closed. Out of the 676 SOLID Annual Programmes, only 11 are still in the closure process.

Stage 1: Negotiation and assessment/approval of spending programmes

This control stage concerns the adoption by the Commission of the annual and multiannual national programmes. As the eligibility period ended on 30 June 2015, there is no activity to be reported under this stage in relation to the SOLID funds.

Stage 2: Implementation of programmes

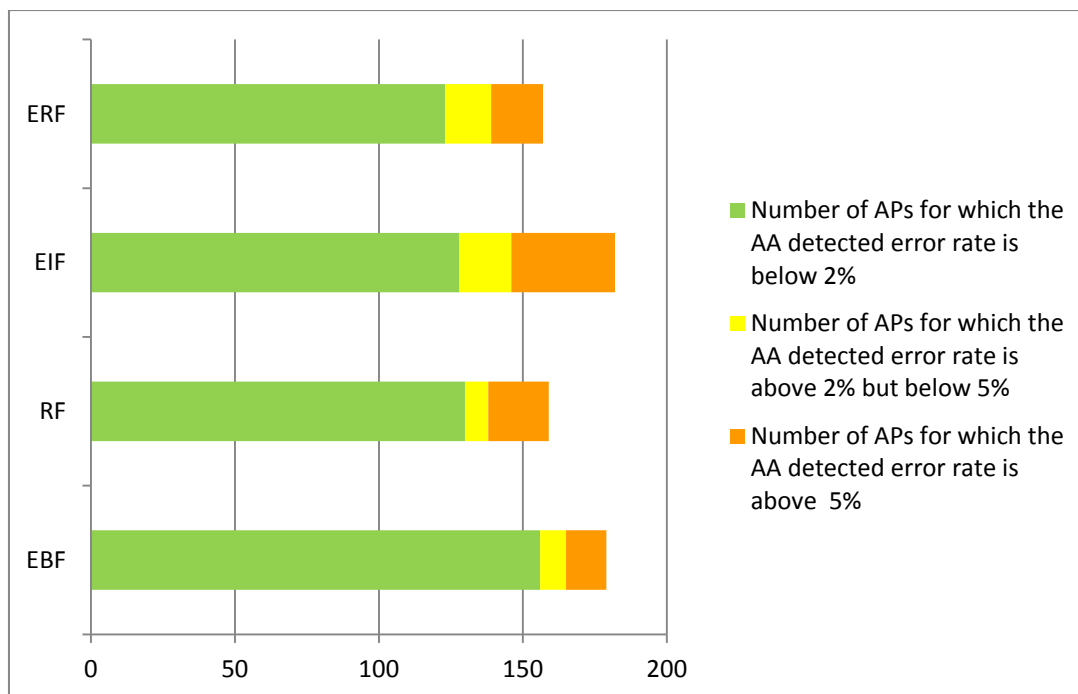
The second stage concerns the setting up of the systems and the controls carried out by the Member States. The overall control objective of this stage is to ensure that the MCSs are adequately designed. Furthermore, the Member States should ensure that the declarations of expenditure submitted to DG HOME are legal and regular.

With regard to the SOLID funds, in 2017 there were no revisions of management and control systems submitted by Member States as 30 June 2015 marked the end of the eligibility period. Member States concentrated on the implementation of the new generation of programmes AMIF/ISF.

Since the start of the SOLID Funds, all 676 Annual Audit Reports due (corresponding to annual programmes 2007 to 2013), all have been received by DG HOME as of end of
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December 2017. The Audit Authorities gave unqualified opinions for 493 programmes (73% of programmes or 70% of the total amount of payments), qualified opinions for 166 programmes (25% and 24% respectively) and disclaimers or adverse opinions for 17 programmes (3% and 5% respectively).

Member States have disclosed error rates below 2% in 537 reports, while the error rates ranged between 2% and 5% for 51 reports and above 5% for 88 reports.



DG HOME assessed the reliability and correctness of the total detected error rates reported by the Audit Authorities and validated the error rates reported in the annual audit reports as reliable in 98% of the cases. A very few detected error rates were considered as unreliable due to two main reasons: computation errors or a lack of assurance on the audit work carried out by the Audit Authorities. In such cases, a corresponding adjustment may take place. Then the detected error was analysed to determine whether it can be extended to the non-audited population. One-off irregularities, non-audited population already cleaned by the Responsible Authority or the Certifying Authority, etc. were considered reasons for not extrapolating the error rate.

Stage 3: Monitoring and supervision, closure of annual programmes and ex-post controls

Monitoring and supervision

These controls include the monitoring visits and the systems audits performed for the open programmes.

Monitoring activity was carried out through regular exchanges at desk level regarding the closure, either through mails or in the margin of meetings of the AMIF-ISF Committee (former SOLID Committee).

For closed Annual Programmes under SOLID funds, DG HOME carried out ex-post audits [EPC audits], which are primarily aimed at correcting, if needed, expenditure declared in the SOLID annual closures.

The conclusions of the EPC audits are followed up by the operational units, by sending to the Member State concerned a pre-information letter followed by a recovery order [RO] where needed. The goal of the RO is to recover eligible expenditure and to decrease, for each annual programme audited, the error rate below 2%, i.e. below the materiality level.

Closures of annual programmes

In 2017 46 APs were closed, out of which 14 related to the 2007-2012 APs and 32 to the 2013 APs. As at the end of 2017, 11 APs remained to be closed, of which 4 relate to APs 2010-2012 and concern problematic programmes, requiring specific treatment and the application of financial corrections. No interruption or suspension of payments was decided in 2017.

In 2017 DG HOME established two exceptions referred to the closure decisions to pay for two SOLID annual programmes on commitments that should have been decommitted following late submission of reports, namely the 2013 annual programme of the European Integration Fund / Croatia and the 2010 annual programme of the European Integration Fund / Belgium.

In 2017 DG HOME continued the work on the ex-post evaluation of the SOLID funds for the period 2010-2013 launched in 2016. The preparatory studies were completed in 2017 and will feed into the Staff Working Documents (SWD) for EIF, ERF, EBF and RF to be presented in 2018. Two draft SWDs were sent to the Regulatory Scrutiny Board (for EBF and ERF) and both of them received eventually a positive opinion.

Ex post controls

In 2017, DG HOME finalised three ex-post controls of a sample of projects in the Member States, covering one Greek Programme (EIF) and two Bulgarian Programmes (ERF and EIF) and 10 Annual Programmes.

The samples included in total 36 projects, from which 14 for Greece (14 beneficiaries) and 22 projects for Bulgaria (14 beneficiaries). The audits did not lead to suggestions of flat-rate corrections of the Annual Programmes subject to audit Overall, the detected errors following the ex-post controls are set at EUR 157.197:

	2017	2016
Ex-post audits performed	5 (19 funds)	7 (10 funds)
Errors detected by ex-post controls (€)	157.197	1 091 019

The field work of ex-post controls for other 17 Programmes in 7 Member States was completed in 2017, for which the final results will be available in 2018.

The field work and reporting process of ex-post controls for other 19 Programmes in 5 Member States will be completed in 2018, for which the final results will be available at latest in 2019.

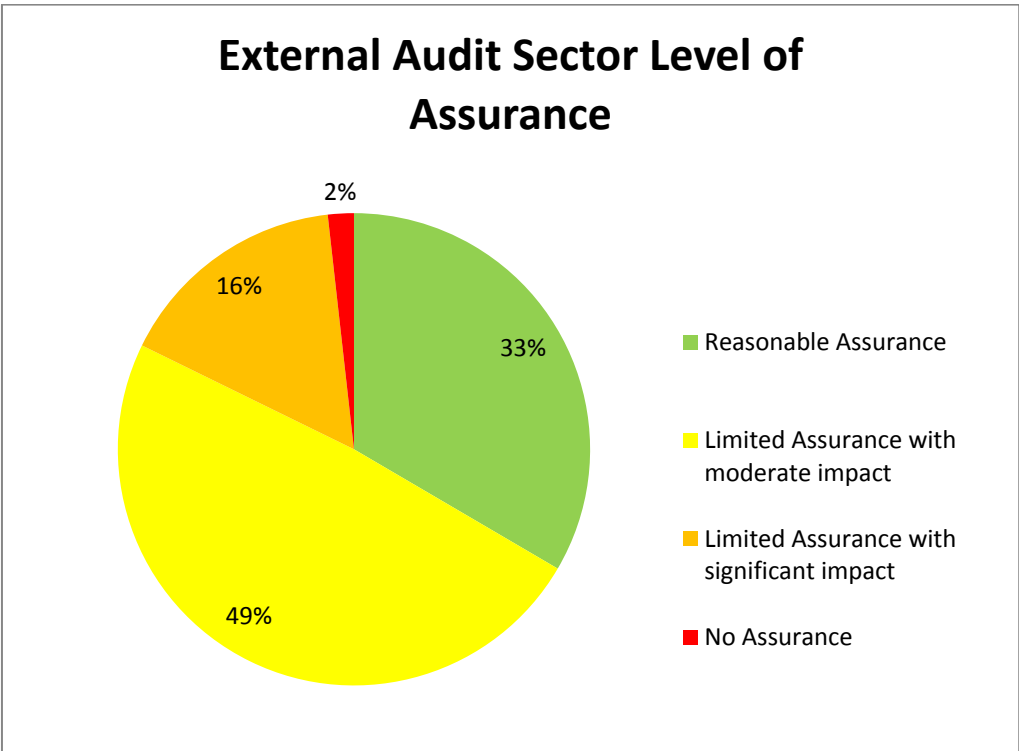
In total, 196 SOLID Annual Programmes (out of 676) have been audited until 31 December 2017. This figure will still increase in the future as Annual Programmes may still be audited up to 5 years after the closure of the Programme. DG HOME tests the effectiveness of internal controls over the most key processes, based on a risk categorisation of the different Management and Control Systems in each audited Member State. The assurance on the control effectiveness is gradually built, not only on the system audits but through a system approach, starting with the inception phase, DG HOME operational monitoring visits, annual closures, ex-post audits and, in line with the Single Audit Principle, through the audit work of the Member State, which must ensure over the whole programming period the audit coverage of all key processes, as stipulated in Article 17 par. 2 of Decision 574/2007/EC of 5 March 2008.

As to the 2018 Audit Work Plan, DG HOME continued to take into consideration the recommendation of the Court of Auditors issued in the framework of the 2015 discharge procedure and plans, amongst other EPC audits, to test the control systems of three countries which have not yet been audited by DG HOME (Portugal, Sweden and Estonia) and which present a high level of assurance (i.e. green category) or reasonably good level of assurance (i.e. yellow category). These ex-post audits will allow to gain additional assurance on 12 funds (the four SOLID funds per each country selected for audit), multiplied by the number of Annual Programmes which will be subject to audit. In addition to these 12 funds, two EBF funds were selected for EPC audit in 2018 (Netherlands and Italy). As a reasonable estimation, in total, an estimated number of 44 Annual Programmes are planned to be audited in 2018.

Annual audit opinion

The validated error rate constitutes the main element to estimate the amount at risk. Other sources of information to build up the annual declaration of assurance are: (i) the results of the Commission's own audit work in 2017 including the results of ex-post controls on closed programmes, (ii) annual summaries of controls and national declarations; (iii) the opinions of the Units in charge of the management of the programmes and (v) experience from previous years.

Based on the above blocks of information, and as a result of the Commission desk and on the spot audit work detailed under the previous sections, the auditors within DG HOME expressed an audit opinion on the effective functioning of each programme so as to ensure legality and regularity of expenditure paid by the Directorate General in 2017. These audit opinions are transmitted to the operational units concerned as an input for their management opinion which is also formulated for each annual programme.



Financial corrections – SOLID funds

	2017	2016
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Ineligible amounts in final costs claims (€ million)	5.61	5.05
Corrections implemented by recoveries (€ million)	0.24	0.84
Total financial corrections (€ million)	5.85	5.89

In 2017, financial corrections were implemented for a total amount of EUR 5.85 million. Such financial corrections aim at restoring a situation where all of the expenditure declared for co-financing from the four Funds would be legal and regular, in line with the applicable rules. As a consequence, even if an audit work demonstrated weaknesses in the management and control system implemented by a Member State, the risk for the Fund was reduced to zero if the corrections were fully implemented.

The details of implemented financial corrections per Member State are provided in Annex 10.

Assessment of the functioning of the management and control systems (including best estimate of error)

If an internal evaluation of risk is different from the reported error rates, or if financial corrections have been implemented, the residual error rates are replaced by flat rate assessments. After analysing the error rate reported by the national Audit Authorities, the management of DG HOME applied its judgment for a total of 23% of the annual audit reports covering all four Funds.

Following the evaluation stage and taking into account the cumulative residual risk, the annual programmes are classified into four categories in accordance with the level of assurance that they provide as to the legality and regularity of payments made since the start of the programming period.

The results of the assessment of the management and control systems in the annual management opinion per annual programme are presented below, for closed Annual Programs only (more detailed information per Member State is available in Annex 10):

IMPACT on Declaration of Assurance (based on functioning of systems, materiality and legality and regularity criteria)			Coverage		
			TOTAL	as % of Programmes closed at 31.12.2017	Payments to Programmes in question as % of 2007-2013 period payments in the year for closed APs
1	Reasonable assurance	Number of programmes	573	86,17%	83,00%
		Value of payments made	2.478.548.402,41		
2	Reasonable assurance with low risk	Number of programmes	67	10,08%	9,44%
		Value of payments made	281.966.748,89		
3	Limited assurance with medium risk	Number of programmes	17	2,56%	4,73%
		Value of payments made	141.374.076,00		
4	Limited assurance with high risk	Number of programmes	8	1,20%	2,83%
		Value of payments made	84.413.741,17		
			573	86,17%	83,00%

The assurance is then translated into an amount at risk per annual programme. These amounts are subsequently added up and compared to the total payments for the closed APs per Member State/Fund to obtain a residual error rate for each, and a general assessment per Fund. The overall results are as follows:

Activity /Fund	Net Amount at risk (€) (cumulative)	Payments made (€) (cumulative)	Residual error rate in the total population (audited and not audited)	'Gross' error rate
EBF	4.452.807,14	1.481.100.206,97	0,30%	1,90%
RF	3.955.583,96	474.239.412,87	0,83%	1,52%
EIF	13.429.819,76	539.148.967,78	2,49%	3,65%
ERF	5.907.506,72	466.890.609,69	1,27%	3,41%
Total	27.745.717,58	2.961.379.197,31	0,94%	2,39%

The **average residual error rate for all closed annual programmes across all four SOLID funds is 0.94%, well below 2%**. The low residual error rate is partly due to the financial corrections implemented in 2017 (EUR 5.85 million) which have lowered the residual risk to the funds where issues with Management and Control systems were identified in the past (calculated '**gross' error rate¹²⁹ 2.39%**).

For four Funds in two Member State, the cumulative residual error rate was higher than 2%¹³⁰. For these two Funds, a contradictory procedure following an ex-post audit is ongoing. The details of the error rates are presented in Annex 10 and considerations of whether a reservation should be issued for this Member State are detailed in section 2.1.4.

Further **corrective actions** will be taken for the annual programmes for which the assurance is limited to the extent that the risk for the Fund is estimated to be equal or above to 2% minimum of all payments made. In particular, flat rate corrections (between 2% and 25%) will be implemented and further ex-post controls will take place in 2018 to better estimate the risk for the Funds of system deficiencies for other programmes, including for programmes for which the level of assurance is not considered as high.

A2) MFF 2014-2020 (AMIF/ISF)

Stage 1: Negotiation and assessment/approval of national programmes

Contrary to the SOLID funds which consist of Annual Programmes, the AMIF and ISF National Programmes (NP) are multiannual. DG HOME has **57** multiannual NPs of which 30 for ISF and 27 for AMIF.

All AMIF and ISF national programmes have been adopted in 2015 with the exception of the four ISF NPs for the Schengen Associated Countries (Switzerland, Liechtenstein, Iceland and Norway) for which the bilateral agreements had not been signed at the time. The National Programme for Norway was adopted in 2017, while for the other three associated countries the adoption is foreseen for 2018.

In 2017, 36 revisions of AMIF NPs and 34 revisions of ISF NPs were made. The purpose of these revisions was to increase the allocation under the NPs in line with the top-up funding granted to DG HOME in the framework of the

70 revisions of NPs approved in 2017

Member States' but before Commission's financial corrections.

2017 budget to cover actions at Member States level in the field of integration, return, PNR, information exchange and Frontex's equipment, as well as resettlement.

In 2017 DG HOME continued the work on the Multiannual Financial Framework post-2020, not only by having internal working groups and task force reflecting future policies and instruments for migration and security, but also by participating in the regular meetings and work of the Directors-Generals Core group and by exploring possible synergies between different financial instruments with other Directorates-General..A MFF study to support Impact Assessment of the future migration and security instruments was contracted in September 2017.

Stage 2: Implementation of programmes

A Responsible Authority is designated by the Member State following an audit of an independent audit body. The designation can be either full or provisional; in the latter case, the Responsible Authority needs to address any shortcomings within 12 months. Following the designation notifications to the Commission, DG HOME audit sector proceeds with an assessment of the system through desk review, in some cases also meeting the key representatives of the Responsible, Audit and Designating authority.

In 2017, two notifications of designations were received, namely the full designation of the Responsible Authorities for AMIF and ISF for Croatia. At the end of 2017, there were no pending full designations.

Designation process:

- ✓ **fully completed for all MSs**
- ✓ **still to be completed for the associated countries**

For the associated countries mentioned under stage 1, all notifications of designation have been received. At the end of 2017, there were no pending full designations.

Stage 3: Monitoring and supervision, audit activity

Monitoring and supervision

The intensive monitoring activity continued also in 2017, with 60 monitoring visits (AMIF/ISF Monitoring committees included) carried out by desk officers, head of units or director (40 visits in 2015 and 78 in 2016). This reflects the increased efforts of DG HOME in the monitoring and supervision of the implementation of national programmes, with 24 Member States visited out of 32 (Member States and associated countries). all Member States (except for Belgium and Denmark) visited at least once in 2016. Enhanced monitoring was carried out in Greece (12 visits), Italy (four visits) Bulgaria (five visits) and Germany (five visits).

