



# **2018**

# **Annual Activity Report**

**DG Employment, Social  
Affairs and Inclusion**



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## List of acronyms

AAR	Annual Activity Report
AA	Audit Authority
ACSH	Advisory Committee on Health and Safety at Work
ACR	Annual Control Report
AIR	Annual Implementation Report
ALMP	Active labour market policies
AOD	Authorising Officer by Delegation
AOSD	Authorising Officer by Sub-delegation
CEDEFOP	European Centre for the Development of Vocational Training
CMD	Carcinogens and Mutagens Directive
COM	Commission
CPR	Common Provision Regulation
CSR	Country Specific Recommendation
CWP	Commission Work Programme
DG	Directorate General
EA	Euro Area
EaSI	EU Programme for Employment and Social Innovation
ECA	European Court of Auditors
EC	European Council
EEA	European Economic Area
EESSI	Electronic Exchange of Social Security Information
EFTA	European Free Trade Association
EGF	European Globalisation Adjustment Fund
EMCO	Employment Committee
EU-OSHA	European Agency for Safety and Health at Work
EP	European Parliament
EPC	Economic policy committee
EPSA	Early Preventive System Audits
EPSCO	Employment and Social Affairs Council
ERDF	European Regional Development Fund
ESCO	European Skills/Competences, qualifications and Occupations
ESDE	Employment and Social Developments in Europe
ESF	European Social Fund
ESI	European Structural and Investment Funds
ESTAT	Eurostat
EURES	European Employment Services
FEAD	Fund for European Aid to the Most Deprived
IAS	Internal Audit Service
ILO	International labour organization
IOELV	Indicative occupational exposure limit value
IPA	Instrument for Pre-accession
JAP	Joint Action Plan
JER	Joint Employment Report
LABREF	Labour market reform database
LFS	Labour Force Survey
LIME	Lisbon Methodology Working Group
LMP	labour market policies
LMWD	Labour Market and Wage Developments
MFF	Multiannual Financial Framework
MS	Member States
NEET	Not in employment, education or training
OECD	Organisation for Economic Cooperation and Development
OSH	Occupational Safety and Health
PES	Public Employment Services
RSB	Regulatory Scrutiny Board
RRR	Residual risk rate

SCOEL	Scientific Committee on Occupational Exposure Limits
SCO	Simplified Cost Option
SME	Small and medium-sized enterprises
SPC	Social Protection Committee
SPPM	Social Protection Performance Monitor
SWD	Staff Working Document
TFEU	Treaty on the Functioning of the European Union
VET	Vocational and educational training
YEI	Youth Employment Initiative
YfEj	Your First EURES Job

## THE DG IN BRIEF

The Employment, Social Affairs and Inclusion DG pursues policy, legislative and financial initiatives to build a highly competitive social market economy in the European Union. Through the implementation of the Europe 2020 Strategy it aims to create more and better jobs, promote skills and entrepreneurship, improve the functioning of the labour markets, confront poverty and social exclusion, modernise social protection systems including pensions, health and long-term care, facilitate the free movement of workers, promote workers' rights, health and safety at work, and protect against discrimination in the work place, as well as the rights of persons with disabilities.

Mission Statement Strategic Plan 2016-2020

The **Treaty** provides that in determining and implementing its policies and activities, the EU has to take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion and a high level of education, training and protection of human health (Article 9 TFEU). Other specific responsibilities of EMPL enshrined in the Treaty include the implementation of the fundamental right of "Free Movement of Workers", the coordination of social security systems and the promotion of social dialogue and of improved living and working conditions. EMPL is also in charge of the implementation of the European Social Fund in order to improve employment opportunities for workers in the internal market and to contribute to raising the living standards, as well as to develop actions for strengthening the Union economic, social and territorial cohesion. EMPL also promotes the external dimension of these policies and contributes to the employment and social dimension in enlargement, neighbourhood and trade policies.

EMPL's policies are framed by the **Europe 2020 Strategy**, whose objectives are to generate smart, inclusive and sustainable growth. The strategy sets out a framework for reforming labour markets, creating job opportunities, ensuring adequate and sustainable social protection systems and social inclusion, and fostering economic competitiveness. Furthermore the **European Pillar of Social Rights** promotes convergence towards better living and working conditions and strengthens the social dimension of European integration. It sets out 20 principles to serve as a policy compass for fair and dynamic labour markets, and for well-functioning and sustainable welfare systems.

Guided by the Treaty, EMPL's mission and political priorities are further defined on the basis of **President Juncker's political guidelines**<sup>1</sup> set for the Commission 2014-2019 and its translation in Commissioner Thyssen's mission letter<sup>2</sup>.

The responsibility for fulfilling the above-mentioned objectives, as well as for policy setting in the field of employment, social affairs and inclusion, is shared between the EU and its member countries.

EMPL's main **areas of intervention** towards the attainment of those objectives are:

- (1) Policy activities of guidance, coordination and governance towards employment and social policies reforms;
- (2) Legislation in the areas of working conditions, health & safety, workers' rights and free movement of workers and the equal treatment in employment and occupation;
- (3) Management of funding instruments under different management modes:
  - **Shared management:** European Social Fund (ESF), including the Youth Employment Initiative (YEI), European Globalisation Adjustment Fund (EGF), Fund for European Aid to the Most Deprived (FEAD);

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<sup>1</sup> A New Start for Europe: My Agenda for Jobs, Growth, Fairness and Democratic Change Political, [http://ec.europa.eu/priorities/docs/pg\\_en.pdf](http://ec.europa.eu/priorities/docs/pg_en.pdf)

<sup>2</sup> President Juncker's Mission Letter to Marianne Thyssen, Commissioner Employment, Social Affairs, Skills and Labour Mobility, [http://ec.europa.eu/commission/sites/cwt/files/commissioner\\_mission\\_letters/thyssen\\_en\\_1.pdf](http://ec.europa.eu/commission/sites/cwt/files/commissioner_mission_letters/thyssen_en_1.pdf)

- **Direct management:** EU Programme for Employment and Social Innovation (EaSI<sup>3</sup>), part of Erasmus+ and of the Rights, Equality and Citizenship Programme (REC) and funds allocated by virtue of the powers conferred by the Treaty (so-called "Prerogatives") for social dialogue, mobility, analysis of the social situation, demographics and the family; and contributions to 4 decentralised Agencies (EU-OSHA, Eurofound, Cedefop & ETF<sup>4</sup>).
- **Indirect management:** Instrument for Pre-Accession Assistance – Human Resources Development Component (IPA-HRD 2007-2013) which has been phased out. Its successor is managed by NEAR.

The table below shows the total commitment and payment appropriations authorised in 2018<sup>5</sup>:

**Table 1: Total commitment and payment appropriations authorised in 2018**

2018 (in EUR Mios)	Commitments appropriations authorised	Payments appropriations authorised	Share in overall amount of payments
The European Social Fund and the YEI	15 497.03	13 917.14	95,5%
The Fund for European Aid to the Most Deprived	556.33	353.29	2,4%
The European Globalisation Adjustment Fund	27.69	27.69	0,2%
The Instrument for Pre-Accession Assistance – Human Resources Development Component	0.0	0.96	0,0%
Direct Management (EaSI, prerogatives, REC, Erasmus+) and agencies	506.05	268.78	1,8%
<b>TOTAL</b>	<b>16 587.093</b>	<b>14 567.848</b>	<b>100,0%</b>

- EMPL has also entrusted budget implementation tasks to ESTAT for a total of EUR 3.3 million.
- In 2018, following the revision of the Financial Regulation, permanent sub-delegations to corporate services or DGs with which we had close cooperation (DIGIT, REGIO, AGRI, BUDG, etc.) were turned into co-delegations. They are therefore no longer covered by this report.

<sup>3</sup> EaSI is made up of 3 axes: PROGRESS, EURES, and Microfinance and Social Entrepreneurship.

<sup>4</sup> (1) The European Agency for Safety and Health at Work (EU-OSHA); (2) The European Foundation for the Improvement of Living and Working Conditions (Eurofound); (3) The European Centre for the Development of Vocational Training (Cedefop); and (4) The European Training Foundation (ETF)

<sup>5</sup> Commitment/payment 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). See annex 3 for details.



## EXECUTIVE SUMMARY

The Annual Activity Report is a management report of the Director-General of DG EMPL to the College of Commissioners. Annual Activity Reports are the main instrument of management accountability within the Commission and constitutes the basis on which the College takes political responsibility for the decisions it takes as well as for the coordinating, executive and management functions it exercises, as laid down in the Treaties<sup>6</sup>.

### a) Key results and progress towards the achievement of general and specific objectives of the DG

In 2018 EMPL delivered on several headline actions in the Commission's 2018 Work Programme, continuing to turning the European Pillar of Social Rights into reality, contributing to progress on jobs, growth and investment, a deeper and fairer Single Market and EMU, through the European Semester, legislative and non-legislative initiatives, and the support of EU funds.

#### Supporting Member States in their structural reforms, particularly in the context of the European Semester

- In March 2018, the Commission outlined its views for monitoring the implementation of the Pillar, focusing on reflecting its priorities in the European Semester.
- EMPL contributed significantly to the annual European Semester process, further reinforcing the employment and social dimension of the Semester, with the Pillar firmly integrated in the monitoring of social progress, the analysis of the employment and social situation in the Member States, and the formulation of policy recommendations directed towards them. This was underpinned by the findings of the Social Scoreboard, an important monitoring tool to assess Member States' performance vis-à-vis key dimensions of the Pillar.
- In particular, EMPL:
  - Examined the draft 2018 National Reform Programmes, contributed to the Country Reports and (draft) Country Specific Recommendations (CSRs) called for structural reforms in a number of areas relevant for DG EMPL such as education and skills, active labour market policies, tackled poverty and exclusion, pensions and healthcare; in 2019 Country Reports, the link between cohesion policy and the European Semester was further strengthened.
  - Contributed to the successful exit of Greece from the financial assistance programme.
  - Developed benchmarking (unemployment benefits and ALMPs, education, training and skills, minimum income schemes), in cooperation with EMCO and SPC, with a view to supporting reforms in Member States and identifying best policy practices.
  - Further reinforced the attention to social dialogue and the involvement of social partners in the European Semester.
  - Developed analysis to underpin the assessment of policy developments through the annual and quarterly Employment and Social Development Reviews (ESDE) focused on the new world of work and employment and social effects of digitalisation and the annual Labour Market and Wage Developments (LMWD) review.

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<sup>6</sup> Article 17(1) of the Treaty on European Union.

## Modernising and completing the EU acquis to build a stronger social Europe

- EMPL took further legislative and non-legislative action to deliver on the political commitments of the Pillar and continued to support the inter-institutional negotiations on the pending proposals.
- In March 2018, as part of the Commission Work Programme 2018, the Commission presented a Social Fairness Package including a proposal to establish a European Labour Authority (ELA) that will help to enforce rules on labour mobility in a fair, simple and effective way, as well as a proposal for a Council Recommendation to improve the access to social protection for all workers and self-employed. The Council reached an agreement on the Recommendation in December 2018 and a general approach on ELA, while the European Parliament adopted its negotiating mandate by the same date, paving the way for finalising the decision making process before the European elections in 2019.
- A major achievement was the adoption by the co-legislators of the Commission proposal on the revision of the posting of workers directive, ensuring equal pay for equal work for posted workers. The co-legislators also reached an agreement on the Commission's proposal for a European Accessibility Act making key products and services accessible for people with a disability.
- In 2018, the Commission also focused on negotiating with the European Parliament and the Council the proposed Directives on Transparent and Predictable Working Conditions and on Work-Life Balance, paving the way for finalising the decision-making process before the European elections in 2019. A deal was provisionally reached on the revision of social security coordination Regulations, which need to be confirmed by the co-legislators.
- In the fight against occupational cancer and dealing with chemicals at work, work to amend the Carcinogens and Mutagens Directive was successfully advanced: the co-legislators adopted in December 2018 a second revision of the Directive, and the Commission adopted a proposal for a third revision.
- The co-legislators adopted the revision of the Founding Regulations of Eurofound, EU-OSHA and Cedefop to better reflect the current economic and social context and continue to deliver high quality outputs to support evidence-based policymaking.
- In the implementation of the 2016 Skills Agenda for Europe, a highlight was the adoption by the Council of the Commission proposal for a Recommendation on Quality and Effective Apprenticeships.
- The proposal for the European Solidarity Corps for 2018-2020 was adopted by the co-legislators before summer 2018 and a first call for projects was issued in October 2018 covering volunteering, traineeships and jobs.

## Providing financial support from the EU budget

- EU funds, in particular the European Social Fund, continued to support the implementation of the European Pillar of Social Rights in the Member States
- Each year the European Social Fund (ESF) helps millions of Europeans improve their lives by learning new skills and finding better jobs. By the end of 2017, 15.3 million participants had already been supported by ESF and YEI interventions, of whom 7.9 million were unemployed and 4.9 million inactive. By the end of 2017, Member States had declared that 2.4 million young people had already benefitted from the Youth Employment Initiative (YEI). Complete data on 2018 will be presented in the AIR in June 2019.
- In 2018, DG EMPL, in cooperation with Commission services, prepared the Impact Assessment and legislative proposal for the European Social Fund Plus (ESF+) 2021-2027, which the Commission adopted in May. The Fund will bring together under one umbrella the current European Social Fund, the Fund for European Aid to the Most Deprived, the Youth Employment Initiative, the Employment and Social Innovation

Programme and the Health Programme. For the period 2021-2027, the Commission proposed to dedicate €100 billion to the Fund, to continue to support key investments that benefit EU citizens and build a more social Europe. In addition, the DG participated actively in the drafting of the Commission's proposal for a Common Provisions Regulation (CPR) that lays down common provisions for the ESF+ and six other EU funds. Negotiations on the two legislative proposals started in the Council and in the EP. In the Council (Structural Measures Working Party) agreement was reached on CPR Block 1- Programming and Block 5 - Management and Control Process, as well as Article 4 of the ESF+, which is the provision on the specific objectives.

- The European Globalisation Adjustment Fund (EGF) provides support to workers made redundant, and to self-employed persons whose activity has ceased as a result of major structural changes in world trade patterns due to globalisation or as a result of the continuation of the global financial and economic crisis. Between 2014 and 2018, EGF funding has supported 47621 targeted workers and NEETs<sup>7</sup> in 31 different economic sectors. On 30 May 2018, the Commission adopted a proposal for a strengthened and more effective EGF, with a wider scope of application covering restructuring events caused by automation and digitisation and with a lower threshold for intervention, as well as a simplified and faster budgetary mechanism.
- The Fund for European Aid to the Most Deprived (FEAD) contributes to alleviating the worst forms of poverty in the EU by assisting the most deprived persons<sup>8</sup>. Support from the FEAD may take the form of food, basic goods or social inclusion activities. The Annual Implementation Reports for 2017 showed that 12.3 million persons benefited from food support operations, 579 048 persons received basic material assistance, and 36 000 people were involved in social inclusion activities. 1.3 million tons of food co-financed by FEAD were distributed to the most deprived. Data on 2018 will be presented in the AIR in 2021.
- To promote jobs and growth in Europe and guarantee adequate social protection, in 2018, the Employment and Social Innovation programme (EaSI) financed 39 projects through seven calls for proposals for EUR 32.855 million. EaSI supported studies and actions on labour mobility, the Electronic Exchange of Social Security Information project, enhanced cooperation between European Public Employment Services and other organisations through the EURES network and the deployment of Targeted Mobility Schemes (Your first EURES Jobs). The implementation of the EaSI Guarantee continued: by the end of 2018, 76 Microfinance and 25 Social Entrepreneurship operations were signed in 27 countries, for a total of EUR 180 million. They are expected to unlock more than EUR 2 billion of financing for micro- and social enterprises, thanks to a leverage effect. The prerogative budget lines financed the activities in support of the functioning of European social dialogue, and capacity building actions. In particular, they sustain the 43 EU sectorial social dialogue committees. Prerogatives budget lines also supported analyses and the evaluation of trends in national legislation on free movement of persons, and promoting the coordination of national social security systems.
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<sup>7</sup> NEET stands for "Not in Education, Employment, or Training".

<sup>8</sup> 'most deprived persons' means natural persons, whether individuals, families, households or groups composed of such persons, whose need for assistance has been established according to the objective criteria set by the national competent authorities in consultation with relevant stakeholders, while avoiding conflicts of interest, or defined by the partner organisations and which are approved by those national competent authorities and which may include elements that allow the targeting of the most deprived persons in certain geographical areas;" Article 2 (2), Regulation (EU) No 223/2014 of the European Parliament and of the Council of 11 March 2014 on the Fund for European Aid to the Most Deprived

persons, and promoting the coordination of national social security systems.

## b) Key Performance Indicators (KPIs)

**Table 2: Key performance indicators**

EMPL - KPIs	Target	Latest known results
Degree of implementation of EMPL's initiatives of the Commission Working programme (CWP)	100%*	2018: 80%
Participants (unemployed or inactive) in employment, including self-employment, upon leaving European Social Fund operation	24% (2023)	17.1% (2017)
Participants gaining a qualification upon leaving European Social Fund operation	48% (2023)	26% <sup>9</sup> (2016)
Residual total error rate in shared management for 2014-2020 programming period – 2016/2017 accounts	< 2%	1.5%

## c) Key conclusions on Financial management and Internal control

In accordance with the governance arrangements of the European Commission, EMPL staff 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.

Due to very different regulatory environments, a multiplicity of different management methods are used by EMPL, giving rise to specific risks and difficulties. The main ones are:

- **Shared management (ESF, FEAD and EGF):** Member States have the primary responsibility to take all measures necessary to ensure that the funds are used in accordance with the applicable rules and principles and protect the Community's financial interests. However, the Commission retains final responsibility for the implementation of the budget. The Commission exercises supervisory controls, mainly by auditing MS' management and control systems, including transactions tested at beneficiary level. For the ESF, representing 94% of EMPL's 2017 budget<sup>10</sup> the major inherent risk relates to the complexity of the operations and activities financed, the typology and variety of recipients (involving multiple local partners, often of modest size), and the high number of annual interventions. For the FEAD, the selection of partners and public procurement rules also present a difficulty.
- **Indirect management-third countries:** the **IPA-HRD** Component is managed in a decentralised manner, but with strong similarities to the approach used for the ESF. The inherent risk relates to the ability of the candidate countries to set up and operate the structures and controls necessary for the sound management of the allocated appropriations. This risk, however, is mitigated by the fact that ex-ante verification is carried out by the Commission delegations in the candidate countries. DG EMPL's responsibility for the IPA-HRD Component (IPA IV) will end with the closure of the related Operational Programmes in 2019.
- **Direct management (EaSI and prerogatives):** it involves the attribution of numerous contracts and grants and the payment of numerous operating grants to

<sup>9</sup> Under thematic objective 10 'investing in education, training and vocational training for skills and life-long learning'.

non-governmental organisations, associations and trade unions. The main risk related to these activities concerns the capacity of (especially) smaller organisations to effectively control expenditure and ensure the transparency on the operations carried out.

The Commission has adopted a set of internal control 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. EMPL has assessed the internal control systems during the reporting year and has concluded that the internal control principles are implemented and function as intended (see section 2.1.3 for further details).

In addition, EMPL has systematically examined the available control results and indicators, including those that aim to supervise entities entrusted with 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 (see section 2.1 for further details).

In conclusion, management has reasonable assurance that for the European Globalisation Adjustment Fund (EGF), Instrument for Pre-Accession Assistance (IPA), and direct and indirect management, suitable controls are in place and work as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented.

The management has also the assurance that suitable controls are in place, and work as intended, as regards the European Social Fund (ESF) and Fund for European Aid to the Most Deprived (FEAD). The internal control system has allowed for the detection of deficiencies in the Management and Control Systems of 14 ESF operational programmes for the 2007-2013 programming period as a measure of prudence, based on an in-depth assessment of the closure documents received on 31 March 2017 and the request to the national authorities to provide further information or perform additional audit work. The financial risk is estimated at 0.0% of the 2018 relevant expenditure for 2007-2013 period, the reservation for 2007-2013 being of a reputational nature, as the final payments will be executed only when all the open issues are solved. The cumulative residual total error rate over the whole period is estimated at 0.7%.

For the 2014-2020 programming period, 25 ESF/YEI and 3 FEAD programmes are also part of the reservation due to material deficiencies in some key elements of the systems as well as for legality and regularity issues revealed by an audit of EMPL. The financial risk is estimated at EUR 63 million for the programmes included in the reservation.

EMPL continues to apply a strict policy of interruption and suspension of payments to preserve the EU's financial interests. The financial corrections decided to date for the whole 2007-2013 programming period (both by Member States and at Commission's request) amount to EUR 2.785 million (3.6% of the declared expenditure). For the 2014-2020 programming period, financial corrections resulting from the audit work of the audit authorities for an amount of EUR 125 million were implemented in the annual accounts for 2017-2018 sent to the Commission in February 2019.

In view of the control results and all other relevant information available, the AOD's best estimation of the risks relating to the legality and regularity for all EMPL's expenditure authorised during the year is estimated at 1.8 % at the time the payment is made.

On this basis, the Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance, albeit qualified by the above-mentioned reservation related to the ESF for both 2007-2013 and 2014-2020 programming periods.

## **d) Provision of information to the Commissioner**

In the context of the regular meetings during the year between the DG and the

Commissioner on management matters, the main elements of this report and the assurance declaration, including the reservation(s) envisaged, have been brought to the attention of Commissioner Thyssen, responsible for DG EMPL.

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

This section should be read in connection with annex 12 where a number of indicators are presented in order to provide insight on the achievement of those expected results and impacts.

## 1.1. The employment and social situation in the EU

The policies pursued by the European Commission in the area of employment, social affairs and inclusion are influenced by many factors, most of them beyond the control of DG EMPL or the Commission. Most of the policy tools in these areas are in the hands of the EU Member States, where they are influenced by many, sometimes even conflicting demands. Furthermore Member States' room for action is limited by fiscal constraints. Due to the specific nature and given the management mode of the underlying activities, the results and impacts of the activities of DG EMPL are only to a very limited extent under the control of DG EMPL.

In 2016, with the introduction of the multiannual Strategic Plan and annual Management Plan, the Commission defined general objectives and a scorecard of key impact indicators. DG EMPL identified in its "Strategic Plan 2016-2020"<sup>11</sup> three of these general objectives and impact indicators to which it contributes.

A broad overview of the progress made towards meeting these three general objectives is set out below<sup>12</sup>.

### (1) A New Boost for Jobs, Growth and Investment

Employment levels in the EU continued to increase, but at a slower pace than in 2017. The EU employment rate<sup>13</sup> for 20 to 64 years-old reached 73.2% in the third quarter of 2018. At this pace the Europe 2020 target of 75 % appears broadly within reach, but the number of hours worked in the European economy is still below pre-crisis levels. Large disparities in employment rates persist in the Member States, as in the second quarter of 2018 there was a difference of almost 23 percentage points between the highest employment rate (82.5 % in Sweden) and the lowest (59.7 % in Greece).