In case of Greece, to ensure an optimal use of available EU funding (including national programmes and emergency assistance under DG HOME funding and the ESI managed by DG ECHO) and to cover the country's most pressing needs as regards reception facilities, the Commission (HOME, ECHO and SRSS) and the Greek authorities agreed in February 2017 on a financial planning regarding the financing modalities for reception facilities of the country and for a total of up to 55.000 reception places. The planning foresaw that EU financial support to reception sites in the mainland is provided essentially via the Emergency Support Instrument (funding directly awarded to NGOs/IOs), while reception facilities in the islands would essentially be supported via the national programmes or emergency assistance of the EU migration and security funds (AMIF and ISF). Other migration management measures, both in the mainland and on the islands, would be supported also via AMIF and ISF national programmes. As a continuation to the financing plan for 2017, a financing plan for 2018 was established and approved at the end of 2017 for Greece.

As for Italy, a needs assessment was carried out in 2017 leading to a precise identification of funding needs, including for EMAS. The Commission's "Action Plan to support Italy, reduce pressure and increase solidarity" of 4 July 2017 and the joint letter sent by President Juncker, First Vice-President Timmermans and Commissioner Avramopoulos to the Italian Prime Minister on 25 July 2017 fed into the needs assessment carried out with the Italian authorities in light of their financial implications. Following the needs assessment, a number of measures were awarded emergency funding before the end of the year (total EU contribution: EUR 39.92 million). Moreover, President Juncker also committed to award EUR 100 million to Italy to further support the country in dealing with the migratory pressure. Based on this commitment, a thorough needs assessment was carried out to maximise funding synergies between DG HOME and DG REGIO/DG EMPL funds.

Other countries such as **Croatia, Poland or Hungary** which were lagging behind in the implementation of the Funds were also monitored closely. For these countries, action plans were requested to speed up implementation of their National Programmes.

Moreover, DG HOME stepped up its efforts in creating a constructive dialogue with Member States, through the **AMIF/ISF Committees** organised in Brussels. Last year, three such committees were organised as well as 11 workshops on various subjects: MFF, audit, decommitment, specific actions. In March 2017, DG HOME also organised a conference on the integration of Third-country Nationals.

In 2017 DG HOME established an exception for a derogation from Article 1(1) (c) of the Commission Implementing Regulation (EU) No 801/2014, to launch a resettlement pledging exercise covering the period 9/12/2017 to 31/12/2018.

Mid-term review

Member States contributed to the exercise by carrying out a needs assessment in light of the policy objectives for the remaining period to prepare the Mid-Term Review of AMIF and ISF. DG HOME completed the assessment of the identified needs in December 2017 and sent the conclusions to Member States by January 2018. Bilateral meetings are being organised with Member States during the first quarter of 2018 to conclude the exercise. For a number of Member States (Spain, Italy, Greece, Croatia, Bulgaria, Hungary), the analysis of the Mid Term Review resulted in the identification of important funding gaps in the NPs. For these Member States, specific actions plans are envisaged to be financed with EMAS funding, among other mechanisms.

Interim evaluations

At the end of 2017 Member States submitted to the Commission their interim evaluation reports on the implementation of actions and progress towards achieving the objectives of their national programmes AMIF and ISF. DG HOME launched three studies to prepare the interim evaluation of the implementation of ISF-Borders, ISF-Police and AMIF. Staff working documents and an interim evaluation report on the implementation of the legal bases will be presented by DG HOME in June 2018.

Audit activity

Whereas the National Programmes of AMIF/ISF are multiannual, the MS submit annually (by 15/02/N+1) a request for annual payment (supported by an annual 'assurance package') which results in an annual clearance decision by the Commission¹³¹ (by 31/05/N+1). In addition to the annual clearance procedure, conformity clearance and financial corrections by the Commission are possible up to three years after the

¹³¹ i.e. the (annual) clearance of accounts procedure.

expenditure has been incurred by the Responsible Authority (RA).

In 2017 the Member States submitted 50 accounts for the expenditure of the financial year 2016. The clearance decision was adopted by Commission Decision C(2017) 4490 on 23 June 2017. The table below summarises the payments made (EUR) and pre-financings cleared by DG HOME in 2017 in relation to these accounts.

Fund	Payment requested by the Member States	Amount accepted by the Commission	2016 annual pre-financing cleared	Amount paid to the Member States
AMIF	363.061.078,86	358.208.153,44	143.439.222,61	214.768.930,85
ISF	184.960.191,90	184.960.093,46	90.432.971,23	94.527.122,23
Total	548.021.270,76	543.168.246,90	233.872.193,84	309.296.053,08

Three system audits on the new funds were launched in 2017, concentrating on the funds for which accounts have been submitted to the Commission in 2017. These system audits covered the main key requirements related to the work of the Audit Authorities for Belgium (AMIF and ISF), Greece (AMIF and ISF) and Finland (AMIF and ISF). The total EU expenditure since the beginning of the period of the systems audited amounts to 109.01 million EUR. The conclusions of these audits will be reached in the course of 2018.

The above mentioned Member States have been selected based on a risk analysis focusing on risk factors as the value of the national programme, the level of assurance from the SOLID funds, the existence of significant changes in the system (compared to SOLID), the outcome of DG HOME desk review of the management and control system, the involvement or not of delegated authorities, the quality of the Member State's controls and whether the Member State 'responsible authority was already fully designated. The value of national programmes covered amounted to EUR 1.018 billion or 29% of the total value of the national programmes for which expenditure was declared in the 2016 accounts.

The key requirements selected for audit were the ones considered as the most relevant according to the stage of implementation in each Member State, i.e. Key Requirement 10 (adequate description and separation of functions) Key Requirement 11 (adequate system audits), Key Requirement 12 (adequate audits of operations), Key Requirement 13 (adequate audits of accounts) and Key Requirement 14 (adequate procedures to provide audit opinions).

In relation to the 2018 Audit Work Plan, following an updated risk analysis to be carried out during the first semester of 2018, up to seven system audits will be launched in 2018 on a sample of funds for which accounts have been submitted to the Commission in 2018.

Assessment of the functioning of the management and control systems (including best estimate of error)

Unlike the ESIF funds, the legal framework of AMIF-ISF does not provide for the submission of interim payment claims by the Member States during the year. In addition to the annual pre-financing, National Authorities submit to DG HOME one payment claim per programme and year together with the annual accounts, which include a

management declaration issued by the Responsible Authority and the Audit Authority's opinions on the accounts, the management and control system and the RA's management declaration.

Therefore, DG HOME assurance model is based only on pre-financing (advance payments) and final payments. The Audit Authorities carry out their audit work prior to the submission of the annual accounts and final payment claim to the Commission. In case of ineligible amounts reported by the Member States in the accounts, a conformity clearance is launched with a view to recover the unduly paid amounts or to decrease the amounts reimbursed to the MS.

So far, DG HOME audit strategy for AMIF-ISF 2014-2020 programme has been focused on the assessment of the national management and control systems, including the reliability of the work of the AA.

The methodology to determine reservations and to estimate the net amount at risk is provided in Annex 4.

Following the application of the above-mentioned methodology, the cumulative outcome of the assessment of the accounts is presented below (more detailed information per Member State is provided in Annex 10):

Activity/Fund	Cumulative amount at risk (€) (31 Dec 2017) in Mio. EUR	Cumulative EU payments (€) (31 Dec 2017) in Mio. EUR	Cumulative residual error rate
AMIF	7,96	460,76	1,73%
ISF	2,94	247,56	1,19%
Total	10,90	708,32	1,54%

The **average residual error rate across AMIF and ISF is 1,54%, well below 2%**. The risk assessment resulted in a residual error rate of 10% for one AMIF fund in one Member State; and in a residual error rate of 5% for one AMIF and one ISF fund in another Member State. Considerations of whether a reservation should be issued for these Member States are detailed in section 2.1.4.

IMPACT on Declaration of Assurance (based on functioning of systems, materiality and legality and regularity criteria)			AMIF			ISF		
			Number of MCS	% of MCS	% of EU payments	Number of MCS	% of MCS	% of EU payments
1	Reasonable assurance	3	10%	5,4%	3	10%	3,7%	
		25.033.444,87			9.136.064,52			
2	Reasonable assurance with low risk	25	83%	87,1%	27	87%	93,2%	
		401.428.619,94			230.773.716,66			
3	Limited assurance with medium risk	1	3%	7,0%	1	3%	3,1%	
		32.409.371,66			7.653.470,17			
4	Limited assurance with high risk	1	3%	0,4%	0	0%	0,0%	
		1.888.849,28			-			

B) Direct management – grants (non-research)

As described in the Internal Control Template for direct management grants (Annex 5), the analysis of the effectiveness of legality and regularity is built around the four main control processes (stages): programming, evaluation and selection of proposals; contracting; monitoring; and ex-post audits. Key indicators have been defined for each stage and presented in details in Annex 10. Materiality is assessed in accordance with Annex 4.

Stage 1: Programming, evaluation and selection of proposals

This stage concerns the preparation and adoption of the annual work programmes, as well as the calls for and evaluation of proposals. The overall control objective of this stage is to ensure that DG HOME selects the proposals that contribute the most towards the achievement of the policy or programme objectives in terms of effectiveness and compliance.

Budget available for grants non-research:

2015: ↗ EUR 261.94 million

2016: ↗ EUR 687.25 million

2017 : ↘ EUR 292.52 million

Under emergency assistance, 26 grants (45 in 2016) for a total value of EUR 194 million (EUR 450 million in 2016) were

awarded for both AMIF and ISF.

For the management of non-EMAS grants (Union Actions, Drugs project and Pilot projects), indicators show that the number of applications received decreased significantly, passing from 311 in 2016 to 168 in 2017. However, the total number of projects selected increased to 82, compared to 73 in 2016.

The reason for this trend is that in 2017 DG HOME published fewer and more specialised calls than in 2016, and concentrated more on direct awards, which resulted in fewer applications. Another aspect that influenced the number of proposals received is the overall bigger available budget for calls, notably the INTE call in 2017.

The effectiveness of controls in this stage is demonstrated by the level of available budget translated into projects awarded (93% for 2017). The rate is increasing as compared to 2016, showing a positive trend and an increase of the effectiveness of controls.

Following IAS reports, a number of procedures were implemented in DG HOME to improve all stages of the management of emergency assistance and increase assurance in this area.

Stage 2: Contracting (conclusion of grant agreements)

The second stage refers to administrative procedures up to the signature of the legal commitment. The overall control objective of this stage is the translation of each of the selected proposal into a legally binding grant agreement.

Total grants signed:

2015 : ↗ EUR 228 million

2016: ↗ EUR 468 million

2017 : ↘ EUR 341 million

The amount of EC contribution requested in the applications decreased threefold in 2017 as compared to 2016 and the EC contributions provided through grant agreements also decreased in 2017.

The achievement of the effectiveness of controls

mentioned in Annex 5 as regards legality and regularity is measured by the financial impact of the negotiation and signing process, defined as the reduction (expressed as a percentage) of the value of the grant agreement as a result of the control process. The 2017 average adjustment resulting from these controls applied to AMIF/ISF grants was 13%. The significant decrease in comparison to 2016 indicator (54%) is due to the particular nature of the emergency assistance and in particular to the fact that better planning of this specific instrument, as well as overall stabilised needs, was carried out in 2017, leading to a better budgeting and to a fewer rejected/reduced applications.

In 2017 the average grant values decreased in comparison to 2016.

Average amount of a grant:

2015 : ↗ EUR 1.89 million

2016 : ↗ EUR 4.21 million

2017 : ↘ EUR 2.64 million

The recording of the exceptions and non-compliance events for assessing the effectiveness of controls for the legality and regularity of transactions shows that in 2017 only one exception was recorded, in relation to stage 2.

Stage 3: Monitoring

The third stage concerns the management of the project. This stage comprises of ex-ante checks of beneficiaries' cost claims and the processing of transactions through DG HOME financial circuits. The overall control objective is to ensure that operational results (deliverables) from the projects are of good value and meet the objectives and that the related financial operations comply with regulatory and contractual provisions.

The effectiveness indicators presented in Annex 10 show a decrease in the implementation results regarding payments done, both in terms of number of payments made (314 in 2016 versus 346 in 2016) and in terms of value of payments made (EUR 295 million in 2016 versus EUR 392 million in 2016). The percentage of ineligible amounts found by the controls performed over these claims represented 1.21% of their value.

Stage 4: Ex-post controls

The fourth stage includes the ex-post audits as well as the recovery of any amounts found to have been paid in excess of the amount due.

The overall control objective of this stage is to detect and correct any error or fraud remaining undetected after the implementation of ex-ante controls.

The main objective in relation to legality and regularity of the underlying transactions for the above expenditure type is to ensure that the estimated residual risk of error is less than 2% at the end of the implementation of the programme.

In addition to the main control objective, the ex-post controls serve other purposes. In particular:

- ✓ Detection and correction of any error or fraud remaining undetected after the implementation of ex-ante controls;
- ✓ Measuring the effectiveness of ex-ante controls;
- ✓ Addressing systematic weaknesses in the ex-ante controls based on the analysis of the findings (sound financial management);
- ✓ Ensuring appropriate accounting of the recoveries to be made (reliability of reporting, safeguarding of assets and information).

In 2017, DG HOME carried out 47 ex-post controls as foreseen in the annual audit plan. Taking into account the audits initiated in 2016, 31 audit reports were finalised in 2017. These 31 audits covered 30 project coordinators/main beneficiaries and 31 projects for a total project value of EUR 17.4 million. As per 31 December 2017, the finalised audits led to an audit coverage of 26,0% for the 2007-2013 programming period alone and a total audit coverage of 18,9% for the combined auditable population of the 2007-2013 and 2014-2020 programming periods.

Based on the most recent analysis of the main causes and types of most commonly detected errors identified in ex-post audits, seven areas of irregularities have been identified, covering in value more than 93% of the errors detected:

- Actual expenditure exceeding the budget: 29,32%
- Missing or inadequate documentation: 27,59%
- Incorrect staff rates: 10%
- Findings related to staff cost: 9,15%
- Other financial findings: 6,83%
- Cost not budgeted or not for project purposes: 6,30%
- Incorrect procurement procedure: 3,23%

Targeted actions will be determined and carried out with a view to decrease the occurrence of these errors.

Assessment of the functioning of the management and control systems (including best estimate of error)

Cumulative coverage rates for grants under direct management (research excluded) and the related residual error rates are reported below. The sampling size is considered as adequate in order to extrapolate the cumulative (net) detected error rate to the non-audited population. A detailed explanation of the materiality criteria is set out in Annex 4.

The assessment of the residual error rate and amount at risk not detected by the supervisory and ex-ante elements of the internal control is carried out through analysis of the results of ex-post audits. The table below summarises the results of this analysis done according to the four steps detailed in Annex 4 for the 2007-2020 funds.

Audit coverage and error rate for direct management 2007-2020 funds (multiannual)	2017	2016
<i>Cumulative Auditable Population (in € million)</i>	590.21	571.80
<i>Cumulative Audited Population (in € million)</i>	111.70	93.50
<i>Cumulative Audit coverage (%)</i>	19%	17%
<i>Cumulative detected error rate (%)</i>	3.61%	3.53%
<i>Cumulative residual error rate (%)</i>	2.98%	3.07%

The cumulative residual error rate for 2007-2020 remains above 2% at the end of 2017 (2.98%). As a result, a reservation has been made and is described in section 2.1.4.

The ex-post audit plan for 2018 foresees 29 audits of grants. This will allow to increase the audit coverage to almost 20% of the auditable population, which will have a direct impact on the reduction of the residual amount at risk.

A limited number of payments against cost claims has been made under the 2014-2020 programming period. Whilst the first ex-post audits for 2014-2020 programming period started in 2016, the audit coverage for this programming period remains low. Therefore, no error rate for the 2014-2020 period is available yet. Based on a conservative prudent approach, the figures of the 2 programming periods have been combined, resulting in a slightly higher residual error rate due to the larger unaudited population (2.98% for the combined period 2007-2020 compared to 2.77% for the 2007-2013 period alone).

C) Direct management – research grants (FP7 and Horizon 2020)

The Space and Security research budget was split in 2015 between four Authorising Officers (GROW, HOME, REA and EASME). DG HOME is managing activities related to work programme, security scrutiny procedure, while REA manages publication of the calls and their submission. Some activities are covered by both HOME and REA, such as the evaluation of proposals and the preparation and management of grants. The share of budget and projects to be managed is done after the security scrutiny procedure, which generally leads to a ratio of 1/3 for DG HOME and 2/3 for REA. The analysis below refers to the budget implemented by DG HOME solely.

Most of the activities for managing research funds are implemented using IT tools common to all Research family DGs which implement already many internal controls.

Controls are carried out during the entire process of the Framework Programmes implementation in order to guarantee that the selected projects comply with the call conditions, that EU funding goes to the best proposals and that the costs claimed by the beneficiaries as well as the payments are in line with the legal framework.

For the Research framework programmes, the main legality and regularity indicator is the error rate detected by ex-post audits. Because of its multi-annual nature, the effectiveness of the control strategy of the Research Directorates-General can only be fully measured and assessed in the final stages of the FP, once the ex-post control strategy has been fully implemented and systematic errors have been detected and corrected.

The general control objective for the Research services, as stated in Annex 4 to this report, is to ensure for the Seventh Framework Programme (and the Research Fund for Coal and Steel in DG RTD) that the residual error rate, i.e. the level of errors which remain undetected and uncorrected, does not exceed 2% by the end of the FP's management cycle. As for Horizon 2020, the final control objective is to get a residual error rate as close as possible to 2%, without necessarily expecting it to get under 2%.

The question of being on track towards this objective is to be (re)assessed annually, in view of the results of the implementation of the ex-post audit strategy and taking into account both the frequency and importance of the errors found as well as a cost-benefit analysis of the effort needed to detect and correct them.

For FP7, the Common Audit Strategy and its results cover the DG's and the Executive Agencies.

For Horizon 2020, the Common Audit Strategy, adopted on 22.03.2016 covers all the implementing bodies.

As for other direct management grants, the analysis of the effectiveness of legality and regularity is built around the four main control processes (stages): programming, evaluation and selection of proposals; contracting; monitoring; and ex-post. Key indicators have been defined for each stage and presented in details in Annex 10. Materiality is assessed in accordance with Annex 4.

Since the submission of proposals for FP7 was closed in 2013, the two first stages concern H2020 proposals exclusively. The third stage concerns mainly FP7 since no final payments have been processed yet for H2020 projects. The fourth stage concerns FP7 projects only.

Stage 1: Programming, evaluation and selection of proposals

The first stage concerns the preparation of the calls and the evaluation of the submitted proposals. The overall control objective at this stage is to ensure a high quality evaluation which results in the selection of the best projects to achieve the operational objectives set out in the specific work programmes adopted by the Parliament and the Council.

The preparation of the Work Programme is under responsibility of DG HOME. The coherence of the Work Programme is done at unit level with the help of a Security Research inter-service group regarding the link with policy objectives and then validated and voted by the H2020/SC7 programme committee. Additional controls are done at DG RTD level for compliance with the DG's research family requirement, in particular budget information.

The eligibility and admissibility of proposals for all calls is done by REA during the evaluation process, DG HOME being also involved during the evaluation process on some specific policy related aspects.

On 13 October 2015, the Commission adopted the 2016-2017 Horizon 2020 Secure Societies Work programme. This work programme has a total budget of EUR 380 million and covers areas such as Disaster Resilience, Fight against crime and terrorism, Border and External Security.

Following the evaluation of the 2016 call for proposals of the H2020 Secure Societies Challenge, DG HOME selected 28 security research projects for funding. 11 projects are under the management of the Research Executive Agency (REA). DG HOME is managing 15 projects which are classified or with specific policy relevance. Two projects, stemming from a joint call on critical infrastructure protection are being directly managed by DG CNECT. The budgetary repartition is EUR 52.7 million for REA, EUR 75.7 million for HOME and EUR 13.7 million for CNECT, out of a total budget (REA+HOME+CNECT) of EUR 142.2 million.

These projects address a wide range of areas, from fighting violent radicalisation, critical infrastructure protection, practitioners' networks (of police forces, fire-fighters, CBRN testing centres and the Danube Region), forensics, maritime surveillance, pre-normative research/standardisation and drone detection/neutralisation technologies. These projects increase the current portfolio of unit B4 up to 33 H2020 projects at the end of 2017 while 11 FP7 projects are still on-going. There is also some FP7 legacy (32 active files) linked to audit activities on past projects.

Stage 2: Contracting (conclusion of grant agreements)

Based on the specificities of research related calls, where the specific rules of H2020 apply, there is no quantitative adjustment of budget before signature of contract ('no negotiation' approach). This approach allows for a reduction of the time required for the

grant agreement signature as compared to FP7. Considering the highly competitive nature of the calls, the risk of compromising on quality remains limited. The assessment of the project budget is done in previous stages, as an evaluation criterion. Therefore, this data could not be captured as a quantifiable data but only as non-quantifiable result of controls performed.

In 2017 DG HOME signed 20 grant agreements, whose total value is equal to EUR 137 million.

Stage 3: Monitoring

The third stage relates to the execution of the grant agreement and the supervision of the project management. This stage comprises ex-ante checks of beneficiaries' cost claims and the processing of transactions through DG HOME financial circuits. The overall control objective is to ensure that operational results (deliverables) from the projects are of good value and meets the objectives and that the related financial operations comply with regulatory and contractual provisions.

Under FP7, certificates on financial statements are required for claims of more than EUR 375,000 while, under H2020 these certificates are required only for final payments when the total EU contribution claimed exceeds EUR 375,000. So far, such certificates have been provided for FP7 projects only, since no final payments have been processed for H2020 projects.

In 2017 a total amount of EUR 68.45 million was paid in relation to the 20 grant agreements signed in 2017 or earlier. In line with recommendations by the European Parliament and the Council, the Research DGs operate a trust-based system of controls before payment, with limited substantive controls. Instead it bases its main assurance on in-depth checks carried out on a sample of beneficiaries after costs have been incurred and declared.

The recording of the exceptions and non-compliance events for assessing the effectiveness of controls for the legality and regularity of transactions shows that in 2017 only one exception was recorded, in relation to stage 3.

Stage 4: Ex-post controls

The Common Representative Sample (CRS) provides an estimate, via a representative sample of cost claims across the Research and Innovation family, of the **overall level of error** in the Research Framework programmes, across all services involved in its management. All of these grants follow the same homogeneous overall control system set out in this report.

The CRS is complemented by 'risk-based' audits; audits selected according to one or more risk criteria. These audits are intended to detect and correct as many errors as possible for instance by targeting the larger beneficiaries and identification of possibly fraudulent operators. These audits are also referred to as 'corrective' audits.

Different indicators are calculated to provide a comprehensive view of legality and regularity:

Overall Detected Error Rate: this is the error rate derived from the results of all audits, whether audits on a representative sample of beneficiaries or audits implemented for other reasons (large beneficiaries, preventive audits, risk factors, etc). Its value is cumulative and can be calculated for a specific implementing body or for the whole Research and Innovation family.

Representative Error Rate for the Framework Programme: this is the error rate derived solely from the results of the CRS, extrapolated to the overall population

and calculated for each FP as a whole. This error rate provides an estimate of the level of error in the given framework programme at the time of the audits, but does not factor in the follow-up and corrections/recoveries undertaken by Commission services after the audit, nor does it provide information on the net final financial impact of errors.

Residual Error Rate: the residual error rate, on a multi-annual basis, is the extrapolated level of error remaining after corrections/recoveries undertaken by Commission services following the audits that have been made. The calculation of the residual error rate, as described in **Annex 4**, is based on the following assumptions:

1. all errors detected will be corrected;
2. all non-audited expenditure subject to extension of audit findings is clean from systematic material errors so that the residual error rate can be estimated to be equal to the non-systematic error rate.

The residual error rate develops over time and depends on the assumptions set out above. This indicator is reliable and acceptable for the purposes for which it was intended, i.e. as a legality and regularity indicator on the progress made, through its ex-post audit strategy, in dealing with errors over a multi-annual basis. However, it remains an estimate as long as not all cost claims have been received and not all cases of extension of audit findings have been fully implemented yet.

Assessment of the functioning of the management and control systems (including best estimate of error)

FP7

The audit work for FP7 is almost completed. The last Common Representative Audit Sample was launched in 2016. By the end of 2017, just 21 audits of the Common representative audit sample remained open.

Against this background, a final wrap-up of the FP7 audit campaign is made below and FP7 audits will no longer be covered in detail in future AARs. Future AARs will only continue to report on the implementation of FP7 audit results.

Audit coverage of FP7

Research Family

The Research family as a whole had a target of 4 056 audit results for FP7. With FP7 4 324 audits results covering 64,2% of FP7 expenditure completed by the end of 2017, this original target was exceeded by 6%.

The percentage of FP7 expenditure covered by the audits (64,2%) refers to the value of the participations of the audited beneficiaries. It includes both the fully audited participations (8,4%), also referred to as the 'direct' coverage, and the non-audited participations which nevertheless, after the full treatment of audit results, are clean from systematic errors (55,8 %), also referred to as the 'indirect' coverage.

DG HOME had a target of 100 audit results for FP7 end 2016. With 118 FP7 audits results covering 20% of FP7 expenditure completed by the end of 2017, this target was exceeded by 118%. Once the FP7 audits still open are closed (29 audits for DG HOME), the original target for FP7 audits will have been exceeded by 129%.

The percentage of FP7 expenditure covered by the audits (88.447.862,00) refers to the value of the participations of the audited beneficiaries, split in 20% direct coverage and 44,9% indirect coverage.

Error rates

The error rates resulting from FP7 audit work are:

Overall Detected Error Rate: based on 1982 results of audited **DG HOME** participations, this error rate amounts to 5,83%¹³².

Common Representative Error Rate: based on 461 costs statements for which the audit is completed (95 % out of a sample of 486), this error rate is **4,95%**.

Residual Error Rate: at this point in time, this error rate amounts to 2,79% **DG HOME**.

Conclusion ex-post audits for FP7

The Common Representative Error Rate for FP7, calculated on a multiannual basis, is around 5%. The Residual Error Rate is 2,79%.

As a result of 29 audit results still to be completed, the **DG HOME** Residual Error Rate may still change in 2018. However, since the current Residual Error Rate 2,79% is almost identical to that of last year 2,70% and only a small number of audits remains open, it can be assumed that the final Residual Error Rate will be around this value.

These results are in line with the conclusions expressed in AARs over the years: that the Common Representative Error Rate resulting from audits of FP7 will be around 5% at the end of the programme and the residual error rate for DG Research and Innovation at around 3%.

These amounts do not necessarily mean that there is a loss to the Community budget. Many of the projects spend more than the capped budget, and so the real loss to the Community budget will be lower than when estimating the financial impact by using the error rates above.

The reservation in the declaration of assurance for the FP7 expenditure is addressed in Section 2.1.5.

DG HOME made continuous efforts to mitigate the risk of error in FP7 expenditure, including:

- a number of simplifications (for example those contained in the Commission Decision of 2011) and modifications to the Model Grant Agreement;
- a major communication campaign targeting beneficiaries and their auditors;
- continuous review of ex-ante control procedures, often based on the results of audits by the Commission auditors as well as those of the European Court of Auditors;
- 118 ex post audits, together with the recovery of overpayments and the extrapolation of systemic errors to unaudited cost claims of the same beneficiaries in terms.

However it is clear that the 2% residual error target for FP7 will not be attained. Nevertheless, the lessons learned from FP7 audits have been used in the development of Horizon 2020 programme's general framework.

H2020

Given the stage of the programme lifecycle, a limited number of cost claims totalling 4.1

¹³² This is lower than the representative rate as it includes a number of preventive audits carried out at the beginning of FP7.

billion euros of requested funding had been received by the services by the end of 2017. The first Horizon 2020 audits were launched in the middle of 2016 and further audits were launched in 2017. The first Common Representative Sample (CRS), a Common Risk Sample and an Additional Sample¹³³ have been selected. In total, by December 2017, 625 participations had been selected for audit, covering all the services signing grants in Horizon 2020.

In total, the audit of 392 participations has been finalised (385 on 2017 selection of 625 participations and 7 on the 2018 selection). This includes 110 out of 142 selected in the first CRS. The error rate on 31/12/2017 is:

Overall detected error rate based on 392 participations: 1,54 %

The detected error rate based on 110 out of 142 participations selected in the first CRS is 1,6%. However, if we take into account the draft audit reports then the expected representative error rate for the full sample will be around 2,82%

Residual Error Rate for the research family: 1,44 %, expected to rise to around 2.24% when taking into account the draft audit reports.

Residual Error Rate derived from the CRS for the **DG HOME** : 1,55%

Comments on the control results

The error rates set out above **can only be a preliminary estimation and must be treated with care**. The CRS is not yet complete, and so is not yet fully representative of the expenditure that it covered. In addition, the first CRS was taken at an early stage of the programme in order to provide an early indication of the error rate and, also, whether the simplifications introduced in Horizon 2020 had been effective. The nature of expenditure in the first years of the programme may not be totally representative of the expenditure across the whole period of expenditure. And the programme is in any case multi-annual, so the error rates, and especially the residual error rate, must be considered over time. In particular, the cleaning effect of audits over time will tend to increase the difference between the representative/detected error rate and residual error rate, with the residual error rate finishing at a lower rate.

There is nevertheless evidence that the simplifications introduced in Horizon 2020, as well as the increased experience of major beneficiaries, are reducing the number and level of errors made by beneficiaries. However, beneficiaries still make a number of errors, sometimes because of a lack of understanding of the rules, sometimes because of a non-respect of the rules.

The Model Grant Agreement, and its accompanying annotations, have already been adjusted to introduce simplifications or clarifications on different points. The results of the first audits will be analysed during the first quarter 2018 in a working group bringing together auditors from the Commission and the Court to see where additional simplifications and clarifications may be needed.

Considerable efforts have been made to ensure clear communication of the rules and guidance to participants and their auditors. By the end of 2017 a total of 75 communication events had been organised in 26 different countries with a total of 6.600 participants.

Trials of lump sum funding will be undertaken in the 2018 work programme to evaluate if this form of entitlement funding, which would avoid errors of legality and regularity, is appropriate to achieving all the objectives of research policy.

¹³³ This last sampling accommodates special needs of certain stakeholders with regard to audit coverage and selection method. In addition, top ups, which are participations of selected beneficiaries which are added to the selected participations, are included in the total participations selected.

The Financial statement accompanying the Commission's proposal to the legislative authority for the Horizon 2020 regulation states: "*The Commission considers therefore that, for research spending under Horizon 2020, a risk of error, on an annual basis, within **a range between 2-5 % is a realistic objective** taking into account the costs of controls, the simplification measures proposed to reduce the complexity of rules and the related inherent risk associated to the reimbursement of costs of the research project. The ultimate aim for the **residual level of error** at the closure of the programmes after the financial impact of all audits, correction and recovery measures will have been taken into account is to **achieve a level as close as possible to 2 %.**"*

The first audit results suggest that the detected (and in future representative) error rate will remain within the established range. Together with the experience in FP7, they also suggest that the objective for the residual error rate will be respected.

In conclusion, DG/service still considers that the error rate will fall within the range established in the Financial Statement, so it does not consider that a reserve is needed for Horizon 2020 expenditure.

D) Direct management - procurement

The control system for direct management procurement is grouped around three core processes: procurement procedures, financial operations, and supervisory measures.

Stage 1: Procurement procedure

The first stage concerns the calls for and evaluation of tenders, starting from the moment of planning and needs assessment until the selection of suppliers – the award decision. The overall control objective at this stage is to ensure that DG HOME select the proposal that contributes the most towards the achievement of the policy or programme objectives in terms of effectiveness and compliance.

The year 2017 was characterised by a very significant increase of transactions: 17 tenders, 211 commitments and 365 payments. Compared to 2016, the increase was huge notably in terms of new commitments (+50%) and tenders (only four in 2016).

This reflects the intensive political framework of DG HOME where the procurement and contract activities support policy developments in the field of migration, borders and internal security.

The contracts are mainly for studies, evaluations, legal compliance, support and maintenance of policy networks (such as the RAN¹³⁴/CoE, the Local Correspondents Network against corruption, IT Interoperability, Detection of Explosives network, etc), a high number of experts working groups, conferences supporting the activities of DG HOME.

In 2017 two exceptions were registered under stage 1: one for a negotiated procedure of a middle value contract (expert services for technical and operational tasks related to SIS) where the terms of reference were sent only to one bidder instead of five; the other one referred to late amendment of a service contract, due to the need to address a urgent request from the Council and the Task Force on Migrants' Information Strategy.

Stage 2: Financial operations

The second stage concerns the management of the contracts and payments made. This stage comprises ex-ante checks of beneficiaries' cost claims and the processing of

¹³⁴ RAN: Radicalisation Awareness Network.

transactions through DG HOME's financial circuits. The overall control objective is to ensure that operational results (deliverables) from the projects are of good value and meets the objectives and that the related financial operations comply with regulatory and contractual provisions.

The amount of payments in 2017 was equal to EUR 20 million corresponding to 365 payments made (payments in 2016 were equal to EUR 37 million and the number of payments reached 527).

In 2017, four exceptions were registered under stage 2. One was related to a signature 'a posteriori' of an order form for a communication campaign, two related to the creation of a new budgetary commitment following an accidental de-commitment before the final payment, and one exception related to the use of the general budget of DG HOME for missions, due to late adoption of the Annual Work Programme of ISF Borders.

Stage 3: Supervisory measures and assessment of the functioning of the management and control systems

Based on the methodology described in Annex 4, no ex-post controls were performed for contracts. The audit findings signalled by the other internal or external auditors are duly taken into account for the assessment of assurance in relation to procurement transactions (please see details in 2.2) and the residual error is estimated to be below 2%. The Court of Auditors assessed in 2016 the DG HOME's systems for direct management (procurement included) and concluded that DG HOME implemented the relevant controls required by the financial regulation and the review did not reveal major weaknesses.

E) Indirect management - decentralised agencies

DG HOME acts as partner DG for six agencies which received budget implementation tasks from the legislative authorities. The Internal Control Template (ICT) on indirect management in Annex 5 details the applicable supervision and reporting activities. The assurance described below refers to (i) the administrative part of the agencies' subsidy as well as on (ii) their operational transactions.

The table below summarises the payments made for each agency in 2017 (EUR million)

Heading 3a: Freedom, security and justice*	Payments made/ implementation	
	M€	%
Frontex	261.27	100%
EASO	75.38	99%
Europol	114.62	98%
Cepol	9.28	94%
EMCDDA	15,14	99%
eu-LISA	67.73	88%
Total	543.42	96%

Stage 1: Operations: monitoring, supervision and reporting

The overall control objective of this stage is to ensure that DG HOME is timely and fully informed of any relevant management issues encountered by the agency, in order to mitigate any potential financial and/or reputational impacts.

The agencies have full responsibility for the implementation of their budget, DG HOME being responsible for the regular payment of the contributions established by the Budgetary Authority. Memoranda of Understanding signed with each agency clarify the

conditions for the payment of the EU subsidy by the Commission and allow the parent DG to access ABAC data of agencies for budget implementation purposes.

At the closure of the financial year, agencies provide their budget outturn calculations to the Commission. They contain an estimation of the amount to be paid back to the Commission. After the final closure, the partner DG will claim its reimbursement from the agency.

The Commission provides assistance to the agencies with regard to the application of the financial regulations, but also through the use of different Commission tools and services (ABAC, Medical Service, recruitment via EPSO, training, PMO).

The Commission takes part in the governance of the agencies by participating as a member in the Management Boards. Membership rules are laid down by the founding regulations of each agency. Agencies' Boards always include representatives from each Member State and generally one or two Commission's representative, each with one voting right. In 2017, following the revision of DG HOME's organigramme, the Commission revised its decision on the Commission representatives in the Management Boards, providing in most cases for higher representation through the involvement of the Deputy Directors-General.

Heading 3a: Freedom, security and justice*	Total number of votes for DG HOME representatives	Number of DG HOME members in the MB
Frontex	1	2
EASO	1	2
Europol	1	1
Cepol	1	1
EMCDDA	1	2
eu-LISA	1	2

However, the Commission's representation on the Management Board is not the only way to reflect the particular responsibility that the Commission holds in implementing EU legislation. DG HOME ensures the following monitoring activities:

- Monitoring of the agencies' policy activities

The operational units for particular policies are involved in numerous contacts at working level, coordination meetings, providing opinions on annual work programme, draft budget, staff policy plan and monitoring of their implementation. Contacts at higher level, notably of the Director-General with the Executive Directors and the Chairs of the Management Boards, were also taking place throughout the year.