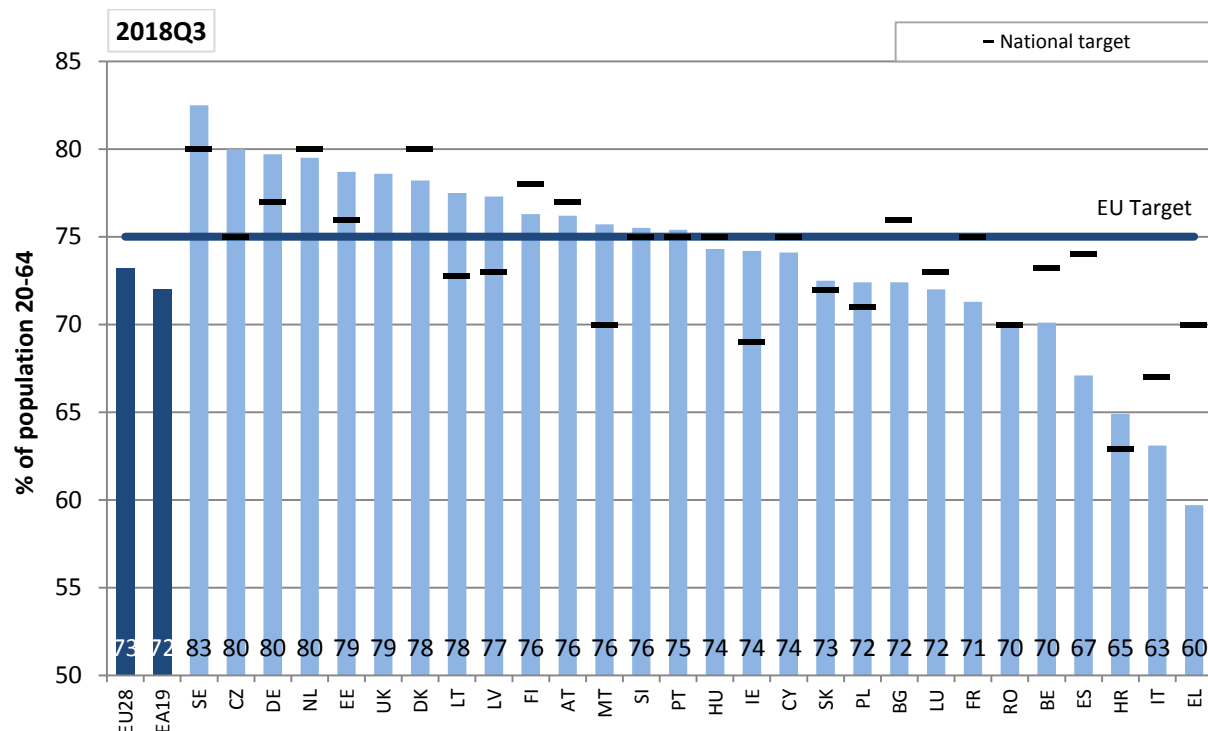
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<sup>11</sup> Published on Europa [http://ec.europa.eu/atwork/key-documents/index\\_en.htm](http://ec.europa.eu/atwork/key-documents/index_en.htm)

<sup>12</sup> The employment and social situation is closely monitored throughout the year in the Quarterly and annual reviews of Employment and Social Developments (ESDE) as well as in the context of the European Semester with the Draft Joint Employment Report.

<sup>13</sup> Indicator 1 – see annex 12.

**Chart 1: Employment rate (20-64) in the EU Member States, 2018Q2<sup>14</sup>**



Source: Eurostat, LFS, data seasonally adjusted [lfsi\_emp\_q]

Note: FR metropolitan data only

Unemployment has returned to its pre-crisis level, but remains high in a number of Member States. Thanks to the steady labour market recovery, the unemployment rate kept declining in 2017, to reach 6.8% in the third quarter of 2018. It now stands at its lowest level in ten years, more than 4 percentage points below the 2013 peak.

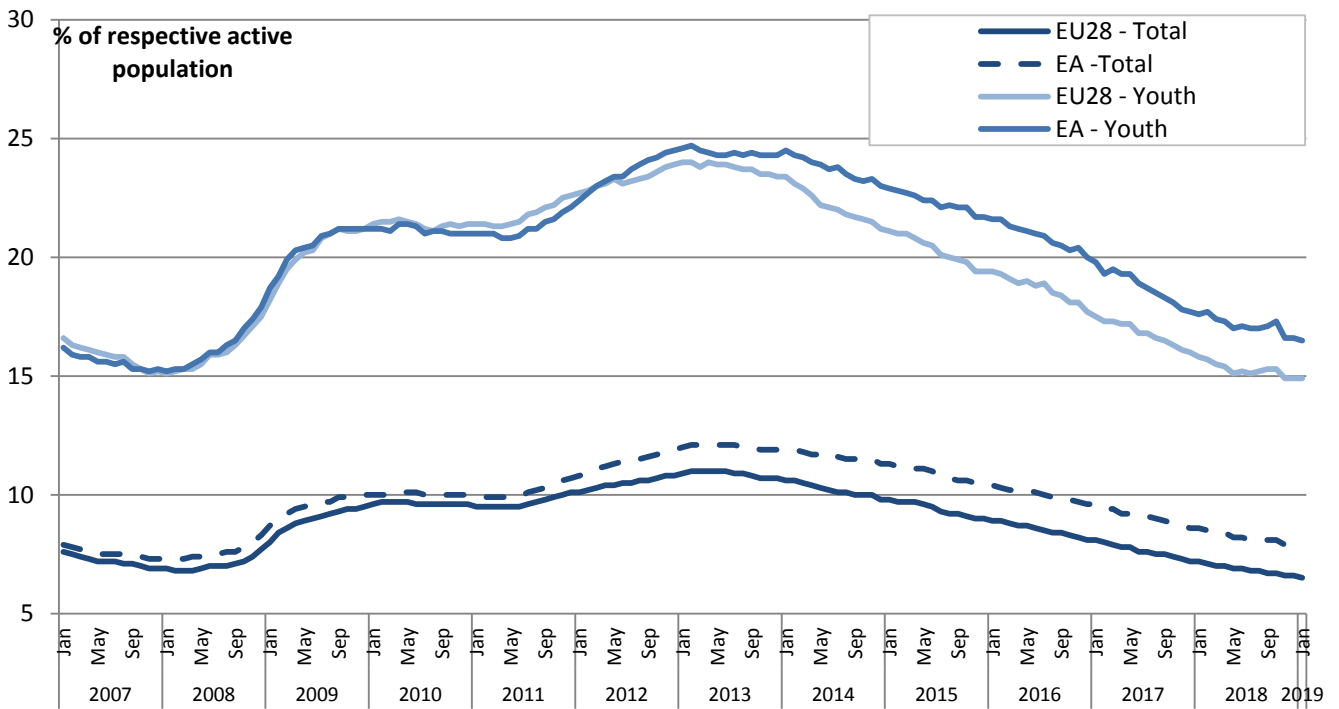
In October 2018, youth unemployment stood at 14.9%, 0.9 percentage points lower than in the same month of the previous year. This represents nearly 215 000 fewer unemployed people aged 15-24.

The long-term unemployment rate continued to decline, reaching 2.8% of the labour force in the third quarter of 2018. However, the share of long-term unemployment in total unemployment is still high, at around 43.5%. The very long-term unemployment rate (which captures people in unemployment for at least two years) declined by 0.3 percentage points, down to 1.7 % of the labour force.

<sup>14</sup> [Employment and Social Development in Europe - Quarterly Review - March 2019](#)

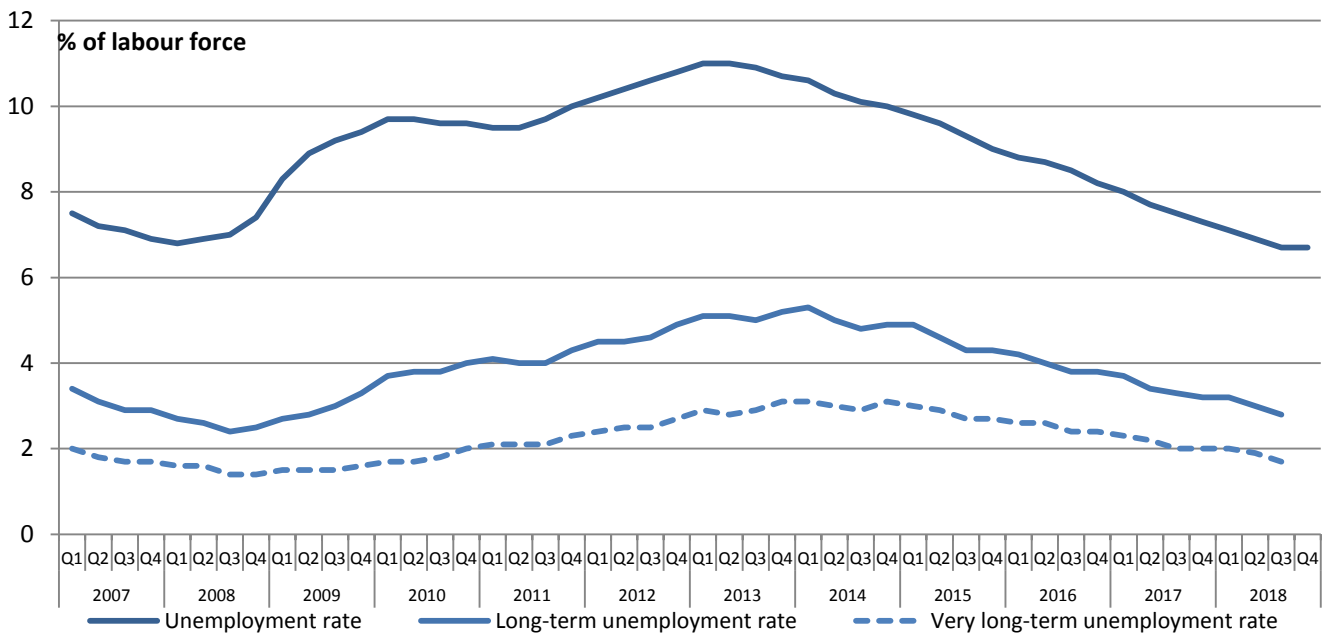


**Chart 2: Unemployment rate and youth unemployment rate - EU and euro area** <sup>15</sup>



Source: Eurostat, series on unemployment [une\_rt\_m]. Data seasonally adjusted

**Chart 3: Unemployment, long-term unemployment and very long-term unemployment rates in the EU<sup>16</sup>**



Source: Eurostat, LFS [une\_rt\_q, une\_ltu\_q]. Data for long-term and very long-term unemployment non-seasonally adjusted. Data on unemployment seasonally, not calendar adjusted.

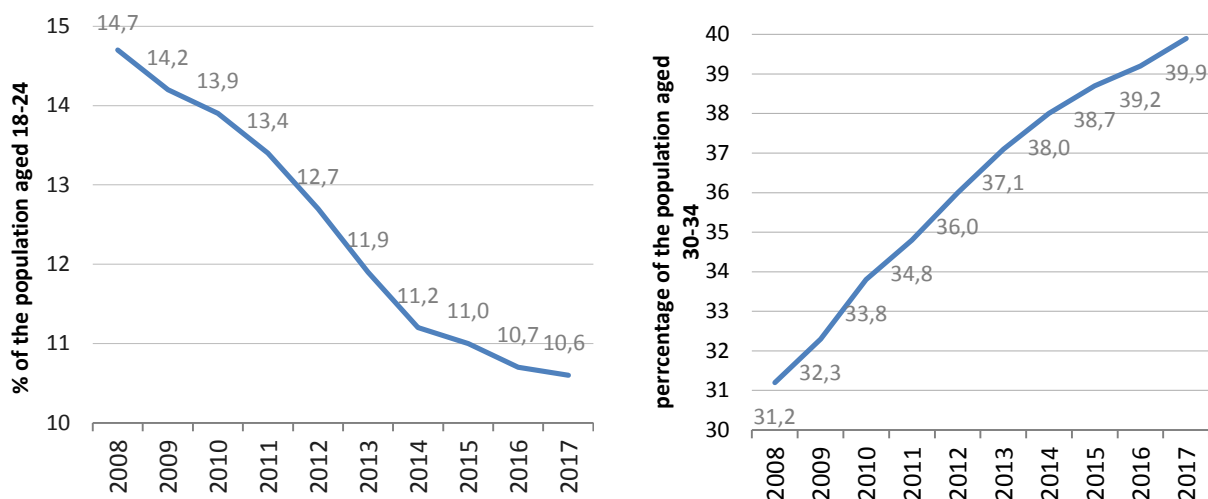
<sup>15</sup> [Employment and Social Development in Europe - Quarterly Review – March 2019](#)

<sup>16</sup> [Employment and Social Development in Europe - Quarterly Review – December 2018](#)

Employers report difficulties in finding candidates with the right skills, notably technical or transversal skills or work experience among job candidates. This is also related to labour market tightness in some countries. In the fourth quarter of 2018, the vacancy rate stood at 2.3% (the highest levels registered since 2006) both in the EU and the euro area.

It is crucial to keep investing in education and training, to develop skills in the face of labour market transformations associated with technological change, to keep tackling unemployment, increasing EU competitiveness, and in order to remain on track towards meeting the Europe 2020 targets<sup>17</sup>.

**Chart 4: Early leavers from education and training and tertiary educational attainment<sup>18</sup>**

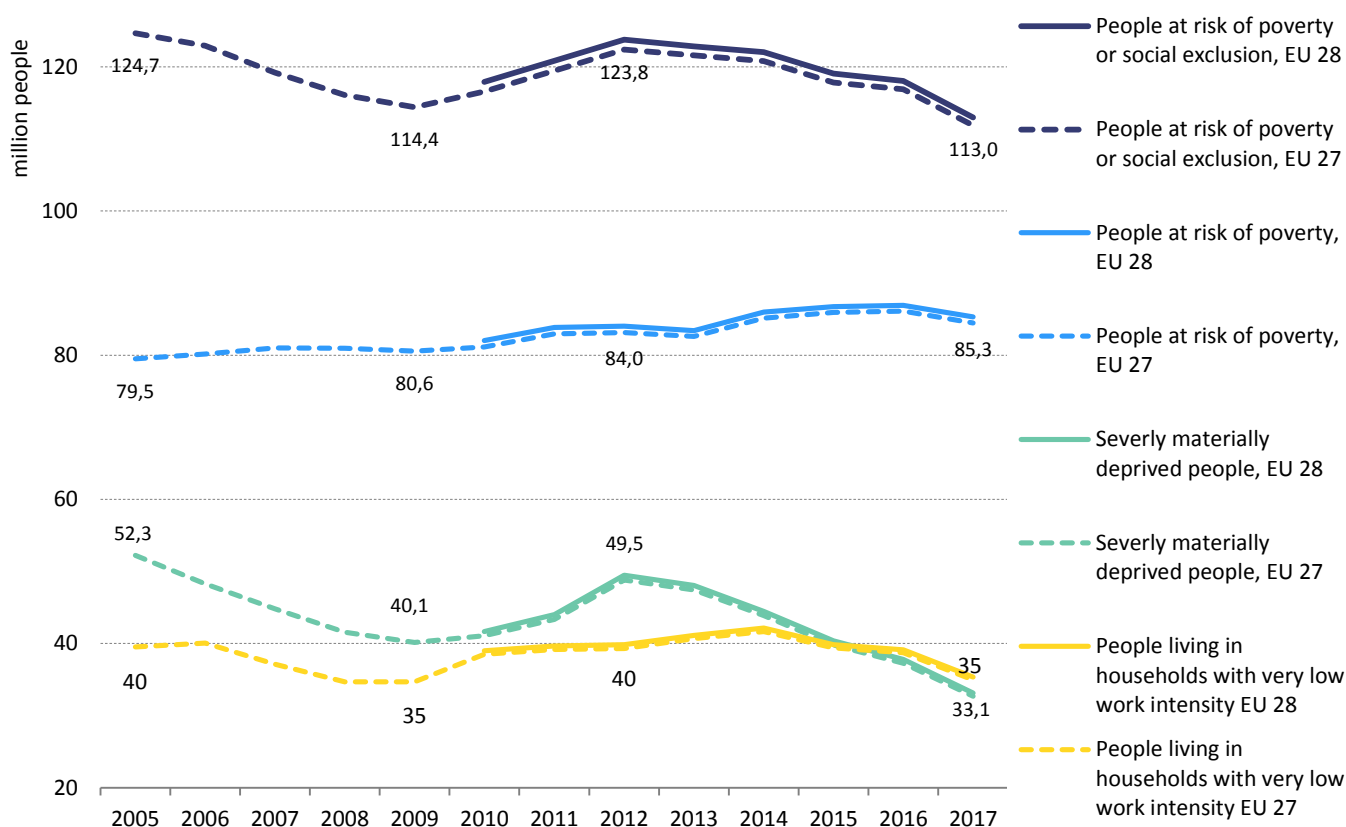


On the back of robust economic and labour market recovery, the share of people at-risk-of poverty or social exclusion decreased markedly in 2017. The total number of people at risk of poverty or social exclusion, at 113 million people or 22.5% of total population in 2017, is now below pre-crisis levels. Still, progress towards achieving the Europe 2020 strategy headline target – of lifting at least 20 million people out of poverty compared to 2008 – remains insufficient.

<sup>17</sup> Reducing school drop-out rate below 10% and exceeding 40% of 30-34 year-olds who completed a third level education are key objectives of the Europe 2020 Strategy.

<sup>18</sup> Source Eurostat labour force survey [edat\_lfse\_14] [edat\_lfse\_03]

**Chart 5: People at risk of poverty or social exclusion**



Source: Eurostat, EU-SILC survey [ilc\_peps01] [ilc\_li02] [ilc\_mddd11] [ilc\_lvhl11]

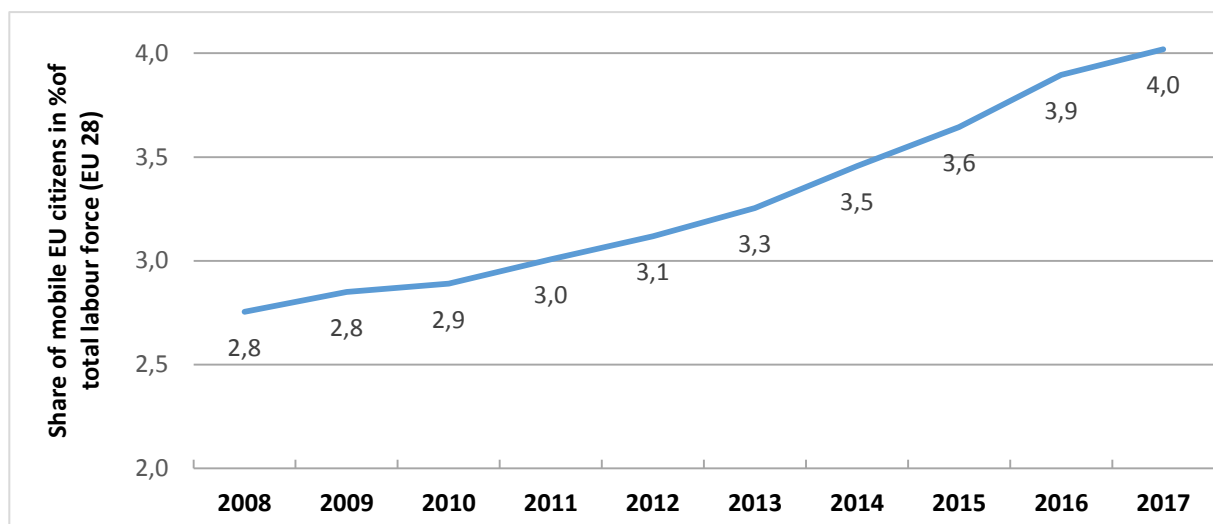
Note: EU 27 refers to the 27 EU Member States prior to the accession of Croatia in 2013. EU 28 refers to the 28 EU Member States after 2013 including Croatia. EU 27 is reported due to data availability issues before 2010 for EU 28. At risk of poverty or social exclusion, abbreviated as AROPE, corresponds to the sum of persons who are either at risk of poverty, or severely materially deprived or living in a household with a very low work intensity. Persons are only counted once even if they are present in several sub-indicators. At risk of poverty rate cut-off point: 60% of median equivalised income after social transfers, People living in households with very low work intensity population aged 0 to 59 years

## (2) A Deeper and Fairer Internal Market with a Strengthened Industrial Base

Investments to improve the conditions for geographic and professional mobility while tackling risks of distortions and abuses have contributed to the progressive increase in the mobility rate within the EU, which reached 4% of the population in 2017. In 2017, there were roughly 17.5 million EU citizens living in another country than their country of citizenship.<sup>19</sup> This number has increased by 5% compared to 2016, at a similar pace as it had increased in the previous years.

<sup>19</sup> This number refers to "long-term" EU-28 movers, living in EU-28, based on Eurostat demography statistics. Eurostat data series code: [migr\_pop1ctz] For details, see European Commission (forthcoming), 2018 Annual Report on Intra-EU Labour Mobility, Directorate-General for Employment, Social Affairs and Inclusion.

**Chart 6: Share of EU citizens working in another EU country than their country of citizenship**



Source: Eurostat, DG EMPL calculations based on LFS data [lfsa\_pganws]

Note: The share of EU citizen working in another EU country of the total labour force (age 15-64)

### (3) A Deeper and Fairer Economic and Monetary Union

A deeper and fairer EMU implies achieving upward socio-economic convergence. Halted by the crisis, convergence in working and living conditions has resumed with the recovery but remains slow in some countries and dimensions.

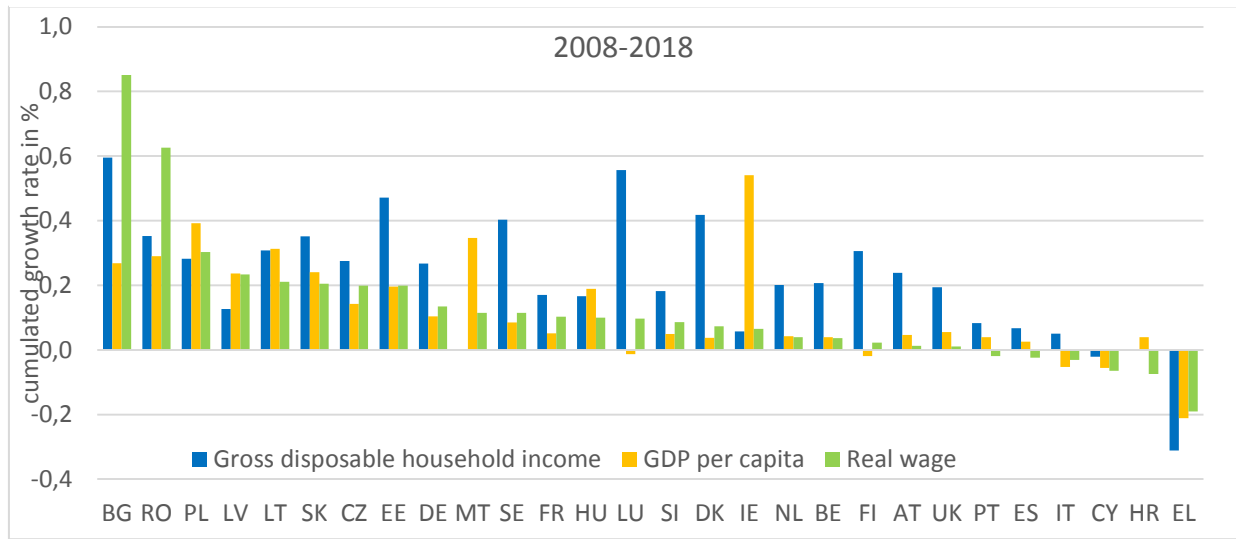
GDP per capita in purchasing power standards<sup>20</sup> is converging, which also translates into converging living standards. This is driven by the higher growth rates of non-euro area countries before and after the crisis compared to euro area countries. At the same time large gaps between the richest and the poorest EU Member States persist. GDP per capita in purchasing power standards in Luxembourg exceeds 77 200 PPS, while in Bulgaria it is just above 15 500 PPS.

Gross disposable household has grown in the last decade but has not converged significantly. The divergence that was caused by the economic crisis has been offset by the recovery, but some countries such as Greece and Cyprus registered a strong decline in gross disposable household income. Following the crisis Mediterranean Member States saw a decline in income levels while most Eastern European Member States continued to grow but at a slower pace than before the crisis.

Wage convergence has allowed some countries to further catch up with the EU best performers. For example, Bulgarian wages have caught up from about 30% of the EU average in 2008 to more than 45% of the EU average in 2017 (measured in nominal terms and accounting for differences in purchasing power). However, at the same time other Member States have experienced downward adjustments since 2008 (e.g. Greece and Cyprus). In general, wage growth in the euro area has been positive since the recovery, albeit lower than before the crisis, underlining that there is indeed upward wage convergence.

<sup>20</sup> The purchasing power standard (PPS) is essentially an artificial currency unit used for cross-country comparisons, based on the informed and calculated assumption that one PPS can buy the same amount of goods and services in each country.