- Budgetary monitoring

- DG HOME follows the agencies' budget from the preparation of the budgetary procedure through the implementation of the annual EU contribution, until the submission of the accounts and the discharge process. Monitoring of budget implementation for all the agencies is necessary, also to promote the implementation rate and avoid to the extent possible that payment appropriations be returned by agencies during the last quarter of the year.
- The European Court of Auditors (ECA) issued its reports on the annual audits of the agencies for the financial year 2016 in November 2017. These audits resulted in the

unqualified opinion on the reliability of the accounts and the legality and regularity of the transactions underlying the accounts for all agencies under DG HOME remit¹³⁵ but EASO. **ECA's qualified opinion on EASO** was due to some findings on two payments related to procurement. However, the Court expressed the opinion that, except for the effects of these two matters, the payments underlying the accounts for the year ended 31 December 2016 were legal and regular in all material respects. The EP (Committee on Budgetary Control) in its Draft Report on discharge in respect of the implementation of the budget of EASO for the financial year 2016 (2017/2177(DEC) 30.1.2018) has proposed to postpone its decision on granting the discharge to the Executive Director of the agency. On the same matter, the Council has recommended that the discharge be given by the European Parliament to EASO, as stated in the Council recommendations on the discharge to be given to the bodies set up under the TFEU and the Euratom Treaty in respect of the implementation of the budget for the financial year 2016 (Doc. 9 February 2018 (OR. en) 5941/18 ADD 1 FIN 92 PE-L 7).

- Letters sent to agencies by the Director General DG HOME to report on issues impacting the assurance

Following the IAS audit on "Coordination and working arrangements with EU decentralized agencies in DG HOME", DG HOME proposed an action plan to address the audit recommendations, mainly in relation to increasing awareness of staff dealing with agencies in DG HOME, earlier involvement in agencies programming phase, strengthening its monitoring of agencies' performance based on appropriate performance indicators, establishment of a control strategy and reinforcing the building blocks of the declaration of assurance regarding payments made to agencies.

Thus, in the framework of building assurance for the 2017 Annual Activity Report, notifications letters were sent by DG HOME to decentralised agencies requesting to notify significant events with possible impact on DG HOME assurance for 2017. DG HOME received replies from all agencies. Agencies have not detected any issues of potential impact on the assurance.

In 2017 a new legal basis and revised mandate for eu-LISA was prepared by DG HOME and adopted by the Commission (COM(2017) 352 final 2017/0145 (COD)).

Stage 2: Commission's contribution

The control objective is to ensure that all elements of the payment request is fully assessed before paying the contribution or decide to suspend or interrupt payments.

Memoranda of Understanding (MoUs) were signed with all six mentioned agencies clarifying the conditions for the payment of the EU subsidy by the Commission.

The table in Annex 8 summarises the details on DG HOME's contributions in relation to decentralised agencies in 2017. The total amount available for DG HOME agencies in 2017 was equal to EUR 709 million in commitments. Consumed commitments at the end of 2017 were equal to EUR 683.48 million (96%). In terms of payments, the consumed amount was equal to EUR 546.78 million (77%).

During 2017 EASO received a budget increase through internal transfer (EUR 13.7 million), to address a shortfall on operational expenditure mainly in Italy and Greece, where the situation changed in the course of the year and requested the mobilisation of expert on the ground (i.e. translators, interpreters, caseworkers and cultural mediators – and costs related to their safety and travel).

Two agencies adopted budget amendments in 2017: FRONTEX (EUR 20 million both in commitment and payment appropriations) and eu-LISA (carry over of EUR 52 million in commitment appropriations and EUR 85.6 million in payment appropriations mainly due

¹³⁵ EASO, FRONTEX, eu-LISA, CEPOL, Europol and EMCDDA.

to delays in the adoption of the new Regulations on EURODAC and Entry/Exit System).

Stage 3: audit, evaluations and discharge

Information regarding the use of the assigned resources by the agencies is provided by the Court of Auditors and the Internal Audit Service. The IAS acts as the internal auditor for the agencies, while the European Court of Auditors gives a statement of assurance as to the reliability of the annual accounts of the agency and the legality and regularity of the transactions underlying them. Based on these, the European Parliament grants discharge directly to the agencies.

Court of Auditors' reports for 2016

In its 2016 reports (published in November 2017) for each decentralised agency, the Court of Auditors issued unqualified opinions on the reliability of the accounts (except for EASO) and unqualified opinion on the legality and regularity of the underlying transactions for all DG HOME agencies.

Represented in the Management Board of the agency, the Commission follows the implementation of the action plan developed by EASO to address the audit recommendations. In the meantime, DG HOME has included a reservation on reputational grounds in its Annual Activity report 2017, related to significant weaknesses identified in the management and control systems of EASO, hence without impact on the assurance of DG HOME.

Audits performed by Internal Audit Service (IAS)

DG HOME's representatives in the management Boards of the Agencies have not been informed of any critical issues arising from audits performed by the IAS or other assurance providers that would be very significant from a reputational perspective.

Assessment of the functioning of the management and control system

The relevant information provided by the agencies in relation to the issues identified as a result of the Commission's involvement in the Management Boards of the agencies and the results of DG HOME's supervision arrangements are deemed reliable and assessed as sufficient to draw the reasonable assurance conclusion. Details on IAS audits will be given by agencies directly in their Annual Activity Reports, in the framework of their separate discharge procedure.

F) Indirect management – delegation agreements

In 2017 DG HOME has signed a delegation agreement with the International Organisation for Migration (IOM), for which an amount of EUR 5.6 million was paid in 2017 as pre-financing. No final payments/clearings were made in 2017 in relation to the other existing delegation agreements:

- Delegation **agreement with eu-LISA for Smart Borders;**
- Delegation agreement with Europol (**support for EMPACT activities**);
- Delegation Agreement with **Centre for Migration Policy Development ICMPD – Mobility Partnership Mobility (MPF)**
- Delegation agreement **with United Nations High Commissioner for Refugees (UNHCR) "Support to Greece for the development of the hotspot/relocation scheme as well as for the developing asylum reception capacity"**

Stage 1: Establishment of mandate

In 2017, following an Inter-service consultation in the Commission, one delegation agreement for EUR 7 million was signed between DG HOME and IOM to implement phase II of the Readmission Capacity Building Facility (RCBF). The implementation period runs

from January 2018 to December 2020, therefore no assurance activities were carried out/needed in 2017.

The RCBF contributes to the policy priorities of concluding and implementing readmission agreements or improving practical cooperation on readmission with third countries. It aims to incentivise and help concerned third countries to improve their cooperation on readmission with the EU Member States. Projects under RCBF include support to identity management and readmission case management systems, post-arrival and reintegration assistance, campaigns to prevent irregular migration, capacity building for relevant authorities, etc. Under the RCBF functioning guidelines, HOME firstly invites a partner country to benefit from RCBF support, possibly leading to projects ("support actions") implemented by IOM. Support actions have been or are being implemented in Afghanistan, Pakistan and Bangladesh.

Stage 2: Operations: monitoring, supervision and reporting

The overall control objective of this stage is to ensure that DG HOME is timely and fully informed of any relevant management issues encountered by the beneficiary, in order to mitigate any potential financial and/or reputational impacts.

- Delegation agreement with eu-LISA for Smart Borders:

The Delegation agreement was signed in January 2015 and ended in 2015. Eu-LISA has notified DG HOME of a significant delay in the preparation of the final report and therefore no payments under this Delegation agreement were made in 2017. The delay was due to the finalisation of the verification of last grant payments under the delegation agreement. A report on the implementation of the entrusted tasks together with the auditor's opinion was received in 2016 (related to activities of 2015), confirming that the transactions were legal and regular in all material aspects, and no issue regarding the assurance was reported. DG HOME accepted the report, no additional payment as made.

- Delegation agreement with Europol (support for EMPACT activities):

The delegation agreement with EUROPOL was signed in 2015, amended in April 2016 for a total amount of EUR 2 million to EUR 9 million; it lasts until 30 June 2018.

As requested by the delegation agreement, annual reports from EUROPOL on the implementation of the entrusted tasks under the Delegation Agreement (DA) were received by DG HOME on 15/02/2016 and 15/02/2017, signalling no issues regarding assurance.

- Delegation Agreement with Centre for Migration Policy Development ICMPD – Mobility Partnership Mobility (MPF)

The MPF Delegation agreement was signed with ICMPD on 16 December 2015 for a total amount of EUR 5.5 million.

DG HOME closely follows the implementation, as the ICMPD shares with DG HOME all the grant applications submitted under the MPF call for proposals (14 applications processed as of October 2017) and invites DG HOME to evaluate the proposals in the Grant Evaluation Committee. In addition, DG HOME attends the Steering Committee meetings (held twice a year).

As of October 2017, 71% of the MPF budget for the grants was allocated, and ICMPD expected the full budget for projects to be allocated by the end of the first quarter of 2018. MPF Delegation agreement will end on 30/11/2018. DG HOME and ICMPD are currently preparing the MPF II Delegation Agreement scheduled for a signature in early 2018, in order to ensure the continuation of the activities.

- Delegation agreement with United Nations High Commissioner for Refugees (UNHCR) "Support to Greece for the development of the hotspot/relocation scheme as well as for the developing asylum reception capacity"

The Delegation agreement with UNHCR was signed in January 2016 for a total amount of EUR 80 million, covering the period 1 January 2016 – 31 December 2016. Two pre-financing payments (total EUR 60 million) were made in 2016. Weekly, monthly and quarterly reports were received from the UNHCR to monitor regularly the implementation of the delegation agreement, in close collaboration with DG HOME policy units. Final report for the Delegation Agreement was received in August 2017, reporting a full consumption of the budget. However, due to some missing documents and information, the approval of the report and final payment were suspended. The suspension was lifted in December 2017; however the final payment could be made only in February 2018.

No issues impacting legality and regularity of payments were reported in the final report and the management declaration confirmed the necessary assurances on the legality and regularity of the underlying transactions of the report. In addition to the regular reporting and visits of DG HOME policy units, two targeted monitoring missions took place during 2016. A verification mission was initially planned by Unit E4 for 2017, but was postponed to 2018; this will follow up on some recommendations included in the verification report from ECHO that was analysed in this context.

Stage 3: Commission contribution: payment or suspension/interruption

In 2017 DG HOME paid EUR 5.6 million under the delegation agreement with IOM. As this payment was a pre-financing after the signature of the agreement, it is considered as no risks/error prone.

Assessment of the functioning of the management and control system

In the framework of the delegation agreements, DG HOME paid in 2017 only a pre-financing, which is considered zero risk for the assurance. The information received during the monitoring process did not reveal any reputational events impacting the assurance.

Overall conclusion on effectiveness of controls as regards legality and regularity

The table below provides an overview of the weighted average error rate for the annual expenditure by using the best estimate of the potential error rate for each of the constituent parts of the budget managed by the DG. For shared management SOLID, the cumulative detected error rate (Gross error rate) is based on the annual error rates reported by audit authorities, adjusted by the corrections validated by certifying authorities and, where necessary, by DG HOME estimation, as explained in Section 2.1.1.1/A1. An assessment approach has been developed for 2017 accounts AMIF/ISF, as explained in 2.1.1.1/A2. With regard to the amount under risk for the research grants, the applied error rate corresponds to the residual error rate as calculated based on the Common Representative Audit Sample (Chapter 2.1.1.1/C). With regard to the direct management non-research grants, the cumulative detected error rate is based on the results of audits carried out by DG HOME (Chapter 2.1.1.1/B).

For other activities either a range between 0% and 1.99 % is applied as they were not covered by audits in 2017, or an alternative reliable estimation was used where available (Court of Auditors). These activities are not considered risk-prone in 2017 and it is estimated that the error rate is below the materiality threshold.

In the context of the protection of the EU budget, at the Commission's corporate level, the DGs' estimated overall amounts at risk and their estimated future corrections are consolidated.

For DG HOME, the estimated overall amount at risk *at payment*¹³⁶ for the payments made in 2017 is equal to EUR 26,90 million. This is the AOD's best conservative estimation of the amount of *relevant expenditure*¹³⁷ during the year (EUR 1.707 million) not in conformity with the applicable contractual and regulatory provisions at the time of payment.

This expenditure will be subsequently subject to ex-post controls and a sizeable proportion of the underlying error will be detected and corrected in successive years. The conservatively estimated future corrections¹³⁸ for the 2017 payments are equal to EUR 14.33 million. This is the amount of errors that the DG conservatively estimates to identify and correct from controls that will be implemented in the following years.

The difference between those two amounts is the estimated overall amount at risk at closure which is equal to EUR 12.57 million.

¹³⁶ In order to calculate the weighted average error rate (AER) for the total *relevant expenditure* in the reporting year, the *detected*, estimated or other equivalent error rates have been used.

¹³⁷ "*Relevant expenditure*" during the year = payments made, minus new pre-financing paid out, plus previous pre-financing cleared.

¹³⁸ For the estimation of a corrective capacity of the DG, the data on 5-year average (2012-2016) recoveries is taken as the best estimation of a corrective capacity of the DG. Based on a similar approach as for the 2016 AAR, DG HOME used a 5-year average instead of a 6-year average, as it is considered to be more representative of the current corrective capacity. 2011 recovery figures are not representative for all years, due to big corrections on Schengen Facility.

amounts in
M€

Estimated overall amount at risk at closure

	1	2	3	4 = 1 - 2 + 3	5	6 = 4 x 5	7	8 = 4 x 7	9 = 6 - 8
	Payments made DG HOME	PF	PF cleared	Relevant expenditure	Average error rate AER (%)	Estimated overall amount at risk	Average recovery and corrections ARC (%)	Estimated future correction	Estimated overall amount at risk at closure

HOME activities	1.705,35	1.179,80	1.181,97	1.707,52	1,58%	26,90		14,33	12,57
Shared management SOLID	116,84	0,00	284,01	400,85	2,39%*	9,58	1,19%	4,77	4,81
Shared management AMIF/ISF	620,36	315,73	233,87	538,50	1,54%**	8,29	1,19%	6,41	1,88
<i>(Of which DG HOME contribution to the EU Trust Fund Africa)</i>	<i>(5)</i>	<i>(5)</i>	<i>(2.15)</i>						
Grants research	68,45	46,85	39,10	60,70	2,79%	1,69	1,19%	0,72	0,97
Grants non research	295,48	264,73	169,94	200,69	3,61%	7,24	1,19%	2,39	4,86
Procurement	45,25	1,22	0,36	44,39	0,20%	0,09	0,00%	0,00	0,09
Delegation agreements	5,60	5,60	3,22	3,22	0,00%	0,00	1,19%	0,04	-0,04
Decentralised agencies	543,42	543,42	434,80	434,80	0,00%	0,00	0,00%	0,00	0,00

Others	9,95	2,25	16,67	24,37	0,00%	0,00	0,00%	0,00	0,00
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* Cumulative detected error rate

**Cumulative residual error rate

2.1.1.2 Efficiency and Cost-effectiveness

Based on an assessment of the most relevant key indicators and control results, DG HOME has assessed the cost-effectiveness and the efficiency of the control system and reached a positive conclusion.

Regarding the cost-effectiveness of controls, the conclusion was reached on the basis of an estimation of costs of control over the value of the related funds, in the form of indicators and their evolution over time for each distinct control system described in Annex 5. Details are presented in Annex 10.

As a general overview, the total costs of controls performed in 2017 in DG HOME were estimated at EUR 22.99 million, a slight decrease of 0.13% as compared to the costs reported for 2016 (EUR 23.02 million). Despite this reduction of the total costs of control, the cost-effectiveness ratio increased slightly, passing from 1.13% recorded in 2016 to 1.35% in 2017.

The share of costs for each control system in the total payments in the year is summarised below:

Control system	2017			2016			2015		
	Costs (M€)	Payments (M€)	Costs/payments (%)	Costs (M€)	Payments (M€)	Costs/payments (%)	Costs (M€)	Payments (M€)	Costs/payments (%)
Shared management	10,09	737,20	1,37%	8,74	1.016,09	0,86%	8,01	582,23	1,38%
Direct - grants non-research	6,50	295,48	2,20%	5,90	392,47	1,50%	5,93	167,12	3,55%
Direct - grants research	1,78	68,45	2,36%	3,36	55,66	6,04%	3,34	62,48	5,35%
Direct procurement	2,13	45,25	4,70%	2,69	32,83	8,19%	2,64	34,14	7,73%
Indirect management decentralised agencies	2,07	543,42	0,38%	2,00	467,91	0,43%	2,27	347,12	0,65%
Indirect management delegation agreements	0,43	5,60	7,65%	0,33	62,10	0,53%	na	na	na
Other	na	9,95	na	na	16,82	na	na	10,1	na
Total	22,99	1705,35	1,35%	23,02	2043,88	1,13%	22,19	1203,19	1,84%

Regarding the efficiency of controls, DG HOME assessed it based on "time-to" indicators, measuring the time spent to complete a specific procedure. The general statistics at the level of all payments performed in the DG show that the average late payment rate in 2017 was equal to 18% (a significant decrease as compared to 2016 when it was equal to 22.19%). This corresponds to an average of 55 days to make a payment, against 48 needed in 2016. Significant improvements were registered in payments for delegation agreements (8% late) and shared management (4% late), whilst contributions to agencies, grants and procurement registered an average of late payments equal to 26%.

The deterioration of the situation is not justified by an increase in the total amount paid (EUR 1.7 billion in 2017 and EUR 2 billion in 2016), nor to the number of payments, but it is mainly related to the backlog generated by the high increase in EMAS grants in 2015 (with a significant number of final reports received in 2016 and related payments processed in 2016-2017). Measures to reduce the backlog were successfully put in place during the second half of 2017.

Under shared management mode, the indicators on efficiency of controls improved

significantly in 2017: the "time-to-close" SOLID programmes was equal to 252 days in 2017 (315 days in 2016), the time to pay pre-financing under AMIF/ISF was 20 days in 2017 (69 days in 2016).

In 2017 the revision of 70 National Programmes AMIF/ISF were carried out, to increase the allocations based on additional amounts made available for integration, return, Passengers Name Record (PNR), information exchange, equipment for FRONTEX operations and resettlement. The time-to-adopt the revised national programmes was equal to 107 days.

Shared management	Time-to adopt national programmes (revision): 107 days
	Time-to-pay pre-financings: ↘ 20 (69 days in 2016; 60 days time limit)
	Time-to-close: ↘ 252 days (315 days in 2016)

Under *direct management grants*, the efficiency indicators show an improvement of the situation in "time-to-pay" (52.5 days in 2017 as compared to 72 days in 2016), and a deterioration in the "time-to-grant" non-research grants (from 89 days in 2016 to 201 days in 2017). The main reason is related to the introduction of an electronic e-grants system (SYGMA, COMPASS), which required a transition period that brought about some delays. Moreover, the number of signed grant agreements in 2017 is higher as compared to 2016.

Concerning "non emergency assistance (EMAS)" grants (Union Actions, Drugs and Pilot projects), the number of applications received in 2017 decreased significantly (168 proposals received versus 311 in 2016). In 2017 DG HOME published fewer and more specialised calls than in 2016, and concentrated more on direct awards, which resulted in fewer applications. However the total number of projects selected increased (82 projects selected versus 73 in 2016), both due to the high number of direct awards and overall bigger available budget for calls, notably the INTE call in 2017. The total number of procedures (calls, invitation to submit proposals) managed by DG HOME in 2017 was therefore higher than in 2016 (29 compared to 21). This had an impact on the average "time-to-sign" (124 days) and on the "time-to-grant" (201 days).

Concerning "EMAS grants", in 2017 26 grants (versus 45 in 2016) were awarded (AMIF and ISF). Similarly to previous years, emergency assistance grants were characterised by a fast procedure, notably with a very fast time-to-inform indicator (31 days), well within the regulatory limits. A number of procedures were implemented to improve all stages of the management of emergency assistance and increase assurance in this area, namely:

- Note clarifying the roles and responsibilities in DG HOME for all steps of emergency assistance, setting the base principles
- Adoption of the control strategy
- Updated guide for applicants with revised application forms, putting more emphasis on the indicators
- Updated evaluation guidelines
- New grant monitoring guidelines and templates

Based on the above, an improvement in the efficiency indicators in this area of work is expected from next year.

In general terms, measures were adopted to harmonise, simplify and update the final payment methodology, so as to shorten the time-to-pay. In the second half of 2017 DG HOME put in place a temporary task force for late payments with the primary objective to resolve the backlog of late invoices. It was successful, as in less than four months 123

final reports were processed, with only three late invoices left at the end of the year. However, the work of the task force did not have an immediate effect in reducing the amount of late payments in 2017; its effects will be fully visible as from 2018.

Direct management grants	<p>Time-to-inform (non-research grants): ↘ 31 days for EMAS grants, ↘ 124 days for non EMAS grants (average was 172 days in 2016, 180 days foreseen by Art. 128.2 (a) of the FR)</p> <p>Time-to-grant* (non-research grants): ↗ 201 days (89 in 2016; 90 days foreseen by Art. 128.2 (b) of the FR)</p> <p>Time-to grant* for research grants: ↗ 243 days (242 in 2016); H2020 regulation: 8 months deadline foreseen by the Rules of Participation Article 20)</p> <p>Time-to-pay (all grants): ↘ 52.5 days (72 days in 2016)</p>
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** for non-research grants the time-to-grant includes only the period from the award to the signature of grants, while in case of research grants the time-to-grant includes also the time-to-inform.*

In relation to direct management procurement, the average number of days necessary to process a payment slightly increased to 31 days (from 21 days in 2016), while for payments of subsidies to decentralised agencies, the time to pay reached 22 days in 2017, as compared to 13 days in 2016. DG HOME needed 22 days (30 days in 2017) to make the pre-financing payments for delegation agreements.

Others	<p>Procurement: time-to-pay: ↗ 31 days (21 days in 2016)</p> <p>Decentralised agencies: time-to-pay: ↗ 22 days (13 days in 2016)</p> <p>Delegation agreements: ↘ time-to-pay 22 days (30 days)</p>
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Based on the above available information, DG HOME could reach a positive conclusion with regard to the cost-effectiveness and the efficiency of its entire control system.

Costs of controls in Member States (shared management, AMIF and ISF)

The estimation of the cost of controls for Member States and participating Countries to implement AMIF and ISF is based on the information provided by the national authorities. To this end, DG HOME collected from the MSs the information on the costs of the controls incurred for the implementation of AMIF and ISF for the financial year 2017 (from 16 October 2016 to 15 October 2017), including responsible and audit authorities (and delegated authorities when applicable).

The national authorities were requested to calculate their costs of controls based on the following types of expenditure:

- Supervision to ensure compliance with the designation criteria (Body referred to in Article 26 of Regulation 514/2014)
- Audit Authority staff costs
- Audit Authority other costs (such as overheads, training courses, travel)
- Responsible Authority (and Delegated Authority) staff costs
- Responsible Authority (and Delegated Authority) other costs (such as overheads, training courses, travel).

The cumulative cost of control estimated by the Member States is equal to EUR 24 million. The total amount of the payments requested by the Member States for the financial year is equal to EUR 548 million, hence the ratio of the estimated costs of control over the amount of funds managed is equal to 5%. The percentage is expected to decrease from next financial year on, since the trend observed so far shows that the payments made by MSs increase steadily. This should lead to a lower impact of the costs of controls over the total expenditure declared to DG HOME by Member States.

Fraud prevention and detection

Since 2013, DG HOME has developed and implemented its own anti-fraud strategy, elaborated on the basis of the methodology provided by OLAF. In 2017, DG HOME prepared a comprehensive revision of its anti-fraud strategy, taking into account the updated methodology and guidance for anti-fraud strategies issued by OLAF in 2016, the substantial reorganisations of DG HOME in 2016 and 2017, as well as a specific IAS recommendation on EMAS. Its implementation is being monitored with biannual reporting to the management. On the basis of the strategy's action plan, awareness raising activities at DG HOME and MS level will be undertaken.

Even if in principle, the controls targeted at preventing and detecting fraud are very similar to those intended to ensure the legality and regularity of the transactions (the unintentional errors), specific anti-fraud related actions were carried out in DG HOME in 2017:

- the risk of fraud was integrated in the risk assessment,
- selection of fraud risk-based audits are a basis of the annual external audit plan,
- regular attendance to FPDnet meetings.

During 2017, two cases of suspicion of fraud and irregularities were transmitted to OLAF for analysis. In addition, DG HOME continued to provide information and to assist the investigators, upon their request.

In conclusion, the above mentioned fraud prevention and detection processes work satisfactorily, and therefore contribute to the assurance on the achievement of the internal control objectives.

2.1.2 Audit observations and recommendations

This section reports and assesses the observations, opinions and conclusions reported by auditors in their reports as well as the limited conclusion of the Internal Auditor on the state of control, which could have a material impact on the achievement of the internal control objectives, and therefore on assurance, together with any management measures taken in response to the audit recommendations.

DG HOME is audited every year by both internal and external independent auditors: the Commission Internal Audit Service (IAS) and the European Court of Auditors (ECA).

- **Summary of the IAS audit recommendations issued to DG HOME during the year**

During the reference period, the IAS completed its internal audit plan for the year 2017:

- The IAS finalised the audit on **"DG HOME's management of Emergency Assistance in the context of the migration crisis"** which had the overall objective to assess if DG HOME is managing the emergency assistance in the context of the migration crisis effectively, while still ensuring the legality and regularity of the underlying transactions. In its Final Report of January 2017, the IAS issued four very important recommendations relating to (1) planning, evaluation and contracting, and (2) monitoring, payment, and control and audit strategy in direct grant management, as well as to (3) Delegation Agreement with UNHCR, and (4) Complementarity of EMAS with other DG HOME funding in indirect grant management. DG HOME has prepared an action plan for all recommendations - considered as satisfactory by the IAS end of February 2017 -, to be implemented at the latest by mid-2018.
- In 2017, the IAS finalised in DG HOME the multi-DG audit on **"HR management / staff allocation"** which aimed at assessing whether DG HOME has put in place adequate governance, risk management and internal control processes for allocating and managing its human resources, enabling the DG to deliver on its policy priorities, objectives and core tasks. In its Final Report of November 2017, the IAS issued two very important recommendations relating to DG HOME's strategic approach to HR management (HRM), and to the allocation of human resources. All recommendations stemming from this audit were accepted by DG HOME, and the action plan - considered as satisfactory by the IAS in January 2018 - will be implemented mostly in 2018.
- At the end of 2017, the IAS launched in DG HOME one new multi-DG audit on **"Risk management"** in order to assess the adequacy of the risk management process in DG HOME in order to improve strategic decision making and increase operational effectiveness by identifying potential obstacles for reaching DGs objectives.

As regards the implementation by DG HOME of recommendations issued by IAS in 2017 and in previous years:

- In its Final Report of September 2015 for the audit on **"DG HOME's preparedness for 2014-2020 legislation under shared management"**, the IAS had issued three very important recommendations which had already been implemented by DG HOME to a great extent in 2015 and 2016. Based on the results of a follow-up audit, the IAS assessed that one very important recommendation (designation of responsible authorities) has been implemented and closed. For another very important recommendation (assessment and approval of National Programmes [NPs]) the IAS announced in 2017 a follow-up audit. During the reference period, DG HOME implemented the last open very important recommendation on DG HOME's control architecture (approval of a manual on the conformity clearance procedure) and sent it to IAS for review.
- In its Final Report of December 2015 for the multi-DG audit on **"Objective Setting process in the context of preparation of Management Plans"**, the IAS had issued three very important recommendations for DG HOME, relating to (1) process for setting objectives and indicators in the MP, (2) quality of objectives and indicators, and (3) monitoring of DG's objectives / reporting arrangements. As detailed in the 2015 Annual Activity Report, DG HOME has partially rejected two of them. DG HOME accepted the associated risks, and presented its position in the 2015 Annual Activity Report. Concerning the accepted parts, DG HOME had implemented one of the very important recommendations (N° 3) in 2016, and implemented and sent to IAS for review the two other ones in 2017.
- In its Final Report of May 2016 for the multi-DG audit on **"Coordination and Working Arrangements with EU decentralised Agencies"**, the IAS had issued three very important recommendations relating to DG HOME's overall strategy towards its agencies with regard to (1) agencies' programming, (2) monitoring of agencies'

performance, and (3) control approach towards DG HOME's agencies, including the process of building up assurance. All recommendations have been implemented by DG HOME in 2016 and 2017 and sent to IAS for review; in particular, DG HOME established a control strategy for the budget managed under indirect management through decentralised agencies (to collect in a comprehensive document the existing control procedures, so as to build assurance and report on the tasks entrusted to its agencies) as well as a guidance paper on DG HOME's relations with HOME decentralised agencies.

➤ In its Final Report of January 2017 for the audit on **"DG HOME's management of Emergency Assistance in the context of the migration crisis"**, the IAS issued four very important recommendations as described above.

- Regarding the Delegation Agreement with UNHCR, the IAS agreed that DG HOME does not have to implement this recommendation (N° 3) since DG HOME would not sign such a delegation agreement in 2017; actions with the UNHCR are funded under ECHO's ESI mechanism.

- Recommendations 1 and 2 have been largely implemented by DG HOME as scheduled in 2017, and finalised beginning of 2018; in particular, DG HOME established a control strategy for EMAS, the DG HOME ex-post audit strategy for grants implemented under direct management mode covers specifically EMAS, and has on this occasion been subject to a broader in-depth revision, DG HOME's newly revised anti-fraud strategy takes into account EMAS specific risks, and DG HOME improved the way amendments are documented; the only missing bit (causing the revised implementation date for Recommendation 1) was an internal note summarizing the main elements following the test phase. In the meantime, this note has been registered and sent to IAS, and the recommendation has been sent to IAS for review in February 2018.

- With regard to the last open very important recommendation (N° 4) on the complementarity of EMAS with other DG HOME funding in indirect grant management, the IAS noted that DG HOME funds actions to address the migration crisis mainly through EMAS, while the take-up of the shared management 2014-20 NPs is very low for most MS. The low level of implementation of the NPs is due to a combination of factors, such as the late adoption of the legal base and of the NPs themselves and delays in the designation of Responsible Authorities. As EMAS funding comes on top of the allocation to MS under the NPs, this may have the effect that NPs are not used to address migration issues that otherwise would be perfectly suitable (and indeed more appropriate) for this type funding. Furthermore, the resulting low absorption rates for shared management may ultimately lead to de-commitment of funds available under the NPs, which will result in a loss of EU funding in critical areas for the MSs.

Therefore, the IAS recommended that in the context of its preparations for the post 2020 programming period and the interim evaluation of AMIF and ISF DG HOME perform an analysis of the 'lessons learned' from the first years of implementation of the NPs and EMAS and of the complementarity between the NPs and the EMAS. This should be used to feed into the re-programming (amendments of NPs) or re-orientation of the different funding tools/resources available to help in addressing the migration crisis.

This recommendation is scheduled to be implemented in June 2018. DG HOME is well on track with the implementation.

➤ In its Final Report of November 2017 for the audit on **"HR management / staff allocation in DG HOME"**, the IAS issued two very important recommendations as described above.

- Regarding DG HOME's strategic approach to HRM, the IAS found that HRM in DG HOME is not yet supported by a comprehensive HR strategy or policy.

To address this, the IAS recommended that DG HOME should establish an HR strategy/policy that brings together existing HRM processes and measures into a comprehensive framework, sets out its main objectives related to HRM, identifies key HR challenges/risks and mitigating measures/ actions, and the tools through which it plans to ensure the effective implementation of those measures, including monitoring mechanisms.

This recommendation is scheduled to be implemented in December 2018. DG HOME is on

track with the implementation.

- On the allocation of human resources within DG HOME, the audit revealed that DG HOME has not yet put in place a robust system for taking HR allocation decisions. Furthermore, DG HOME has not developed a system or mechanism that would enable it to close the gaps between identified needs and available resources; in particular through measures of flexible and rapid redeployment of existing staff to areas where they are most needed.

To address this, the IAS recommended that DG HOME should strengthen its HR allocation system by establishing a structure/ mechanism for identifying its HR needs and for rapidly deciding on solutions to close gaps. HR allocation decisions should be supported in the DG by relevant information on i) tasks, priorities and resources attached to them; ii) workload affecting the DG's units; and iii) skills and competencies of staff; and should be made more objective through the use of quantifiable data.

This recommendation is scheduled to be implemented in June 2018. DG HOME is on track with the implementation.

In conclusion, the IAS stated in its contribution to this report (cut-off date 31 January 2018) based on all the work undertaken that the internal control systems audited are *partially effective* since a number of 'very important' recommendations remain to be addressed, in line with the agreed action plans. The residual risks related to these recommendations may affect one or several internal control principles and/or components.

It has to be noted that the wording of this statement changed compared to previous years (e.g. for 2016 when it read "*internal control systems audited are overall working satisfactorily*") without reflecting a deterioration in the state of DG HOME's internal controls, but rather reflecting an alignment with the approach set out by DG BUDG in the context of the new Internal Control Framework.

In this regard, DG HOME has carried out a detailed analysis of the possible impact of the identified issues on the effectiveness of the DG's internal control system, also taking into account the actions already taken to mitigate the related risks. This showed that, for all the open very important recommendations, DG HOME is taking the necessary actions to tackle the different issues identified by the IAS audits. In particular, parts of the action plan relating to the audit on "*DG HOME's management of Emergency Assistance in the context of the migration crisis*" have already been implemented. It is also to be noted that none of the very important recommendations is overdue for more than six months, on the contrary, all the initially agreed target dates for implementation lie in the future.

On the basis of the analysis carried out, DG HOME considers that, in view of the actions already put in place for risks mitigation, the residual risk related to the above-mentioned recommendations does not affect in a material way the achievement of the internal control objectives, and therefore the assurance provided in the AAR.

- **IAS audit recommendations issued during the year for EACEA**

The Executive Director of EACEA has entered a new reservation in his Annual Activity Report concerning internal control weaknesses relating to the selection process of beneficiaries. This issue was highlighted in an IAS audit carried out in 2017 on the grant management in Erasmus+ and Creative Europe where one critical and eight very important issues were detected. The EACEA reservation and the IAS audit conclusions involve a certain reputational risk for the parent DGs of EACEA.

DG HOME is one of the parent DGs of EACEA since it entrusted the agency with the management of the Europe for Citizens programme. As a consequence, DG HOME is part of the Steering Committee of the agency, and plays as such a supervision role over the agency. This supervision role is framed by a certain number of legal documents and guidance (the Commission Delegation act to EACEA, the Memorandum of Understanding between the DGs and the agency, the Commission Guidelines on Executive Agencies, etc.). However, the parent DGs' supervision of the work of the executive agencies shall

not blur the respective responsibilities and, in particular, it shall not result in duplication or overlap with the tasks of the agency.

Extensive actions have been taken by all to ensure the weaknesses are effectively rectified:

- Two Extraordinary meetings of the EACEA Steering Committee with participation of IAS and DG BUDG;
- Rapid revision of the Creative Europe work programme to deal with issues on retroactivity;
- DG-level meetings involving all parent DGs, SG, IAS and DG BUDG;
- Weekly Audit Management Team meetings and Head of Unit group with participation of IAS;
- EACEA Working Group on the update of grant procedures;
- Participation of parent DGs in training courses on selection in March;
- Examination of best practice in other Executive Agencies;
- Multiple technical meetings on legal and compliance matters with DG BUDG.

This has ensured a close follow-up of the critical issues, and close supervision will be maintained throughout the current implementation of EACEA's action plan agreed with IAS.

Even though the management of the Europe for Citizens programme was not subject of the IAS audit, the changes to the working methods planned by EACEA will also have an impact on it and will further improve its management.

Overall, DG HOME considers that its supervision of the executive agency, which is authorising officer receiving delegation directly from the Commission, has been effective and sufficient in 2017. All the reports foreseen in the Memorandum of Understanding between EACEA and its parent DGs were provided and enable DG HOME to closely monitor the implementation of Europe for Citizens.

Based on the above and based on the fact that the implementation of the action plan by EACEA's Director as AOD in response to the IAS audit shows that appropriate corrective actions have been taken with the parent DGs, and therefore it is not necessary to make an additional reservation at parent DG level. Indeed DG HOME considers that the supervision responsibilities were fulfilled and the reputational risk mitigated adequately.

- ***Summary of the European Court of Auditors findings addressed to DG HOME***

The *Court of Auditors* examined the financial management (legality and regularity of transactions, reliability of control systems) in its Annual Report for 2016 (published in November 2017).

The Court of Auditors presented for the first time in its annual report a dedicated chapter to migration and home affairs (*Chapter 8 Security and Citizenship*). The Court looked into the main control systems used by DG HOME and the Member States to provide assurance for payments made under SOLID, AMIF and ISF. In case of SOLID, the Court mainly examined those Member States whose systems were assessed by the Commission as providing a reasonable level of assurance; the auditors also re-performed four ex-post audits finalised by DG HOME. Regarding AMIF and ISF, the auditors analysed the procedure leading to the Commission's approval of national programmes, how the assessment of Member States' management and control systems is carried out, and the financial clearance of the AMIF and ISF accounts in 2016. ECA also examined the assurance given by the DG in his 2016 AAR. Due to relatively low level of payments for the policy area in 2016 (around 2% of the EU total), the Court did not present a specific error rate for this chapter, nor it issued overall conclusions or recommendations.