**Chart 7: Cumulated growth rates of gross disposable household income, GDP per capita and real wage**



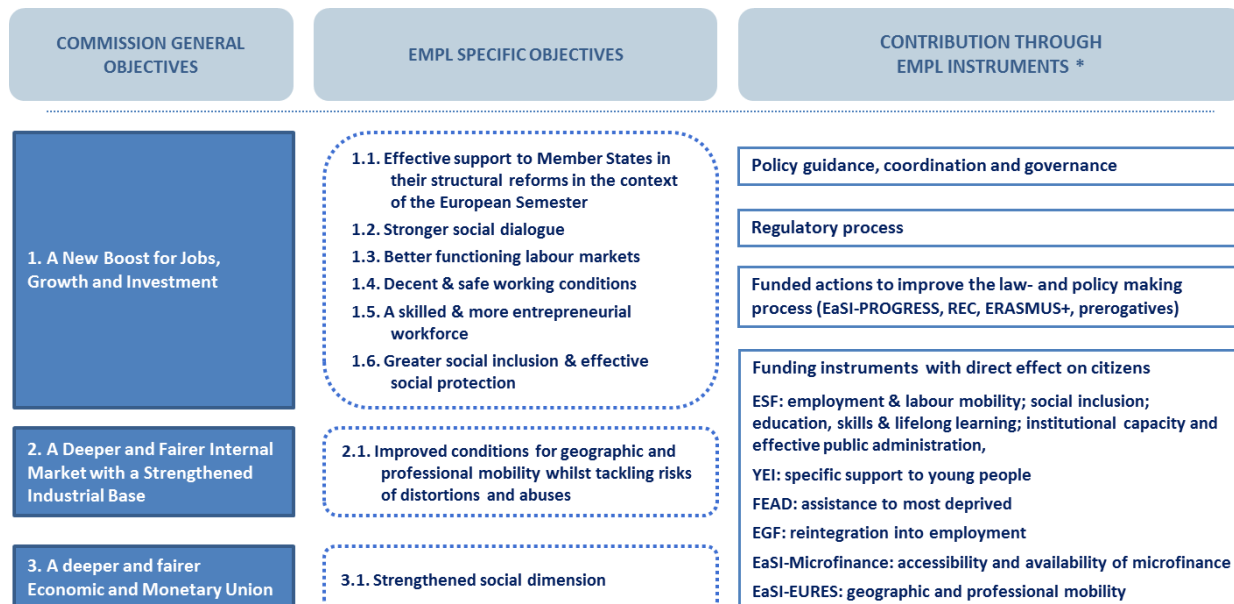
Source: Eurostat

Note: HR missing due to data availability issues before 2008. Gross disposable household income is the amount of money that households have available after taxes social contributions and benefits. GDP per capita is the country's output per person. Real wage is the wage adjusted for inflation

## 1.2. Progress towards policy priorities

EMPL's initiatives, as defined in the 2018 Commission Work Programme<sup>21</sup> and in its Management Plan 2018, focused on the following priorities.

**Chart 8: DG EMPL's initiatives as defined in the Management Plan (2018)**



This section will report on progress made towards achievement of each specific objective focussing first on policy and regulatory priorities and then on the most significant outcomes obtained thanks to funding by EMPL instruments.

Besides, a horizontal key priority for 2018 was the preparation of the proposal for the European Social Fund+ (ESF+) for the next programming period, 2021-2027. The impact assessment for the ESF+ post 2020 was finalised on time. It led to the adoption by the Commission of the proposals for the **ESF+ 2021-2027 and European Globalisation Fund (EGF)** on 30 May 2018.

The EaSI and EGF mid-term evaluations provided the Commission with evidence and data for improving programmes' performance in the second part of their implementation, as well as for preparing the post 2020 proposals. Indeed, the ESF+ and EGF proposals were based on an impact assessment whose conclusion was to merge five EU level funds (ESF, YEI, FEAD, EaSI and Health programme), but to keep the EGF as a separate instrument outside the MFF ceilings. The impact assessment also examined the synergies and complementarities with other EU funds under preparation in the context of the next MFF. The impact assessment was mainly based on evaluations of current and previous programming periods – including the EaSI and EGF mid-term evaluation - as well on other related studies, including stakeholders' consultations, field research as well as macroeconomic modelling. All confirm the effectiveness, efficiency, relevance, EU added value and coherence of the funds covered.

The EaSI mid-term evaluation showed that its objectives are still relevant and that the programme was effective in reaching the relevant stakeholders, generating outcomes and achieving its objectives. Under the EaSI strand, the ESF+ will include a series of improvements, including a sharper focus on disadvantaged groups and gender equality, greater budgetary flexibility and better integration between the current activities.

<sup>21</sup> [https://ec.europa.eu/info/publications/2018-commission-work-programme-key-documents\\_en](https://ec.europa.eu/info/publications/2018-commission-work-programme-key-documents_en)

The EGF mid-term evaluation concluded that the EGF is creating EU added value by offering assistance to workers made redundant in major restructuring events. However, it identified the need to improve the design of the EGF. The particular issues highlighted were the need to redefine the scope of the fund, the eligibility criteria (the threshold was perceived as being too high by many stakeholders), the general lack of monitoring data, and the question whether the EGF was the right avenue to deliver aid to NEETs.

The negotiations in the Council and in the Parliament started in 2018, and will continue in 2019. Whilst a partial general approach on the EGF looked possible towards the end of 2018, the political decision taken by the Presidency was to adopt a progress report on the EGF file at the December 2018 EPSCO Council, pending a political arbitration concerning the possible merger of the EGF with the ESF+. Partial general approaches have now adopted on both files early in 2019. The Parliament confirmed its position on the ESF+ proposal in first reading in December 2018 and the proposed amendments were adopted at the EP Plenary on 16 January.

The Commission also adopted on 29 May 2018 the proposal for the Common Provisions Regulation (CPR). On the side of the Council, under the Austrian Presidency a partial general agreement was reached on two blocks of the CPR: Block 1- Programming and Block 5 - Management and Control.

The Commission supported the co-legislators in agreeing on the Revision of the **Founding Regulations of Eurofound, EU-OSHA and Cedefop** to better reflect the current economic and social context and continue to deliver high quality outputs to support evidence-based policymaking. All three Regulations were adopted on 20 December 2018. The new founding regulations introduce several changes:

- The tasks of the Management Board, the Executive Board and the Executive Director are defined more clearly. For the first time, an independent expert appointed by the Parliament will become a member of the Management Board of each agency. The Management Board will appoint the Executive Director.
- More emphasis is put on co-operation between the agencies, when it comes to horizontal administrative tasks, promoting synergies and complementarity with their activities, while avoiding any duplication of efforts.
- EU-OSHA shall pay a particular attention to the specific challenges of micro, small and medium-sized enterprises, when it comes to health and safety at work. The new text also recognises health as both physical and mental health.
- The founding regulation of Cedefop now covers education in general, and VET in particular, in line with the progressive enlargement of Cedefop's activities over the years.

In 2018 EMPL completed the first crosscutting evaluation of the European Commission Agencies working in the employment and social affairs policy field -EUROFOUND, CEDEFOP, ETF and EU-OSHA- to complement the founding regulation revision of the three tripartite agencies. The assessment confirms the relevance, effectiveness, efficiency, coherence and added value of the agencies, as well as the need to reinforce cooperation in order to exploit synergies. The external evaluation study was delivered in 2018 and the Staff Working Document presenting the findings and conclusions is due to be published in 2019.

# General Objective 1: A New Boost for Jobs, Growth and Investment

## Specific Objective 1.1. Effective support to Member States in their structural reforms in the context of the European Semester

In 2018, EMPL contributed significantly to the annual **European Semester** process, further reinforcing the employment and social dimension of the Semester, thereby assessing the structural reforms needs in Member States and encouraging further reforms. This was achieved through the following actions:

### Providing analysis and evidence-based advice

- Improving the assessment capacity linked to the Semester :
  - a) developing further and making more regular use of various monitoring tools including the Joint Assessment Framework, the Joint Assessment Framework Health, the Employment Performance Monitor and the Social Policy Performance Monitor (EPM/SPPM), and the Labour market reform (LABREF) database reviewing policy developments in the labour market area, as well as the labour market policies (LMP) database providing information on active labour market policies (ALMP) and beneficiaries and model-based analysis of wage developments (wage benchmarks);
  - b) complementing these tools with guidance notes and thematic fiches, several of which have been published on-line as part of the European Semester package;
  - c) organising a comprehensive training programme on DG EMPL related issues for desk officers (from DG EMPL and other DGs);
  - d) further strengthening the consultation of social partners and consultations of civil society organisations to harness their knowledge and expertise on semester related issues; organising two workshops on Labour Market Segmentation and minimum wage policy gathering experts' views on country- specific challenges.
- Developing new and regular analysis to underpin the assessment of policy developments through the annual and quarterly Employment and Social Development Reviews (ESDE) and the annual Labour Market and Wage Developments (LMWD) review, which were published in July 2018 and November 2018 respectively. The 2018 ESDE Annual Review focused on the new world of work and employment and social effects of digitalisation, feeding into the Semester process and the European Pillar of Social Rights, as well as into legislative initiatives, including on social protection for all and on fair and transparent working conditions. It covered various topics including chapters on employment and technological change, social protection and social dialogue. The LMWD report reviewed the EU and Member States' labour market developments and policy outcomes in the context of the economic recovery; it provided a deep analysis of wage growth and wage convergence in the EU and shed light on the effects of reforms of employment protection legislation and unemployment benefits. It provided inputs for the "Economic Governance Package"(annual growth survey, joint employment report and euro area recommendation). The analysis on wage developments of the LMWD report was presented to the following committees: Employment Committee (EMCO), economic policy committee (EPC) and the Lisbon Methodology Working Group (LIME).

### Assisting Member States in designing reforms

- Contributing to the successful exit of Greece from the financial assistance programme and its full integration into the European Semester as of 2019. DG EMPL has contributed to the final review of the financial assistance programme and to defining the appropriate post-programme surveillance framework and the possible policy conditionality attached to debt relief in the area of labour market and social policies.
- Contributing to the elaboration of the 2019 cycle of the "Economic Governance

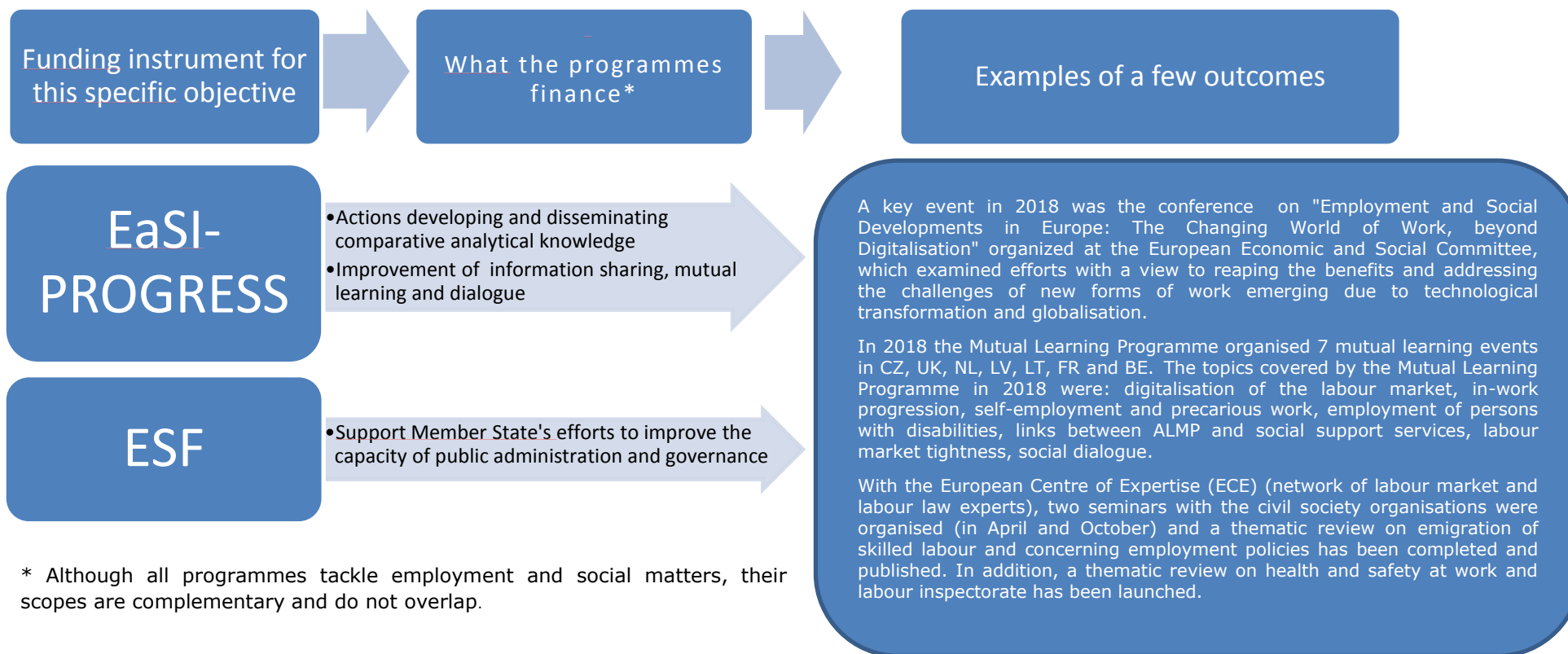


Package" which includes the Annual Growth Survey), the Alert Mechanism Report, the Euro area recommendations, drafting the Joint Employment Report (JER). The package was adopted by the Commission on 21 November 2018. As usual structural reforms in Member states received strong attention in the package.

- Examining draft 2018 National Reform Programmes submitted by national governments.
- Contributing to the drafting of Country Reports and (draft) Country Specific Recommendations on the basis of priorities set in policy instruments and evidence gathered through detailed analysis. The 2018 Country Reports were published in March 2018 and the 2018 Country Specific Recommendations in May 2018, calling for structural reforms in a number of areas relevant for DG EMPL with a particular focus this year on education and skills but also covering, among others, active labour market policies, pensions and healthcare. By November 2018, EMPL had provided a full contribution to the draft 2019 Country Reports. In this cycle, the link between cohesion policy and the European Semester was further strengthened, with a stronger focus on investment needs in the draft 2019 Country Reports and the integration of a new annex D on cohesion policy investment priorities.
- Developing benchmarking frameworks (unemployment benefits and active labour market policies, education, training and skills, minimum income schemes), in cooperation with the Employment Committee and the Social Protection Committee, with a view to supporting reforms in Member States and identifying best policy practices. The benchmarking framework on adult skills and learning and the activation component of the benchmark on unemployment benefits and active labour market policies were completed and endorsed by Employment Committee.
- Providing guidance and analysis on issues related to the deepening of the economic and monetary union, in particular on the social dimension of economic and monetary union.
- Providing strong support to the multilateral surveillance and country peer-reviews that took place in the Employment and Social Protection Committees. In 2018, 7 reviews and a Country Examination took place. The following topics were covered: active labour market policies and public employment services, youth and labour market segmentation, education, skills, vocational education and training, adult learning, labour market participation, wages and competitiveness / labour taxation and social dialogue. Also the Mutual Learning Programme provided important support in this context (please see graph on the next page).

Beyond these policy and regulatory achievements, some significant outcomes were obtained owing to funding by EMPL instruments as illustrated in the graph below.

**Specific Objective 1.1. Effective support to Member States in their structural reforms  
in the context of the European Semester**<sup>22</sup>



\* Although all programmes tackle employment and social matters, their scopes are complementary and do not overlap.

<sup>22</sup> For more information regarding programmes, please refer to the [Programme Statements](#) and the Annex 12.

## Specific Objective 1.2. Stronger social dialogue

2018 was marked by the continued activities on the 'new start for social dialogue' and on setting up and implementing the European Pillar of Social Rights, including in the framework of the European Semester. DG EMPL ensured the main output foreseen in the 2018 MP.

As regards Commission Work Programme 2018 initiatives:

- EMPL organised an exchange of views with social partners on the planned initiative on more efficient law-making in social policy by making use of the passerelles clauses for an enhanced use of qualified majority voting;
- EMPL organised two meetings between VP Šefčovič and social partners on the 3<sup>rd</sup> Mobility Package and the EU's 2050 long term strategy for climate.

As regards social partner agreements:

- In 2018, the Commission decided not to proceed with a legislative proposal on the social partner agreement in personal services and central government administration for reasons of legality and subsidiarity;
- With regard to the social partner agreement on hairdressers, the Commission continued throughout the year with discussions on the implementation of the main points of this agreement by an Action Plan.

The attention to social dialogue and the involvement of social partners in the European Semester was further reinforced. The Commission and the Employment Committee organised a multilateral review on the social partners' involvement in the European Semester on 21 November 2018 with the presence of European and national social partners. This year's review focused on a selection of 10 Member States. Employment Committee conclusions were adopted for each of the reviewed Member States. The finding of this review will feed into Country Reports and into a general reflection regarding Country Specific Recommendations.

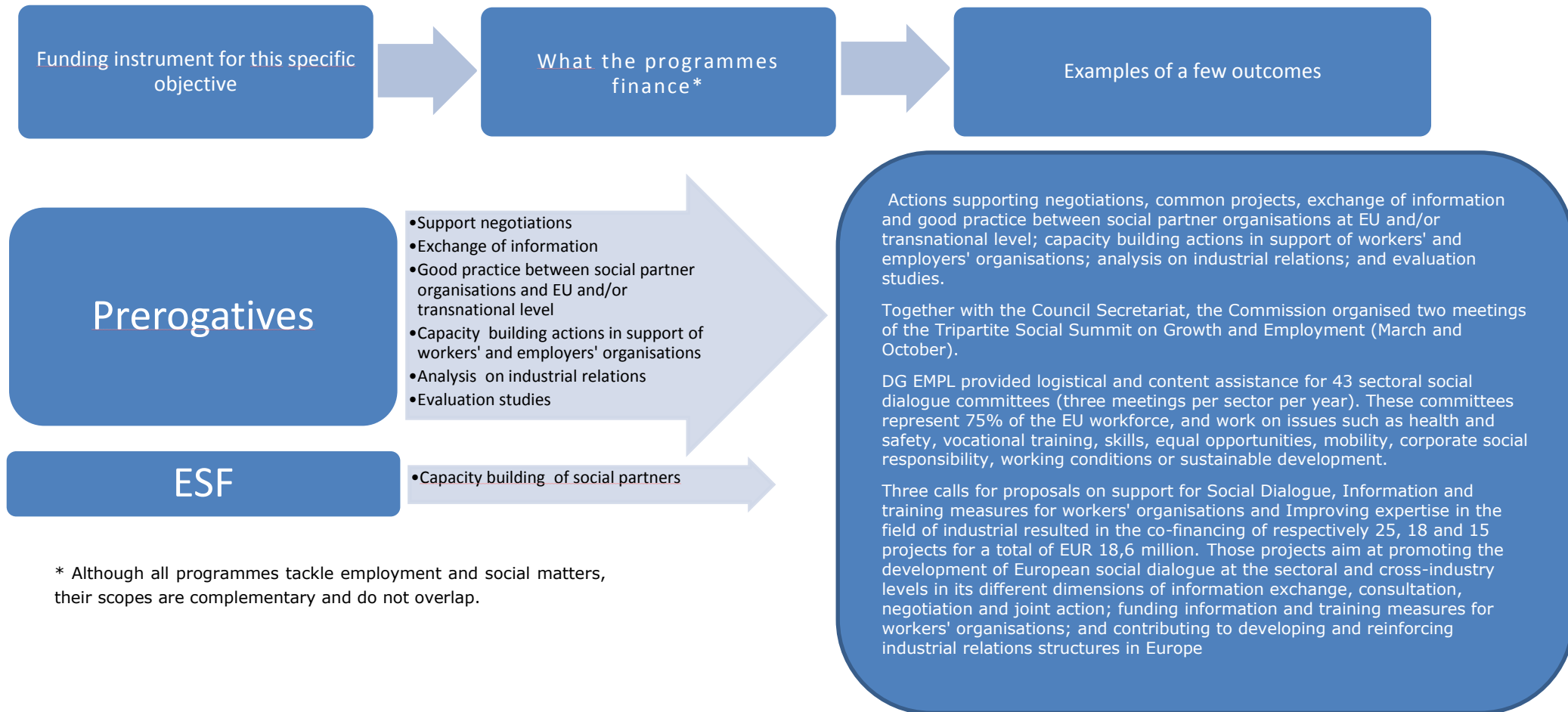
The Commission co-organised together with the Council Secretariat two meetings of the Tripartite Social Summit. Moreover, EMPL organised around 140 meetings of the cross-industry and sectoral Social Dialogue Committees which adopted 33 joint texts. Through the sectoral Social Dialogue Committees, EMPL also consulted social partners on various sector-related policy initiatives with social implications.

A chapter dedicated to the contribution of social dialogue for a changing world of work was included in the Employment and Social Developments in Europe review 2018, published in July.

**Eurofound** also contributed to this objective by means of its surveys (European Quality of Life Survey, European Company Survey and European Working Conditions Survey), research publications and observatories.

Beyond these policy and regulatory achievements, some significant outcomes were obtained owing to funding by EMPL instruments as illustrated in the graph below.

## Specific Objective 1.2. Stronger social dialogue<sup>23</sup>



\* Although all programmes tackle employment and social matters, their scopes are complementary and do not overlap.

<sup>23</sup> For more information regarding programmes, please refer to the [Programme Statements](#) and the Annex 12.

### Specific Objective 1.3. Better functioning labour markets

The European Pillar of Social Rights set in motion a new momentum at EU level aimed at supporting fair and well-functioning labour markets (and welfare systems). In particular, it laid the ground for ensuring secure life-cycle and labour market transitions for all, notably in light of the new world of work and related challenges.

Against this background, a deeper policy reflection on the **future of work**, looking at the broader impacts of digitalisation on labour markets was initiated in 2018. Through a dedicated High-Level Experts Group on the impact of the digital transformation on EU labour markets, launched in 2018 and a cooperation project with the OECD, expert input was gathered and a reflection on policy responses to new forms of work was launched.

The **EU Network of Public Employment Services (PES)** continued to provide important contributions to key EU policy debates among others: the Future of Work, the proposal for a European Labour Authority, the European Solidarity Corps and refugee integration into the labour market. The PES also continues to support benchlearning. After finalising the second phase (2017-2018), a third cycle was developed aimed at better combining the mutual learning and benchlearning approaches and focusing on the learning needs of the different PES. Several thematic discussions took place in different formats, including on **Active Labour Market Policies (ALMPs)** and the possible development of an ALMP Quality Index. An evaluation of the work of the Network was initiated in 2018 together with a supporting study, in view of issuing the results before summer 2019.

The implementation of the **Youth Guarantee** was taken forward with a focus on Mutual learning in 2018, coupled with policy discussions on the future of the Youth Guarantee, including in light of changes in the world of work. The **European Solidarity Corps** was also set in motion with the adoption of the proposal by co-legislators before summer 2018 for the period covering 2018 to 2020. A first call for projects was issued in October 2018 covering volunteering, traineeships and jobs.

Efforts to address **long-term unemployment** continued, in the context of the relevant Council Recommendation. A dedicated review of how all Member States are implementing the Recommendation took place within the Employment Committee (EMCO) and its conclusions were endorsed by the Employment and Social Affairs Council (EPSCO) in December, along with the results from the more quantitative 2018 data collection exercise.

Beyond these policy and regulatory achievements, some significant outcomes were obtained owing to funding by EMPL instruments as illustrated in the graph below.

### Specific Objective 1.3. Better functioning labour markets<sup>24</sup>



**EaSI -  
PROGRESS**

- Policy-making process
- Actions to support the labour market integration of long-term unemployed and monitoring
- Analytical and awareness-raising in the area of youth employment

**EGF**

- Actions to support workers made redundant and self-employed persons whose activity has ceased

**ESF & YEI**

- Actions in support of job creation
- Improvement of the employability of people
- Education and training to prevent future labour market segmentation

A High-Level Experts Group on the impact of the digital transformation on EU labour markets was set-up, in cooperation with DG CNECT, in view of gathering expert views on three key thematic areas ((1) digital technologies and inclusive innovation policies, (2) skills and organisation of work, (3) working conditions and labour market policies).

A joint project with the OECD was initiated in March 2018 aimed at mapping policy responses to new forms of work – a conference took place in November 2018 to discuss first results; a final report will be agreed and published by March 2019.

Support to data collection from Member States on the implementation of the Youth Guarantee and the Recommendation on long-term unemployment was provided, in line with the respective Indicator Frameworks and methodological manuals.

An innovative project on long-term unemployment was supported under the ESF Transnational Platform's Thematic Network on Employment. It matches good practice 'donor projects' with recipient regions/Member States that want to develop their support to the long-term unemployed, in line with the respective Council Recommendation. Based on mutual learning, 'support packages' for national practitioners and policy-makers are being developed and will be available by June 2019.

In Malta the Training for Employment project (Budget: EUR 9.5 million; Jobsplus) facilitates the access to developing the knowledge, skills and competences of the working age population. It offers training to jobseekers to improve their skills to enter or re-enter the labour market and meet the labour market demands. Over 1,200 people have been supported so far. 43.3 % of the participants got a job immediately after completing the programme.

\* Although all programmes tackle employment and social matters, their scopes are complementary and do not overlap.