Regarding the regularity of transactions, the errors found were mainly minor and the three quantifiable errors found were below 2%.

With regard to *DG HOME's control systems* for payments made under direct management, the errors detected were mostly minor.

For the funds implemented under shared management, the Court positively concluded that their audit work broadly confirmed DG HOME's assessments of the level of assurance provided by Member State systems for SOLID. The minor weaknesses found by the auditors (delays in reporting outsourced audit results and insufficient documentation of quality control for outsourced audits) are being already addressed by DG HOME. Nevertheless, even if DG HOME acknowledged some past delays in the reporting of ex post conformity audits, it did not agree that they delayed the correction of the deficiencies in control systems by Member States. The primary objective of an ex post control is to determine the residual level of error in the audited programme(s); the Commission's assurance is also based on system audits throughout the entire programming period, which are the main opportunity for Member States to take corrective measures for system deficiencies. Where needed, system recommendations to correct deficiencies were also issued by the Commission following its analysis of the documents submitted by the Member States for each annual closure package. An ex post audit is the last opportunity to determine the correct amount that should have been charged to the Union budget by the Member States for a particular annual programme.

The results of the examination of selected Member States' systems for AMIF and ISF outlined a few weaknesses at the Commission level (*high number of draft AMIF/ISF programmes, assessment based on insufficient information of Member State audit strategy*) and at Member States' level (*on the spot checks poorly selected/documentated, lack of dedicated IT tool, weaknesses in audit activities*).

With regard to the approval of AMIF/ISF national programmes, DG HOME clarified that the programming phase was an iterative process with the Member States necessary to ensure high quality of national programmes approved by the Commission for the 2014-2020 programming period.

Regarding the DG HOME's *assessment based on insufficient information of Member State audit strategy*, DG HOME explained that despite the fact that the legal basis does not require the Audit Authorities to submit their system audit reports, the Commission requested systematically to Audit Authorities to submit such reports when needed. Based on the assurance model under shared management, it considered neither realistic nor efficient to review and analyse the entire content of all individual system audit reports. The Audit Authority audit reports are only one of the tools which allow the Audit Authority and subsequently the Commission to obtain assurance on the veracity of the three opinions expressed by the Audit Authority in the accounts. The assurance model under shared management approach is based on other 4 assurance pillars (Summary of audit strategy, Result of system audit work, Result of financial audit work, Re-performance, if applicable, and any other audits the Responsible Authority was subject to during the reference period, DG HOME own audit work, i.e. through desk reviews, system review meetings and system audits.).

The Commission is currently revising the Commission Delegated Regulation (EU) No 1042/2014 supplementing Regulation (EU) No 514/2014 with regard to the designation and management and control responsibilities of Responsible Authorities and with regard to status and obligations of Audit Authorities. The aim of the revisions is to clarify the scope of system audits and the obligation to perform audits of expenditure, and provide a standard reporting model.

In Chapter 5 "Competitiveness for growth and jobs" ***where the Security research strand of DG HOME is included***) ***The Court noted the different approaches used by different Commission's services to calculate error rates for parts of the Seventh Research Framework Programme. Nevertheless, ECA confirmed that the information provided in the AAR reports examined corroborated their findings and conclusions.***

- In Chapter 2 on "Budget management", the Court of Auditors issued one conclusion and one recommendation addressing an overall reporting on spending on migration and the refugee crisis, which should be more coherent and comprehensive. The Commission (central services and the DGs spending funds on migration) clarified that as interventions on the refugees and migration crisis can take different forms over time, it is difficult to define this topic exhaustively beforehand and the underlying content and implicit definition of the information presented might vary over time. The Commission requests the OECD to adapt its DAC codes in order to have a commonly accepted definition of migration. The Commission will analyse possible consolidation of its existing reporting in order to produce comprehensive information on refugee and migration expenditure.
- *Chapter 3 "Getting results from EU budget"* mentions DG HOME among the DGs not using in its AAR cross references to the performance reported in programme statements. DG HOME considers that appropriate coherence has been ensured between the AAR 2016 (especially Annex 12 – performance tables), the programme statements 2016 and 2017, and the Management Plan 2016. The documents contain similar benchmarking system and priorities with the same architecture of indicators and values related to them. One document reflects the others. The funding performance objectives are embedded in the global structure of policy objectives. In relation to another criticism of ECA on the predominance of textual information instead of visual aids (charts, graphs), DG HOME presented the significant improvements of 2016 AAR in this respect.

In addition to the yearly audit, the Court of Auditors published in 2017 two performance audits in relation to Migration and Home Affairs area.

The Court of Auditors published in April 2017 a performance audit on "EU response to the refugee crisis: the Hotspot approach". Information on this audit was already disclosed in the 2016 Annual Activity Report. Regarding the follow up of recommendations, DG HOME already implemented two (2) of the thirteen (13) recommendations, mainly referring to the evaluation of hotspot approach by the Commission. In the context of the mid-term review of the European Agenda on Migration, the Commission issued two documents evaluating the set-up and implementation of the hotspot approach to date, the Communication on the Delivery of the European Agenda on Migration (COM (2017) 558 final) and the Staff Working Document on Best practices on the implementation of the hotspot approach published on 15 November 2017 (COM(2017)669). Following the suggestion for the need for a clear mandate of the coordination taskforce (among the best practices), the terms of this cooperation are being finalised and are expected to further clarify the operational framework of the hotspots. The rest of the recommendations are foreseen to be totally implemented by latest the end of 2018 (one year later), referring to ongoing technical and financial support from the Commission on; improving reception conditions for migrants and asylum seekers on the Greek Islands focusing also to the most vulnerable, hotspot capacity, speeding up the processing of asylum applications and return procedures in Greece, increasing the number of hotspots in Italy, providing suitable accommodation treatment and protection to unaccompanied minors. As regards the deployment of MSs Experts, Commission published regularly reports on the operationalization of the European Border and Coast Guard (EBCG) including the overview of gaps. Concerning the the role, structure and responsibilities of the EU Regional Task Force, consultations are ongoing to adopt a 'model mandate' (or terms of cooperation) for the EU Regional Taskforces in Catania and Pireaus . Finally, the appointment of a single person to be in charge of the overall management of each individual hotspot area, has been done in the five hotspots in Greek Islands but the Greek hotspot Standard Operating Procedures (SOPs) need the necessary legal backing as well as a clear framework for their monitoring by the Greek authorities. In Italy, the necessity to appoint of single person/authority responsible for the daily management of each hotspot was stressed to the Italian Authorities.

A second performance audit published by the Court in June 2017 is ***Special Report no 9/2017 on 'EU support to fight human trafficking in South /South-East Asia'***. DG DEVCO was the main audited DG, with EEAS and DG HOME as associated. The
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auditors examined the effectiveness of EU support to the fight against human trafficking in South and South-East Asia during the period 2009-2015 (total funding equal to EUR 31 million) and made a number of recommendations, of which two are relevant also to DG HOME: (1) develop the human trafficking strategic framework further, by making it more relevant to South/South-East Asia and (2) optimise the impact of projects by integrating them into a comprehensive framework. DG HOME is cooperating with DG DEVCO (as leading DG) in the implementation of these recommendations by latest mid 2018.

Regarding the performance audit touching on external migration spending in specific third countries areas finalized by the Court and published on 17 March 2016 (*Special Report 9/2016 "EU external migration spending in Southern Mediterranean and Eastern Neighbourhood countries until 2014"*), only one recommendation of the auditors was touching DG HOME's responsibilities (and for which DG HOME was associated for the implementation to DG DEVCO (as leading DG)). This recommendation referred to the strengthening of the capacities of EU delegations on migration issues. Thus, the Commission has already taken concrete steps to improve dialogue and strengthen the capacities of EU delegations on migration issues. Following a specific request from the European Council of 23 April 2015 for the deployment of European migration liaison officers (EMLOs) in key third countries of origin and transit, and in the framework of the implementation of the Partnership Framework approach the European Commission, DG HOME as Chef de File (CF) and the EEAS have proceeded to the deployment of 12 EMLOs to EU Delegations in key countries of origin and transit. By the end of 2017, twelve EMLOs were deployed in Ethiopia, Jordan, Lebanon, Mali, Niger, Nigeria, Pakistan, Senegal, Serbia, Sudan, Tunisia, Turkey. The EMLOs are expected to strengthen the capacities of EU Delegations on migration issues and contribute to stepped-up coordination in order to maximise the impact of EU action on migration. The EMLOs are national experts seconded to work in the EU Delegations. For those countries that have signed Mobility Partnerships (MPs) and Common Agendas for Mobility and Migration (CAMM) the COM is fine tuning the implementation architecture which includes a streamlined update of information on funding on migration both from EU Member States and Commission services.

In conclusion, the findings presented by IAS and ECA do not have an impact on the assurance provided in this Annual Activity Report.

2.1.3 Assessment of the effectiveness of the internal control systems

The Commission has adopted an Internal Control Framework based on international good practice, aimed to ensure the achievement of policy and operational objectives. In addition, as regards financial management, compliance with the internal control framework is a compulsory requirement.

In 2017, the Commission Internal Control Framework (ICF) has been revised¹³⁹ aiming to move away from a purely compliance-based to a principle-based system, offering the services the necessary flexibility so that they can adapt their internal control strategy to their specificities, while ensuring robust internal control and consistent assessment throughout the entire Commission. The new ICF consists of five internal control components, 17 principles and their main characteristics, and is fully applicable as from 1st January 2018.

DG HOME will conduct the annual assessment of the internal control system on the basis of the new framework in the context of the AAR for 2018. In order to prepare for this, DG HOME defined in 2017 in the context of the Management Plan for 2018 its internal control monitoring criteria (along with their baselines and performance targets), and appointed in February 2018, subsequent to the dismantlement of the SRD in 2017, its 'Director in charge of Internal Control and Risk Management'. For 2017, DG HOME has opted to report on the previous Internal Control Standards (ICS).

DG HOME has put in place the organisational structure and the internal control systems suited to the achievement of the policy and control objectives, in accordance with the standards and having due regard to the risks associated with the environment in which it operates.

DG HOME annually assesses the effectiveness of its key internal control systems, including the processes carried out by implementing bodies in accordance with the applicable Commission guidance. The assessment relies on a number of monitoring measures and sources of information including:

- **Reviews of exceptions and non-compliance events** with the Internal Control Standards (ICS). Regarding the systematic registration of exceptions and non-compliance events and analysis of causes behind them, 11 exceptions were recorded in 2017 (14 in 2016). The underlying causes behind these exceptions and weaknesses have been analysed and corrective and alternative mitigating controls have been implemented when necessary;
- Results of the **2017 internal control management assessment**, in accordance with ICS 15, by means of the self-assessment tool¹⁴⁰ (iCAT survey, as described below);
- Results of the **relevant audits** performed or followed up by the Internal Audit Service which concluded that the internal control systems audited are partially effective. The Court of Auditors' findings do not undermine the effectiveness of the internal control system in place. For details please refer to part 2.1.2;
- The **annual risk management exercise** performed in 2016 for the year 2017: no critical risk was registered;
- The **Authorising Officers by Sub-Delegation Reports**, including compliance with the ICS, **and declaration of assurance** (for details please see part 2.1).

¹³⁹ C(2017)2373 final, 19.4.2017.

¹⁴⁰ The iCAT survey is launched every end of the year with the collaboration of DG Budget.

This analysis has enabled the Internal Control Coordinator to report on the state of internal control and express recommendations to the Director-General. There is satisfactory evidence that the processes and procedures in place control the main risks by providing a reasonable assurance that the key objectives are met and the activities are carried out as intended.

Following the Commission Decision of 16 May 2017 to abolish the Shared Resource Directorate (SRD) of DG Migration and Home Affairs (DG HOME) and DG Justice and Consumers (DG JUST) and based on the provisions of ICS 10 "Business Continuity", special arrangements were put in place to adapt to the resulting new organisation chart, to maintain the business continuity and to make optimum use of available resources. In order to provide expertise, exploit synergies and maintain the economies of scale of the previous SRD of DGs HOME and JUST, it was decided that a number of services be provided by DG HOME to DG JUST and vice versa (IT development, document management, logistics, performance of audits, amongst others).

Handover reports were sent by the Acting Director of SRD (the Internal Control Coordinator for both DGs) to the Authorising Officers by Delegation (Directors-General of DG HOME and DG JUST), putting in place transitional measures applicable until the signature of the Memoranda of Understanding detailing the services to be provided by the two Directorates-General.

Following the assessment of the effectiveness of ICS 10, the dismantling process and the handover of responsibilities from SRD to DG HOME ran adequately and did not expose the DG to major risks, as full business continuity was ensured.

The outcome of the iCAT survey (Internal Control Self-Assessment Tool) is one of the sources of information on the measure of the effectiveness of ICS. The focus of the iCAT survey for 2017 was on the following six Internal Control Standards:

- ICS 3 "Staff Allocation and Mobility",
- ICS 7 "Operational Structure",
- ICS 8 "Processes and procedures",
- ICS 9 "Management Supervision",
- ICS 11 "Document Management",
- ICS 12 "Information and communication",

as well as on the (new) Internal Control Principle (ICP) 8 "Fraud".

The iCAT survey targeted all DG HOME staff. The participation rates were the following:

- 35.1% of the staff (25% in 2016), and
- 34.6% of the management (38% in 2016)

covering 35% of the total population (26% in 2016) and judged *sufficient* to be representative.

Based on the results of the survey, DG BUDG calculated the weighted effectiveness rate of the assessed standards as equal to 67.62%; hence, the six standards and one principle under evaluation are considered as "effectively implemented".

The evolution over time of the effectiveness of the six standards also points to satisfactory results: the overall effectiveness for ICS 3 increased from 57.32% in 2015 to 64.65% in 2017; ICS 11 increased from 65.72% in 2015 to 67.49% in 2017, and ICS 12 from 67.22% in 2016 to 68.81% in 2017. ICS 7 scored 70.27% in 2017 versus 68.95% in 2015 and 76.07% in 2016; ICS 8 was assessed as 66.73% effective in 2017 against 67.17% in 2014 and 69.66% in 2016; the iCAT survey for 2017 showed an effectiveness of ICS 9 of 63.31% compared to 72.96% for 2014¹⁴¹.

¹⁴¹ The iCAT survey is not based on the same ICS every year, hence some results cannot be compared to the previous year's results.

The IAS conclusion on the state of controls in DG HOME in 2017 indicated that the internal control systems audited are *partially effective*, since a number of 'very important' recommendations remain to be addressed, in line with the agreed action plans. The residual risks related to these recommendations may affect one or several internal control principles and/or components.

For the reasons illustrated above in section 2.1.2 ("Audit observations and recommendations"), DG HOME considers that, in view of the actions already put in place for risks mitigation, the residual risk related to the above-mentioned recommendations does not affect in a material way the achievement of the internal control objectives, and therefore the assurance provided in the AAR.

The observations of the Court of Auditors in the framework of the 2016 discharge procedures pointed also to some areas of risk to be monitored by DG HOME (as presented under 2.1.2).

DG HOME set up robust action plans for each of these audit recommendations and regularly follows up their implementation, with increased focus on the very important recommendations.

DG HOME has assessed the internal control systems during the reporting year and has concluded that the internal control standards are implemented and functioning as intended.

2.1.4 Conclusions as regards assurance

This section reviews the assessment of the elements reported above (in Sections 0, 0 and 0) and draws conclusions supporting the declaration of assurance and whether it should be qualified with reservations.

The information reported in Section 2.1 stems from the results of management and auditor monitoring, based on the results of the self-assessment, ex-post controls, the observations of the Internal Audit Service, lessons learnt from the reports of the Court of Auditors as well as information received from other authorising officers in cases of crossed sub-delegations or delegation agreements.

These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a comprehensive coverage of the budget allocated to the Director-General of DG HOME. The assessment of the assurance has been performed for the main controls systems, covering 99% of the payments made during the year.

The key arguments for the assurance are listed below:

- Overall, reliable and complete control results are available for each control system, indicating positive results in terms of effectiveness, legality and regularity, cost-effectiveness and efficiency (except for the high error rates in some areas, as explained below).
- Full compliance with the Internal Control Standards;
- Effective handover of responsibilities from SRD to DG HOME and business continuity ensured following the dismantling of SRD;
- No critical issues highlighted by internal or external auditors; the "very important issues" highlighted by internal and external audits are followed up according to agreed action plans.
- The estimated overall amount at risk at payment for the 2017 payments made is estimated at EUR 26.90 million. This is the AOD's best, conservative estimation of the amount of relevant expenditure (EUR 1 707 million) authorised during the year not in conformity with the applicable contractual and regulatory provisions at the time the payment is made. This expenditure will be subsequently subject to ex-post and a sizeable proportion of the underlying error will be detected and corrected in successive years. The conservatively estimated future corrections for the 2017 payments made are EUR 14.33 million. This is the amount of errors that the DG conservatively estimates to identify and correct from controls that it will implement in successive years. The difference between those two amounts leads to the estimated overall amount at risk at closure of EUR 12.57 million (to be confirmed in due time, as subject to additional checks).
- No major issues pointed out by the Authorising Officers by Sub-delegation in their reports except for the below reservations. No issues pointed out in relation to indirect management.

Overall Conclusion

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director General, in her capacity as Authorising Officer by Delegation has signed the Declaration of Assurance, albeit qualified by reservations concerning:

- The management and control systems for the period 2007-2013 for Germany: European Fund for the integration of third-country nationals (EIF) (financial reservation, closed Annual Programmes up to year 2013) and European Refugee Fund (ERF) (financial reservation, closed Annual Programmes up to year 2013)¹⁴²
- The management and control systems for the period 2009-2013 for United Kingdom: European Fund for the Integration of third country nationals (EIF) and Return Fund (RF) (Financial reservation non-quantified)¹⁴³
- The management and control systems for the period 2014-2020 for Greece: Asylum Migration and Integration Fund (AMIF) (Reputational reservation)¹⁴⁴
- Financial reservation concerning the management and control systems for the period 2014-2020 for Finland: AMIF and ISF, accounts submitted for the clearance of accounts (expenditure 2016)¹⁴⁵
- The financial risk corresponding to the residual error rate in the non-audited population of grants in the programmes managed under the budget chapter 18 02 (Internal Security), 18 03 (Asylum and Migration) and 18 06 (Anti-Drug Policy)¹⁴⁶
- The rate of the residual error with regard to the accuracy of costs claims in the 7th Research Framework Programme (FP7)¹⁴⁷;
- Reservation on reputational grounds related to significant weaknesses identified in the management and control systems of EASO¹⁴⁸.