<sup>24</sup> For more information regarding programmes, please refer to the [Programme Statements](#) and the Annex 12.

## Specific Objective 1.4. Decent and safe working conditions for all

### Modernising and addressing the gaps in existing social policy legislation

In the area of **labour law**, in 2018 the Commission focused on following and supporting the examination by the co-legislator of the **proposal for a Directive on Transparent and Predictable Working Conditions**, a key proposal to improve the working conditions of 200 million workers in the EU. Trilogues on the proposal started late November, paving the way for finalising the decision-making process before the European elections in 2019.

As a follow up to the Interpretative Communication and the latest Implementation Report, EMPL also continued to organise regular technical discussions on **the implementation of the Working Time Directive** with representatives of the Member States through a dedicated sub-group of the group of Directors General for Industrial Relations (see below). This work focused particularly on the potential implications of the most recent case law (e.g. Matzak case (C-518/15)).

The Commission presented in May 2018 a **Report on the implementation by Member States of Directive 2009/38/EC on the establishment of European Works Councils (EWC)** in transnational companies (COM (2018) 292 final), accompanied by the corresponding evaluation report (SWD (2018) 187 final). This report confirms the added value of EWC both for workers and companies through transnational social dialogue at company level. The Commission committed to support more effective implementation of the Directive. Consequently, in 2019 a practical handbook will be prepared and there will be specific discussions with Member States on aspects of the Directive requiring closer attention, notably sanctions.

The **evaluation of the Fixed-Term Work and Part-Time Work Directives** was postponed due to the need to define the most relevant scope for a broader evaluation of all Directives on non-standard forms of work (including Directive 2008/104/EC on temporary agency work).

Following the Fitness Check on EU law in the area of **Information and Consultation of Workers**, and after a first-phase consultation of EU social partners on a consolidation of the three Directives concerned, EMPL continued to work towards a decision on the 2015 social partners agreement, on information and consultation of workers in central government administrations. This came following the request by social partners to translate the agreement into EU law. EMPL looked into the matter whilst also taking into account one of the shortcomings of existing Directives, i.e. the exclusion of the public sector from their scope. However, it decided in March 2018 not to put forward a proposal for a Council Directive, considering that EU legislation was not the most appropriate tool to implement the agreement. The Commission nevertheless supported the overall content of the agreement, and offered its support for the autonomous implementation of the agreement by the social partners in the Member States, in accordance with Article 155(2) TFEU. This decision was brought to the Court of the Justice of the EU by EPSU in May 2018.

In January 2018, the Council adopted **Directive (EU) 2018/131, proposed in July 2017, to implement the Social Partners Agreement on amendments to the ILO Maritime Labour Convention, 2006** (i.e. protection of seafarers when abandoned and on financial security in case of accident injury or death). DG EMPL also continued to undertake **conformity checks after expiry of the transposition periods for Directive 2014/112/EC (inland waterways) and 2015/1795/EC (seafarers)**. To support this process, a study was conducted with the support of an external consultancy, which assessed transposition and conformity of these two directives in 28 Member States.

### Further enhancing the protection of workers (Occupational health and safety)

Work to ensure the follow-up of the Commission Communication "Safer and Healthier Work for All - **Modernisation of the EU Occupational Safety and Health Legislation and Policy**" has continued.

Regarding the priority area "Fight against occupational cancer" work to amend the

Carcinogens and Mutagens Directive (CMD 2004/37/EC) has successfully advanced in 2018. The Proposal for a third revision of the Carcinogens and Mutagens Directive was adopted by the Commission in 2018. It includes new binding occupational limit values (OELs) for five cancer-causing chemicals and it will in practice improve the working conditions for over 1,000,000 EU workers and prevent over 22,000 cases of work-related illness.

Preparatory work on a possible fourth Proposal is underway. It would add binding occupational exposure limit values for two more cancer-causing chemicals and update a third one. The scientific assessment of the three individual substances was finalised in 2018 by the Committee for Risk Assessment (RAC) of the European Chemicals Agency (ECHA), and will be the base for the Impact Assessment.

The preparatory work on a fifth list of indicative occupational exposure limit values (IOELVs) has been completed. This work has been carried out in cooperation with relevant stakeholders (in particular, the tri-partite Advisory Committee on Safety and Health at Work (ACSH) and its tri-partite Working Party on Chemicals). The list will adapt the provisions of the Chemical Agents Directive (CAD 98/24/EC) to the latest scientific and technical developments by adding new IOELVs for 9 hazardous chemicals and revising the limit value for one substance.

As regards the priority "Updating outdated rules and ensuring better and broader protection, compliance and enforcement on the ground", three Directives (biological agents 2000/54, medical assistance on board 92/29, and PPE 89/656) were scrutinised for technical adaptation of the Annexes, based on the outcomes of a large consultation process within the Advisory Committee on Health and Safety (ACSH) in 2017. In general, these are technical amendments which are used very much in practice by social partners and inspectors. They will improve consistency between legislative instruments, provide necessary updates in light of scientific and technical progress, and simplify where possible. They were approved by employers, governments and workers in the ACSH. The preparatory work for possible technical amendments of the Annexes of these Directives has been completed, and the work should be finalised via the Comitology procedure by end-2019. A High Level Conference on OSH and domestic work was organised in cooperation with the International Labour Organisation (ILO).

To further improve scientific consistency and a more efficient use of resources, DG EMPL has not renewed the activities of the SCOEL Committee and signed an agreement with the ECHA Agency, transferring the preparation of opinions on Occupational Exposure Limits under the chemical agents and carcinogens directives.

Regarding **better enforcement**, the Senior Labour Inspectors' Committee (SLIC) adopted principles for labour inspectors with regard to an age-sensitive risk assessment and guidance on the prevention of psychosocial and ergonomic risks. Guidance on the cross-border enforcement of EU Occupational Safety and Health legislation and common standards for inspector training programmes were also in preparation in 2018. With a view to sharing experiences and practices of Member States in this area, a Peer Review on efficient transposition, implementation and enforcement of Occupational Safety and Health legislation was organised in Copenhagen in June 2018.

DG EMPL also contributed to the stronger presence of social protection in EU external action including through the **Universal Social Protection Initiative to achieve the SDGs** (USP 2030). Commitments on OSH and labour inspection and on promoting decent working conditions have been included in the most recent (2018) EU free trade agreements (e.g. Mexico). Such commitments are proposed in all ongoing EU free trade agreements discussions. EMPL strongly supported the EU coordination at the ILO during the first reading in June 2018 of a new convention on violence and harassment at work. Final discussion and adoption is scheduled for June 2019.

**Eurofound** also contributed to this objective by means of its surveys (European Quality of Life Survey, European Company Survey and European Working Conditions Survey), research publications and observatories.



Beyond those policy and regulatory achievements, some significant outcomes were obtained owing to funding by EMPL instruments as illustrated in the graph below.

**Specific Objective 1.4. Decent and safe working conditions for all** <sup>25</sup>



**EaSI -  
PROGRESS**

- Actions supporting the implementation of the EU legislation in Health and Safety, and in labour law
- Development of impact studies
- Development and dissemination of high-quality evidence based analytical work

**Prerogatives**

- Raise awareness and contribution to the application of EU law and policies
- Implementation of EU law on employee involvement at transnational level

Mutual learning and awareness raising were achieved through an annual labour law conference with the attendance of ca 200 stakeholders in March 2018 with, as the main topic, 'Perspectives of collective rights in Europe', as well as two experts' meetings in the fourth quarter of the year, on the Working Time Directive (Matzak case) and the potential use of the so-called 'bridging clauses' in the social area respectively.

29 projects were selected under the yearly call to support the involvement of workers for a total amount of ca. 7 million Euros, covering a range of projects to promote mechanisms, including information, consultation and participation, through which employees' representatives may exercise an influence on decisions to be taken within the company - in particular by raising awareness and contributing to the application of EU law and policies in this area. This call also allowed support to projects which seek to identify and address challenges in employees' involvement resulting from different phenomena, patterns and trends in the world of work – e.g. restructuring, outsourcing and subcontracting, digitalisation and automation as well as new forms of work.

Organisation of a Presidency Conferences on "Fight against Occupational Cancer", which took place in Vienna on the 24-25 September 2018.

In 2018 EU-OSHA launched this year the Healthy Workplaces Campaign (HWC) 2018-2019, with the theme 'Healthy workplaces manage dangerous substances'.

\* Although all programmes tackle employment and social matters, their scopes are complementary and do not overlap.

<sup>25</sup> For more information regarding programmes, please refer to the [Programme Statements](#) and the Annex 12.

## Specific Objective 1.5. A Skilled and More Entrepreneurial Workforce

The Commission proposal for a **Council Recommendation on Quality and Effective Apprenticeships** was negotiated and adopted by the Council on 15 March 2018. The Commission has also started to set up the apprenticeship support services called for under the Council Recommendation, paving the way for supporting its implementation.

The draft report taking stock of the implementation plans for **Upskilling pathways** submitted by Member states was finalised. The report is due to be adopted in February 2019. An intensive mutual learning programme involving multi-stakeholder teams from seven countries was successfully completed. A new round started for a new set of seven countries. Four projects to pilot the implementation of this initiative are supported through the EU Programme for Employment and Social Innovation (EaSI) and the evaluation for the new call supporting deployment of skills assessments was finalised.

In 2018, the implementation of the **Council Recommendation on Tracking Graduates**, adopted in 2017, started with the establishment of a network of experts from both Higher Education and Vocational Education and Training. The group has a dual mandate: to improve capacities of national graduate tracking systems and to discuss how to develop comparative EU data on graduate outcomes.

Preparatory work for developing a proposal for post 2020 policy agendas in the field of vocational education and training and adult learning was intensified. The main outcomes include: the adoption of an opinion on the future of vocational education and training, by the Advisory Committee on Vocational Training; a study on the impact of the quality assurance and credit systems in vocational education and training and; a mapping out of possible areas for benchmarking in the field of vocational education and training, and artificial intelligence.

The new initiative on **Centers of Vocational Excellence** was met with broad support from all stakeholders. It will be funded under the current Erasmus+ program for the pilot phase, and the full implementation will be supported by the new Erasmus programme 2021-2027.

The first Erasmus + call including the **Erasmus Pro action** (support for long duration mobility of vocational education and training learners and apprentices) registered a high demand from stakeholders on the ground, with over 12 000 learners engaged into long duration mobility. Over the period 2018-2020 the Erasmus programme will provide up to 50.000 new opportunities for long-duration mobilities lasting between 3 to 12 months.

In the context of the Commission proposals for the **multiannual financial framework for 2021-2027**, the Skills dimension has been included under the title "Investing in People" with strong support from the European Social Fund plus (3 of 11 priorities focused on Education and training), as well as in the Erasmus programme with a proposed doubling of the budget in the next programming period.

The proposal for a Regulation on Erasmus for the period 2021-2027 was adopted by the Commission (COM (2018) 367 final) on 30 May 2018, and negotiations in the Council (Education, Youth, Culture and Sport) concluded with a Partial General Approach on 26 November 2018.

In total, three waves of blueprints for **Sectoral Cooperation on Skills** covering 15 sectors have been launched to date. The five wave 1 sectors (automotive, maritime technology, space geo-information, textile/clothing/leather/footwear, and tourism) have now completed one year of activity. A conference was held in November 2018 with these sectors to share experiences and promote mutual learning. Wave 2 sectors begin activity in 2019, and a call for applications for wave 3 sectors to begin in 2020 was published in the Erasmus+ work programme at the end of 2018. There is a strong interest in the initiative and in the results that they will generate, including skills intelligence on the respective sectors.

The roll out of the Skills Profile Tool continued in 2018. Work to increase the flexibility of

the Tool (so that organisations supporting migrant integration can integrate it into their existing software systems, or use only part of the Tool) is ongoing. Communications materials have also been produced to showcase the tool and explain how it is being used on the ground with migrants and refugees.

The Brain Flow study was [published](#) in November 2018, and a follow-up peer learning exercise for the exchange of good practices will take place in 2019.

Beyond those policy and regulatory achievements, some significant outcomes were obtained owing to funding by EMPL instruments.

Regarding entrepreneurship, in addition to the outcomes shown in the graph below, work to improve the national and European evidence base on inclusive and social entrepreneurship continued. This included the launch of the Better Entrepreneurship Tool in October 2018, a tool to help policy-makers at all levels design better policies to support these two forms of entrepreneurship.