2.1.5 Declaration of Assurance and reservations

¹⁴² More detailed analysis on financial reservation is provided on page 111 – reservation 1.

¹⁴³ More detailed analysis on financial reservation is provided on page 112 – reservation 1

¹⁴⁴ More detailed analysis on reputation reservation is provided on page 116 – reservation 2

¹⁴⁵ More detailed analysis on financial reservation is provided on page 114 – reservation 2

¹⁴⁶ More detailed analysis on financial reservation is provided on page 117 – reservation 3

¹⁴⁷ More detailed analysis on financial reservation is provided on page 119 – reservation 4

¹⁴⁸ More detailed analysis on reputation reservation is provided on page 120 – reservation 5

Declaration of Assurance

I, the undersigned,

Director-General of DG Migration and Home Affairs,

In my capacity as authorising officer by delegation,

Declare that the information contained in this report gives a true and fair view¹⁴⁹;

State that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex-post controls, the limited conclusion of the Internal Auditor on the state of control, the observations of the Internal Audit Service and the lessons learnt from the reports of the Court of Auditors for years prior to the year of this declaration.

Confirm that I am not aware of anything not reported here which could harm the interests of the institution.

However the following reservations should be noted:

1. Shared management - SOLID funds

Financial reservation concerning the management and control systems for the period 2007-2013 for:

Germany - European Fund for the integration of third-country nationals (EIF) - closed Annual Programmes up to year 2013

Germany – European Refugee Fund (ERF) - closed Annual Programmes up to year 2013

Non-quantified financial reservation concerning the management and control systems for the period 2009-2013 for:

United Kingdom - European Fund for the Integration of third country nationals (EIF)

United Kingdom - Return Fund (RF)

¹⁴⁹ True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG.

2. Shared management - AMIF and ISF

Financial reservation concerning the management and control systems for the period 2014-2020 for:

Finland – Asylum Migration and Integration Fund (AMIF) – accounts submitted for the clearance of accounts (expenditure 2016)

Finland – Internal Security Fund (ISF) – accounts submitted for the first clearance of accounts (expenditure 2016)

Reputational reservation concerning the management and control systems for the period 2014-2020 for:

Greece – Asylum Migration and Integration Fund (AMIF)

3. Centralised direct management – non-research grants

Financial reservation due to the financial risk corresponding to the residual error rate in the non-audited population of grants in the programmes managed by DG Migration and Home Affairs (non-research grants). 18 02 – Internal Security, 18 03 – Asylum and Migration and 18 06 – Anti-Drug Policy.

4. Centralised direct management – research grants

Financial reservation concerning the rate of the residual error with regard to the accuracy of cost claims in the 7th Research Framework Programme (FP7). Research and other Internal Policies, direct management of grants under the 7th Research Framework Programme (FP7) – DG HOME component. 18 05 51 Completion of previous research framework programmes – Seventh framework programme.

5. Decentralised agencies – European Asylum Support Office

Reservation on reputational grounds related to significant weaknesses identified in the management and control systems of EASO.

Brussels, 25 April 2018

Paraskevi MICHOU

(e-signed)

Reservation 1 – Shared management - SOLID funds

<p>Title of the reservation, including its scope</p>	<p>Financial reservation concerning the management and control systems for the period 2007-2013 for:</p> <ul style="list-style-type: none"> Germany - European Fund for the integration of third-country nationals (EIF) - closed Annual Programmes up to year 2013 <p>Financial reservation concerning the management and control systems for the period 2007-2013 for:</p> <ul style="list-style-type: none"> Germany – European Refugee Fund (ERF)- closed Annual Programmes up to year 2013
<p>Domain</p>	<p>ERF/EIF are carried out under "Shared management Responsibility" under DG Migration and Home Affairs 2007-2013 programmes</p>
<p>Programme in which the reservation is made and total annual amount of the programme</p>	<p>18.03 Asylum and Migration.</p> <p>Payments in 2017 linked to the programmes under reservation:</p> <p>EIF: Euro 15.854.697,20 ERF: Euro 334.783,04</p>
<p>Reason for the reservation</p>	<p>An ex-post audit report by the Commission services has revealed serious deficiencies in management and control systems for the programmes EIF and ERF. The financial reservation for EIF has been extended to the Annual Programmes 2012 and 2013, since these two Annual Programmes have been closed and paid during the financial year 2017.</p>
<p>Materiality criterion/criteria</p>	<p>The materiality criterion is the cumulative residual error rate, i.e. the level of errors that remain undetected and uncorrected, by the end of the management cycle, at a Member State level. The control objective is to ensure that the residual error rate at the level of the specific Member State and Fund is below 2% at the end of the management cycle.</p> <p>Where the residual error rate was above 2%, a reservation was made.</p>
<p>Quantification of the impact (= "actual exposure")</p>	<p>EIF: from the ex-post audit report, the financial impact has been determined as being 10% of the payments and clearings of the year, 10% of 15.854.697,20 = 1.585.469 EUR.</p> <p>ERF: from the ex-post audit report, the financial impact has been determined as being 5% of the payments and clearings of the year, 5% of 334.783, 04= 33.478 EUR.</p>
<p>Impact on the assurance</p>	<p>DG HOME has not been able to obtain reasonable assurance that key elements of the management and control systems of the programmes concerned functioned effectively, so as to provide reasonable assurance that statements of expenditure are correct and that the underlying transactions are legal and regular.</p> <p>The financial impact will be mitigated through financial corrections applied to past expenditure statements.</p>
<p>Responsibility for the weakness</p>	<p>The expenditure concerned is under shared management in which the Member State is primarily responsible for implementing the management and control systems. Therefore, the designated national authorities of the programmes concerned are responsible for</p>

	undertaking corrective measures. The Commission supervises the national authorities in this respect (monitoring of execution of the remedial measures).
Responsibility for the corrective action	<p>At Commission level:</p> <p>The reservation for EIF and ERF is due to an ex-post audit carried out on the mentioned annual programmes by the audit sector of DG HOME, which concluded that the management and control systems applied by the Germany authorities worked partially for the mentioned Annual Programmes, with substantial improvements needed.</p> <p>The final audit report is currently under analysis by the operational unit in DG HOME in order to determine the financial corrections (on individual projects and - in case of system-related findings - on a flat-rate basis).</p> <p>It is expected to finalise this process and communicate the results to the German authorities in the coming weeks.</p> <p>Subsequently to the submission of the results to the German authorities, a contradictory procedure will take place between the Member State and the operational unit of DG HOME. If the outcome of the contradictory procedure requires so, a recovery order will be issued by DG HOME for the amount paid to Germany and considered as irregular by DG HOME.</p>

Title of the reservation, including its scope	<p>Financial reservation – non-quantified concerning the management and control systems for the period 2009-2013 for:</p> <p>UK - European Fund for the Integration of third country nationals (EIF)</p> <p>UK - Return Fund (RF)</p>
Domain	EIF/RF are carried out under "Shared management Responsibility" under DG Migration and Home Affairs 2007-2013 programmes
Programme in which the reservation is made and total annual amount of the programme	<p>EIF Annual Programme 2009 - Annual Programme 2013</p> <p>RF Annual Programme 2010 – Annual Programme 2013</p> <p>No payments in 2017 were linked to the programmes under reservation.</p>
Reason for the reservation	<p>An ongoing ex-post audit by the Commission services identified serious deficiencies in the common management and control system for the programmes EIF and RF</p> <p><u>EIF Annual Programme 2009 - Annual Programme 2013 (UK)</u></p> <p>As part of the ongoing ex-post audit on the expenditure declared for the EIF AP 2009 - AP2013, the audit conclusions on a representative sample of expenditure identify ineligible expenditure confirming deficiencies in the management and control system for the implementation of the above mentioned annual programmes.</p> <p>Based on a representative sample of expenditure the residual error rate is estimated at 4.56%.</p>

	<p><u>RF Annual Programme 2010 - Annual Programme 2013 (UK)</u></p> <p>Based on the conclusions of the project audits of the ongoing ex-post audit, the errors detected relate to a public procurement irregularity in one multi-annual project. The financial correction will be proposed solely on the estimated contract value of the travel service contract awarded over three years and for which expenditure incurred by the beneficiary were declared by the UK to the Commission under AP 2011, AP 2012 and AP 2013. The proposed financial correction is 25% of the estimated forecasted travel costs of GBP 7.5 million, in line with the guidelines for determining financial corrections to be made by the Commission to expenditure financed by the Union under shared management, for non-compliance with the rules on public procurement (C(2013) 9527 final). This results in a financial correction of approximately EUR 1.158.593, 55, to be recovered from expenditure declared for AP 2011, AP 2012 and AP 2013.</p> <p>Taking into account this individual financial correction, the residual error rate is approximately 2.05%</p> <p>For both funds, the level of errors above materiality (2,00%) identified in the audited projects (which had been subject to controls by the Responsible Authority and audits by the Audit Authority) reveals serious deficiencies in key elements of the management and control system of the annual programmes subject to the ex-post audit, in particular as regards the adequacy, effectiveness and reliability of the management controls (Key Requirement 4) and audit opinion (Key R14).</p>
<p>Materiality criterion/criteria</p>	<p>In shared management, the materiality criterion is the cumulative residual error rate, i.e. the level of errors that remain undetected and uncorrected, by the end of the management cycle, at a Member State level. The control objective is to ensure that the residual error rate at the level of the specific Member State and Fund is below 2% at the end of the management cycle.</p> <p>Where the residual error rate was above 2%, a reservation is made.</p>
<p>Quantification of the impact (= "actual exposure")</p>	<p>The identified deficiencies have no financial impact on the payments made by DG HOME in 2017.</p> <p>The reservation is, therefore, classified as financial – non-quantified.</p>
<p>Impact on the assurance</p>	<p>DG HOME has not been able to obtain reasonable assurance that key elements of the management and control systems of the programmes concerned functioned effectively, so as to provide reasonable assurance that statements of expenditure are correct and that the underlying transactions are legal and regular.</p> <p>The financial impact will be mitigated through financial corrections applied to past expenditure statements.</p>
<p>Responsibility for the weakness</p>	<p>The EIF/RF annual programmes are implemented under shared management in which the Member State is primarily responsible for implementing the management and control systems. Therefore, the designated national authorities of the programmes concerned are responsible for undertaking corrective measures. The Commission supervises the national authorities in this respect (monitoring of execution of the remedial measures).</p>

Responsibility for the corrective action	<p>At Commission level:</p> <p>The reservation for EIF and RF is due to an on-going ex-post audit on the above mentioned annual programmes by DG HOME, which concluded that the management and control systems applied by the UK authorities worked partially with substantial improvements needed.</p> <p>The final audit report is currently being drafted by DG HOME. It will be sent to the operational unit in DG HOME which will analyse it in order to determine the financial corrections (on individual projects and - in case of system-related findings - on a flat-rate basis) to be proposed to the Member State.</p> <p>The UK will have the opportunity to provide any additional evidence to demonstrate that the risk to the Union budget is lower than the proposed financial corrections, taking into account the different inherent risks of the two Funds, despite having a common management and control system.</p> <p>If the outcome of the contradictory procedure requires so, a recovery order will be issued by DG HOME for the amount paid to the UK and considered as irregular by DG HOME.</p>
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Reservation 2 – Shared management - AMIF and ISF

Title of the reservation, including its scope	<p>Financial reservation concerning the management and control systems for the period 2014-2020 for:</p> <ul style="list-style-type: none"> • Finland – AMIF – accounts submitted for the clearance of accounts (expenditure 2016). • Finland – ISF – accounts submitted for the first clearance of accounts (expenditure 2016).
Domain	AMIF and ISF are carried out under "Shared management Responsibility" under DG Migration and Home Affairs 2014-2020 programmes
Programme in which the reservation is made and total annual amount of the programme	<p>AMIF - Asylum, Migration and Integration Fund ISF – Internal Security Fund</p> <p>Payments in 2017 linked to the programmes under reservation:</p> <p>Finland AMIF: Euro 15.687.108,72 Finland ISF: Euro 7.449.207,24</p>
Reason for the reservation	Draft system audit report by the Commission services has revealed serious deficiencies in management and control systems for these programmes. This reservation is subject to further checks and calculations based on additional information being gathered.
Materiality criterion/criteria	In Shared Management, the materiality criterion is the cumulative residual error rate, i.e. the level of errors that remain undetected and uncorrected, by the end of the management cycle, at a Member State

	<p>level. The control objective is to ensure that the residual error rate at the level of the specific Member State and Fund is below 2% at the end of the management cycle.</p> <p>Where the residual error rate was above 2%, a reservation is made.</p>
Quantification of the impact (= "actual exposure")	<p>AMIF: From the analysis by the Commission Services, the preliminary financial impact has been determined as being 5% of all expenditure declared for the 2016 clearance of accounts for the above-mentioned funds.</p> <p>ISF: From the analysis by the Commission Services, the preliminary financial impact has been determined as being 5% of all expenditure declared for the 2016 clearance of accounts for the above-mentioned funds</p> <p>The actual exposure is computed by multiplying the payments and cleared pre-financing done per fund by the Commission in 2017, by the estimate of the 2017 Residual Error Rate for these two programmes:</p> <p>AMIF: 5% of 15.687.108,72= 784.355,44 EUR. ISF: 5% of 7.449.207,24= 372.460,36 EUR.</p>
Impact on the assurance	<p>Through its audit work, DG HOME has not been able to obtain reasonable assurance that key elements of the management and control systems of the programmes concerned functioned effectively, so as to provide reasonable assurance that statements of expenditure are correct and that the underlying transactions are legal and regular.</p>
Responsibility for the weakness	<p>The expenditure concerned is under shared management in which the Member State is primarily responsible for implementing the management and control systems. Therefore, the designated national authorities of the programmes concerned are responsible for undertaking corrective measures. The Commission supervises the national authorities in this respect (monitoring of execution of the remedial measures – action plan following the issuing of the final audit report to come).</p>
Responsibility for the corrective action	<p>At Commission level:</p> <p>The reservation for Finland AMIF and ISF is due to a system audit not yet finalised carried out on the mentioned annual programmes by the audit sector of DG HOME, which preliminarily concluded that the management and control systems applied by the Finnish authorities worked partially for the mentioned Annual Programmes, with substantial improvements needed.</p> <p>DG HOME will analyse the conclusion presented in the final audit report when the latter will be issued and will implement corrective actions which may result in individual correction(s) or flat-rate correction(s) and where needed, system improvements will be proposed.</p>

<p>Title of the reservation, including its scope</p>	<p>Reputational reservation concerning the management and control systems for the period 2014-2020 for: Greece – AMIF</p>
<p>Domain</p>	<p>AMIF is carried out under "Shared management Responsibility" under DG Migration and Home Affairs 2014-2020 programmes</p>
<p>Programme in which the reservation is made and total annual amount of the programme</p>	<p>AMIF National Programme for Greece</p>
<p>Reason for the reservation</p>	<p>The preliminary analysis of the AMIF annual accounts for the financial year 2016-2017 which were submitted by Greece on 15/02/2018 identified deficiencies in the functioning of the management and control system of the national programme, in particular as regards the adequacy, effectiveness and reliability of the management controls (Key Requirement 4) and audit opinion (Key Requirement 14).</p> <p>The deficiencies detected do not affect the payments made by DG HOME in 2017 covering 2016 AMIF accounts, where legality and regularity were confirmed by extensive audit work carried out by the national audit authority. Consequently the payment made on those accounts and reported in the AAR 2017 are not materially affected by financial errors and therefore without financial impact.</p> <p>Concerning the accounts submitted by Greece on 15/02/2018, the AA issued an unqualified opinion on both the management and control system and the accounts. However, DG HOME auditors noted that the audits carried out by the Audit Authority in a sample of 5 projects out of 67 disclosed numerous deficiencies and irregularities in all the five projects audited. An examination will be carried out by DG HOME in 2018 to assess if the accounts are materially affected, before any payment is made by DG HOME.</p>
<p>Materiality criterion/criteria</p>	<p>Deficiencies regarding the adequacy, effectiveness and reliability of the management controls (Key Requirement 4) and audit opinion (Key Requirement 14).</p>
<p>Quantification of the impact (= "actual exposure")</p>	<p>The identified deficiencies have no financial impact on the payments made by DG HOME during 2017.</p> <p>The reservation is, therefore, classified as reputational and partial payments will be made by DG HOME until there is appropriate evidence that the extent of the non-compliance or the risk for the Union contribution to the national programme is below materiality.</p>
<p>Impact on the assurance</p>	<p>Through its audit work, DG HOME has not been able to obtain reasonable assurance that key elements of the management and control systems of the programmes concerned functioned effectively,</p>

	so as to provide reasonable assurance that statements of expenditure are correct and that the underlying transactions are legal and regular.
Responsibility for the weakness	The AMIF National Programme is implemented under shared management in which the Member State is primarily responsible for implementing the management and control systems. Therefore, the designated national authorities of the programmes concerned are responsible for undertaking corrective measures. The Commission supervises the national authorities in this respect (monitoring of execution of the remedial measures, conformity clearance procedure).
Responsibility for the corrective action	At Commission level: The reservation for Greece AMIF is due to the preliminary conclusions obtained by the audit sector from the analysis of the accounts submitted by Greece on 15 February 2018 and related information submitted thereafter. The preliminary conclusion from this analysis reveals deficiencies in the management and control systems applied by the Greek authorities. DG HOME will request additional information to the Greek authorities and, if needed, may subsequently launch a conformity clearance, analyse any information submitted by Greece during this procedure and, where necessary, will implement corrective actions which may result in individual correction(s) or flat-rate correction(s).

Reservation 3 – Centralised direct management - non-research grants

Title of the reservation, including its scope	Financial reservation due to the financial risk corresponding to the residual error rate in the non-audited population of grants in the programmes managed by DG Migration and Home Affairs (non-research grants)
Domain	Centralised direct management – non-research grants
Programme in which the reservation is made and total annual amount of the programme	18 02 – Internal Security, 18 03 – Asylum and Migration and 18 06 – Anti-Drug Policy. Total payments related to directly managed grants in 2017: € 295,48 million.
Reason for the reservation	At the end of 2017, the residual error rate is not below the materiality threshold.
Materiality criterion/criteria	The materiality criterion is the cumulative residual error rate, i.e. the level of errors that remain undetected and uncorrected, by the end of the management cycle. The control objective is to ensure that the residual error rate on the overall population is below 2% at the end of the management cycle.
Quantification	The estimated multiannual residual error rate for DG HOME directly

<p>of the impact (= "actual exposure")</p>	<p>managed grants (except research) for 2017 is 2.98%. The maximum impact is calculated by multiplying the multiannual residual error rate by the sum of direct management payments based on cost statements actually processed and pre-financings cleared in 2017 (€ 211.69 million). The estimated impact in 2017 is € 6,3 million</p>
<p>Impact on the assurance</p>	<p>Legality and regularity of the affected transactions, i.e. payments made during the year. The assurance is affected within the scope of the quantified budgetary impact, which represents 0.37 % of payments made by DG HOME in 2017.</p>
<p>Responsibility for the weakness</p>	<p>The main reason for errors are:</p> <ul style="list-style-type: none"> - the fact that Programmes managed by DG HOME under the MFF 2007-2013 targeted relatively new policy areas and new beneficiaries who needed to adapt to EU rules. - the complexity of the eligibility rules as laid down in the Financial Regulation, based on the reimbursement of actual eligible costs declared by the beneficiaries; - the additional complexity of having customised rules per programmes -the fact that there are hundreds of beneficiaries and co-beneficiaries, and not all can be fully controlled. <p>The different control provisions set out by DG HOME, along with the audit certificates on financial statements (asked more frequently since annual work programme 2011) and ex-post audits, can mitigate these risks to a certain extent, but can never be carried out on 100% of the cost claims received.</p>
<p>Responsibility for the corrective action</p>	<p>The possibilities to simplify the grant rules have been exhausted, although there is some evidence that the simplification measures introduced since the implementation of annual work programme 2009 (mainly the use of the same model of cost claims across all programmes and the rationalisation of the eligibility rules) have had a positive impact on error rate. The remaining scope to reduce errors will be addressed in particular through the following actions:</p> <p>1) Continuing the on-going efforts to give guidance and feedback to the participants and certifying auditors to prevent errors occurring;</p> <p>2) Maintain the (high) rate of projects audited in the population at risk</p> <p>The ex-post audit plan for 2017 foresaw 47 audits of grants and has been fully implemented, i.e. all audits have been carried out and are now in the reporting phase, which is planned to be completed by June 2018.</p> <p>As mentioned in the AAR 2016, such a high number of audits will allow reaching an audit coverage of more than 20% of the auditable population of grants directly managed for MFF 2007-2013. Such high coverage will have a direct impact on the reduction of the residual amount at risk at the end of the management cycle. At the present stage, it is too early to determine the evolution of the error rate compared to the previous year, as the majority of the 47 audits of grants carried out in 2017 are under contradictory procedure with the beneficiaries.</p> <p>Moreover, the ex-post audit plan for 2018 will allow keeping an audit coverage of more than 20% of the auditable population.</p>

	<p>3) Improve the general implementation and management of the programmes</p> <ul style="list-style-type: none"> - Reorganisation of the management of the Funds within DG HOME: new Directorate created in 2015, and internal reorganisation of this Directorate as from 01.11.2015. A new unit is now fully in charge of all direct management programmes under the predecessors of AMIF and ISF. - Streamline and harmonise procedures regarding monitoring and final payment. - Simplification of financial circuits - More frequent (systematic in certain programme) request for audit certificates accompanying the cost claim
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Reservation 4 – Centralised direct management – research grants

Title of the reservation, including its scope	Financial reservation concerning the rate of the residual error with regard to the accuracy of cost claims in the 7th Research Framework Programme (FP7)
Domain	Research and other Internal Policies, direct management of grants under the 7 th Research Framework Programme (FP7) – DG HOME component.
Programme in which the reservation is made and total annual amount of the programme	18 05 51 Completion of previous research framework programmes – Seventh framework programme. Payments outturn in 2017 for FP7 grants: € 6,57 million.
Reason for the reservation	At the end of 2017, the residual error rate is not below the materiality threshold foreseen for the multi-annual period.
Materiality criterion/criteria	<p>The materiality criterion is the cumulative residual error rate, i.e. the level of errors that remain undetected and uncorrected, by the end of the management cycle.</p> <p>The control objective is to ensure that the residual error rate on the overall population is below 2% at the end of the management cycle. As long as the residual error rate is not (yet) below 2% at the end of a reporting year within the FP's management lifecycle, a reservation would be made.</p>
Quantification of the impact ("actual exposure")	<p>The Residual Error Rate for 2017 is 2,79%.</p> <p>The financial impact of the reservation has been determined as being 2,79% on the payments made on costs statement processed in 2017, i.e. 0.18 Mio EUR for DG HOME.</p>

Impact on the assurance	Legality and regularity of the affected transactions, i.e. only payments made against cost claims (interim payments and payments of balance). The assurance is affected within the scope of the quantified budgetary impact, which represents maximum 0.01 % of payments made by DG HOME in 2017.
Responsibility for the weakness	The main reasons for errors are: <ul style="list-style-type: none"> - the complexity of the eligibility rules as laid down in the basic acts decided by the Legislative Authorities, based on the reimbursement of actual eligible costs declared by the beneficiaries; - the fact that there are many thousands of beneficiaries making claims, and not all can be fully controlled. The different control provisions set out by the Commission services, along with the audit certificates on financial statements and ex-post audits, can mitigate these risks to a certain extent, but can never be carried out on 100% of the cost claims received.
Responsibility for the corrective action	The possibilities to simplify the FP7 rules have been exhausted. The programme is now in its final stage of implementation: the total amount paid per year will be decreasing, and therefore the financial impact too. Audits may continue at a low level in case of the identification of potential irregularities in projects. However, no further actions are programmed.

Reservation 5 – Decentralised agencies - EASO

Title of the reservation, including its scope	Reservation on reputational grounds related to significant weaknesses identified in the management and control systems of EASO.
Domain	Decentralised agencies – European Asylum Support Office
Programme in which the reservation is made and total (annual) amount of this programme	Budget line 18 03 02 EUR 75.38 million (2017 EASO subsidy paid by HOME)
Reason for the reservation	<p>Reputational events having an impact on EASO and subsequently on DG HOME have been identified in 2017.</p> <p>In 2017, the European Court of Auditors issued its report on EASO's 2016 accounts. In this report, the ECA stated that the payments underlying the accounts for the year ending 31/12/2016 were legal and regular in all material aspects.</p> <p>However, the ECA issued a qualified opinion on the legality and regularity of the payments underlying the accounts, because of detected errors relating to two public procurement procedures.</p> <p>During 2017, EASO started to implement an action plan to address the weaknesses in management and control system identified by the ECA. DG HOME is closely monitoring the implementation of the action plan, notably through its representatives in the agency's Management Board. By the end of 2017, the action plan was not</p>

	<p>fully implemented yet. Its implementation should be completed in 2018.</p> <p>Other areas of concern in EASO's HR management and control systems have also been identified by the IAS and/or are currently under investigation. As a consequence of the above, the EP has decided to postpone EASO's discharge.</p> <p>Therefore, DG HOME has decided to <i>issue</i> a reputational reservation on EASO.</p>
Materiality criterion/criteria	<p>Reputational reservation due to the partial implementation of the action plan adopted following ECA recommendations on 2016 EASO accounts underlying transactions and other areas of concern in EASO's HR management and control systems.</p> <p>Materiality criteria:</p> <ul style="list-style-type: none"> • <i>duration of the reputational impact = since 2016, and ongoing</i> • <i>awareness & attention of stakeholders = visibility by ECA, EP refusal to give discharge to EASO</i>
Quantification of the impact (= actual exposure")	Reputational reservation (non-quantified exposure)
Impact on the assurance	Reputational impact
Responsibility for the weakness	<p>Non-compliance to procurement rules and other internal rules and procedures by EASO.</p> <p>EASO is subject to a separate discharge in accordance with article 208 of the Financial Regulation. There is no additional accountability of the Commission for the implementation of the yearly contribution (subsidy) by the Agency as this is covered by its separate discharge.</p> <p>DG HOME does not have a direct responsibility for the weaknesses as such. However, it has reinforced monitoring measures to allow a follow-up of the implementation of corrective measures.</p>
Responsibility for the corrective action	<p>EASO is responsible for implementing procurement procedures in compliance with the applicable rules and regulations.</p> <p>In 2017, DG HOME has reiterated that the Executive Director should put in place effective and rigorous control mechanisms, to prevent any occurrence of such irregularities. The Executive Director presented a "Remedy Action Plan" to the Management Board at its meeting in November 2017. The Management Board is monitoring the implementation of the Action Plan and the Executive Director has to provide information at each MB meeting on the implementation of all audit recommendations that have been addressed to the Agency, including by the Internal Audit Service.</p>

2.2 Other organisational management dimensions

2.2.1 Human resource management

At the end of 2017, DG HOME had **556 staff** members as compared to 480 in 2016. In 2017, the staff reinforcements were motivated by the need to cope with the increased activities in the context of the migration crisis and threats to the internal security. Following the Communication of the College on the allocation of establishment plan posts for 2017, DG HOME was allocated 5 AD and 19 AST/SCs posts.

The **average age** of staff members in DG HOME is 43 years (42 for female and 45 for male). The **proportion of women** reaches 63% across all grades.

Concerning **women representation in middle management** positions, DG HOME scored among the best DGs of the Commission: 50 % against 37% Commission's average.

On the basis of the **staff survey** results of 2016, DG HOME HR drafted in 2017 an **Action Plan** to focus on key areas of concern raised by staff members. The action plan, agreed by DG HOME's senior and middle managers in March 2017, focused on four main areas: communication with senior managers, workload and resources, well being and learning and development.

In 2017, the IAS conducted an **audit** on HR management and staff allocation in DG HOME. The auditors recognised the ongoing efforts made by DG HOME to assess and communicate to the corporate level its staff needs for responding to its new tasks and responsibilities, align its organisational structure to its priorities, follow up on the 2016 Staff Survey results with a detailed action plan, and support the corporate initiative on the prevention of psychosocial risks at the workplace through its participation in DG HR's pilot project on that topic. The auditors issued, at the end of 2017, two very important recommendations regarding DG HOME's strategic approach to HR management (recommending the development of an HR strategy or plan, and strengthening the DG's broader organisational culture) and to the allocation of human resources (recommending the establishment of a structure/ mechanism for identifying the DG's HR needs), as well as one important recommendation relating to sustainable people management. DG HOME drafted an Action Plan to follow up on the audit, considered satisfactory by the IAS, to be implemented in 2018.

The level of workload remained very high and increased further in 2017. In 2017, DG HOME dealt with 1 106 briefing requests, of which 369 came with deadlines of less than three days. Another example is the number of adoption procedures (313, of which 44 oral) on the College agenda and the Schengen evaluations, which imply long missions to Member States, reports and conclusions to be drawn from them, and action plans to implement. In 2017, DG HOME adopted 84 such evaluations.

Important response to security and migration crisis has been given through EU funds and this still has a considerable impact on the increase of the workload for DG HOME. To support these policy developments, DG HOME managed a budget that increased from EUR 1.7 billion in 2015 to EUR 3.2 billion in 2016 and EUR 2.3 billion in 2017. Consequently, the tasks spread over several years of budget supervision, negotiation and implementation have radically increased. To keep the EU funds targeted on policy priorities, DG HOME has had to prepare several budget amendments and a minimum of 60 revisions in the national programmes are still expected in 2018. At the same time, the area of home affairs and migration remains under tight scrutiny of the Budget Authority and auditors (IAS and Court of Auditors).

2.2.2 Better regulation

In 2017, as in 2016, DG HOME worked in a context still marked by the necessity to respond quickly to acute political challenges. The principles of better law making been underpinned the preparation of all initiatives prepared by DG HOME in order to ensure

that they were based on sound evidence, collected notably by engaging with all relevant stakeholders to provide inputs.

DG HOME has prepared 3 impact assessments to accompany key legislative proposals announced in the Commission Work Programmes for 2017 and 2018, regarding cross-border access to electronic evidence in criminal matters, interoperability between EU information systems and combating fraud and counterfeiting of non-cash means of payment. The 3 impact assessments were positively assessed by the Regulatory Scrutiny Board upon their first submission. DG HOME also completed 5 evaluations, regarding; the "facilitators" of smuggling of human beings legal framework (Directive 2002/90/EC & Council Framework Decision 946/2002/JHA), the 2001/413/JHA Council Framework Decision of 28 May 2001 combating fraud and counterfeiting of non-cash means of payment, EU-LISA Agency, the EU Drugs Strategy 2013-2020 (mid-term evaluation) and the EU Action Plan on Drugs (2013-2016), and Regulation 258/2012 on export of civilian weapons. In addition, 12 evaluations were in progress by the end of 2017, most of them about to be completed. A substantial part relate to the ex post evaluations of the former HOME Funds for the period 2011-2013 and the interim evaluations of AMIF, ISF and the "Europe for Citizens" programme, which will be presented in 2018 together with the preparatory work on the future MFF.

Whether it was to carry out evaluations or prepare legislative proposals, DG HOME engaged in a number of consultations with stakeholders. In addition to the many targeted consultations, 8 open public consultations were completed for preparing impact assessments on options regarding law enforcement access to centralised bank account registries, cross border access to electronic evidence, Interoperability of EU information systems for borders and security, combating fraud and counterfeiting of non-cash means of payment and the possible modification of the Visa Information System (Lowering fingerprinting age). There were also public consultations for evaluating the legal migration Directives, the arms exports Regulation, and the implementation at mid-term of the Europe for Citizens Programme.

2.2.3 Information management aspects

On a yearly basis, DG HOME publishes a statistical compilation that includes the most up-to-date data on migration and security in the EU. It is based on statistics issued by Eurostat, EASO, EBCGA, EMCDDA and other sources. It is compiled by DG HOME task force statistics and it is normally published in October each year. In 2017, it was published as planned in October 2017 and included data up to July 2017.

In 2017, DG HOME complied with the document management policies of the Commission. The filing of documents was done on a consistent basis and the percentage of unfiled documents was within the target value (4.10% and the target is <5%).

The number of DG HOME's ARES files open for consultation to the entire Commission reached 16.47%. While opening up the closed/old files for consultation at Commission level might pose confidentiality problems, since it is difficult to reassess past sensitivities in terms of content, all newly created files in DG HOME have been by default open for consultation at Commission level (as of 2015).

2.2.4 External communication activities

The communication sector works on the basis of a communication strategy that is adopted at the beginning of the year.

- **Media** - The sector's main challenge lies in adequately reacting to requests from the [Spokesperson's Service](#). The sector deals with a huge number of media requests and Lines To Take and produces a substantial amount of factsheets (69 separate factsheets in 2017) and other press material. The factsheets in particular have been deemed to be especially successful and apart from being given to the journalists in the press room, are used extensively as handout material in all the

presentations done by DG Home staff. Over 400 copies of a compilation of the 2017 factsheets were distributed. The media team also deals with press speakings, speeches, articles and defensives for Commissioners and senior management.

- **Infomigrant project** - The infomigrant project is a grant agreement with Deutsche Welle, France Media Monde and ANSA to provide an information portal (in EN, FR and AR) for migrants. This was launched in 2017 and has exceeded expectations when it comes to reach an audience. Infomigrant is reaching, through the platform and the various social media sites, an average of 4 million people per month of which 89% reside outside of the EU. In 2018, information in Pashto and Dari will be added. Several presentations have been made at the Council working group where the project was welcomed.
- **Afghanistan** - A communication campaign was prepared and launched for Afghanistan in 2017. The campaign focusses on highlighting the low probability of success in coming to Europe and opportunities available in Afghanistan. It is foreseen to last until June 2018.
- **Internal communication** has been a shared task with the HR Business Correspondent in DG HOME and in cooperation with DG HR. DG HOME A1 has regularly disseminated information on DG HOME's Intranet and supports/prepares internal training and lunchtime events.
- **Website** - The website will undergo migration, in 2018 or in 2019, to the new Commission website. Work is underway to streamline the content on our current website which requires substantial work.
- **Social Media** - High staff turnover and workload meant that there was less focus on social media than what would have been adequate. New staff in place will allow a stronger focus on social media in 2018. We are in talks with DG COMM on how to improve content and visibility.

Examples of initiatives to improve economy and efficiency of financial and non-financial activities of the DG

1. RDIS2 is an IT workflow tool, which was introduced in DG HOME in 2015 for the assessment and adoption of the AMIF and ISF national programmes. RDIS2 is connected to SFC2014, ARES, Decide-CIS and Decide-eGreff (for delegation and empowerment procedures) and automatically registers documents in ARES. The use of RDIS2 addresses the need to fully record all workflows related to the management of the programmes and fits within the aim of the Commission to enhance the use of e-signing possibilities and limiting the need for paper workflows. The use of RDIS2 for the management of the AMIF and ISF National Programmes (shared management) improves the economy and efficiency of financial activities as well as any procedure related to the implementation of the programmes. Following the first assessment through RDIS2 of the annual accounts, the annual implementation reports as well as the conclusion of the validation of commitments and payments in 2016, these processes will be continued in 2017. Throughout 2017, additional functionalities related to implementation (monitoring visits, evaluation activities, revision of basic acts, agreements for the Schengen Associated Countries) were extended and further facilitated the management of the funds.
2. In order to improve the economy and efficiency of activities related to the programmes managed directly by DG HOME, grant management processes are gradually changed from paper-based to fully electronic. In order to achieve this, DG HOME started to use the centrally developed IT system "e-Grants" in 2016. While some processes were electronically implemented already in 2016, such as electronic calls launching, submission and evaluation, calls for proposals, in 2017 the cycle was finalised for most of the remaining grant-related activities. This change addressed the need to automatize the support processes related to the preparation of grant agreements, therefore reducing the need for administrative control layers, as well as facilitating the monitoring of implementation and reporting. While the learning curve for this tool has been significant both for DG HOME as well as for beneficiaries, concrete economies have already been achieved

in terms of accelerated pre-financing, reduction of time for filing, archiving and preparation of files, and faster (partially automated) verification procedures.

3. In the second half of 2017, DG HOME put in place a task force to tackle the late payments of directly managed grants. This implied closer coordination between the programme, policy and financial units. This task force managed to reduce critically the level of open invoices in DG HOME by processing in less than 4 months a total of 123 final grant reports. In addition, it resulted in a report drawing up concrete recommendations to make the internal processes more efficient. This should result in concrete results in 2018 by eliminating or significantly reducing the late payments.
4. The abandoning of paper based files (with a few exceptions for the files that require a blue-ink signature) on 1 April 2017 resulted in efficiency gains for the DG. Notably on the financial files, this resulted in less time on archiving, preparation and circulation of commitment, amendment and payment files, but also simplified of the follow up, by ensuring that all relevant documents are electronically available in the same place.

ANNEXES