DG EMPL organised the third **European Vocational Skills Week** in Vienna (5-9 November 2019) jointly with the Austrian Presidency of the Council of the European Union. The overall campaign to raise the attractiveness of vocational education and training lasted several months and covered over 1800 events and activities reaching out to 2.4 million people.

**Cedefop** contributed to the further implementation of the Riga priorities and the New Skills Agenda for Europe. The Centre provided quality input to the ET2020 Working Group on VET focusing on teachers and trainers, organised a policy learning forum on Upskilling Pathways, as well as a second policy learning forum on apprenticeships, and contributed to the third European Vocational Skills Week, including by managing its #CedefopPhotoAward competition, as well as to the EQF 10th anniversary conference and the Commission's "European Validation festival".

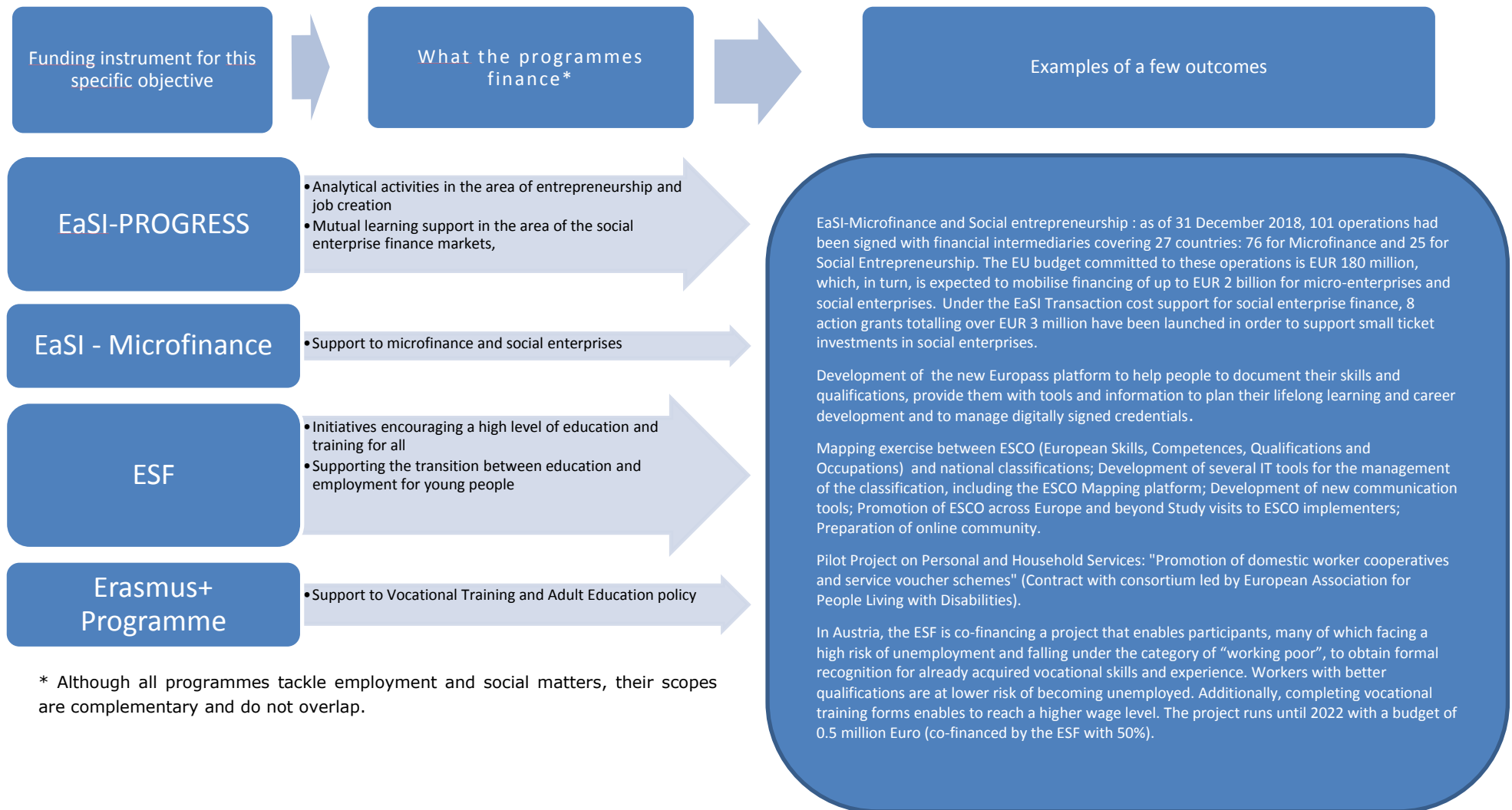
The Centre continued monitoring and analysing Member States' progress in the five commonly agreed priority areas for VET for the period 2015-2020. It produced its country reports, which provide valuable input for the European Semester and the Education and Training Monitor. The Centre provided support in the area of the common European tools, qualifications and learning outcomes and continued its work on skills analysis and forecasting, as well as the analysis of real time labour market data. Cedefop produced the 2018 update of its "Skills forecast – trends and challenges to 2030", in cooperation with Eurofound.

Contributing to the debate on the future of VET post-2020, Cedefop progressively published the outcomes of its study on "The changing nature and role of VET".

In 2018, the **ETF** has been involved in the identification, formulation, implementation, monitoring and evaluation of EU external programmes in skills and human capital development and employment.

Beyond these policy and regulatory achievements, some significant outcomes were obtained owing to funding by EMPL instruments as illustrated in the graph below.

## Specific Objective 1.5. A Skilled and More Entrepreneurial Workforce<sup>26</sup>



\* Although all programmes tackle employment and social matters, their scopes are complementary and do not overlap.

<sup>26</sup> For more information regarding programmes, please refer to the [Programme Statements](#) and the Annex 12.

## Specific Objective 1.6. Greater Social Inclusion and Effective Social Protection

In the area of greater social inclusion and effective social protection, a number of policy and legislative achievements were realised in 2018.

An inter-institutional agreement has been reached in trilogue negotiations in November on the European Accessibility Act (EAA - Directive on accessible products and services in the Internal Market). The agreement was confirmed by the COREPER in December 2018.

The Proposal for a **Council Recommendation on Access to Social Protection**, which aims at improving the social protection of all workers and the self-employed, in particular for those who due to their employment status are not sufficiently covered by social security schemes, was adopted in March 2018, supporting the implementation of principle 12 of the European Pillar of Social Rights. The Council reached a political agreement on the Recommendation in December 2018 and the formal adoption is envisaged for the second half of 2019.

Reporting to the UN on the Commission's activities related to the implementation of the UN Convention on **the Rights of Persons with Disabilities** took place in June in the context of the annual UN Conference on the rights of persons with disabilities. The formal evaluation of the Disability Strategy started in September, together with an assessment of the Disability Card pilot project. Consultation, involvement and participation of civil society in this area (as well as other stakeholders) were ensured through the holding of meetings of the High Level Disability Group (May and November 2018) and two major conferences: the Work Forum (May 2018), the conference on the European Day for Persons with Disabilities and the Access City Award (December 2018)

A **High Level Group on Supplementary Pensions** started its work on the preparation of a report on the role of supplementary pensions in improving the provision, adequacy and sustainability of pensions.

The **Council Conclusions on Early Childhood Development** - which aim at providing a political impetus to Member States' and Commission's actions on integrated early childhood development policies as a tool for reducing poverty and promoting social inclusion - were adopted in June. In parallel, the first phase of the Pilot Action decided by the European Parliament on a **Child Guarantee** has been launched.

The proposal for a **Directive on work-life balance** for parents and carers (Work-Life Balance Directive) aims at achieving a more equal sharing of caring responsibilities between men and women, thereby contributing to a higher participation of women in the labour market. It has reached its final stages of trilogue negotiations with the European Parliament, paving the way for finalising the decision-making process before the European elections in 2019. This has been one of the key deliverables under the European Pillar of Social Rights.

Together with the Social Protection Committee, **the 2018 Pension Adequacy Report** was finalised and adopted in April, with key messages on the adequacy of Member States' pension systems. Work on benchmarking with the Social Protection Committee continued, resulting in an agreement in June on the **benchmarking framework in the area of minimum income. This** allowed for the use the benchmarking framework already in the context of the draft 2019 Joint Employment Report and country reports. Further progress was also made regarding **benchmarking of pension adequacy**. A review of the set of available indicators to monitor inequalities was initiated, on outcomes (income and wealth) and inequality of opportunity.

In the context of the **European Semester** work continued as regards monitoring progress on Social Protection and Social Inclusion. Key inputs were made to the Annual Growth Survey and the Joint Employment report. These underpin and support DG EMPL's country specific analysis in the country reports on issues relevant to the achievement of social inclusion and social protection objectives (adequacy and efficiency of social protection systems, inequality, inclusion of disadvantaged groups, disability, work life balance, long-

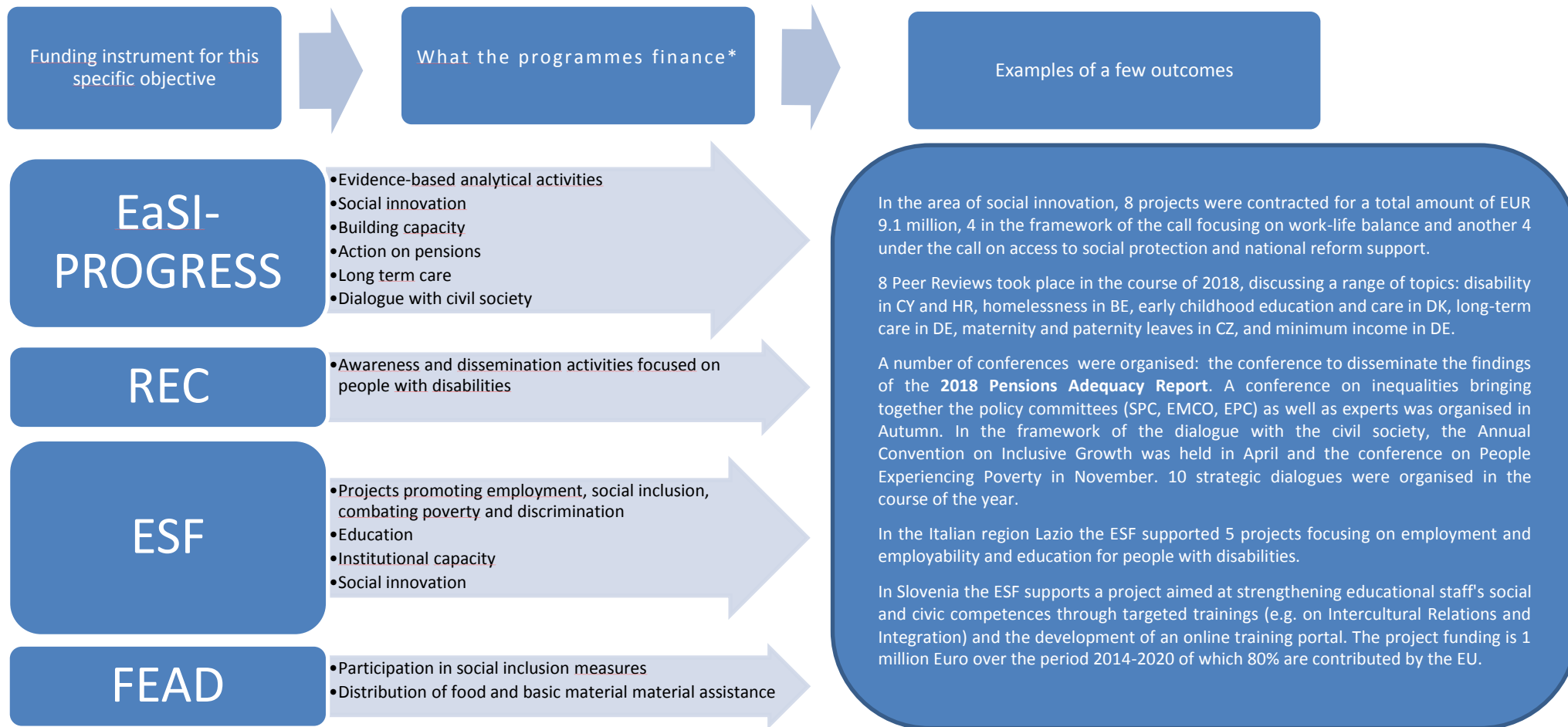
term care, pensions, healthcare and access to social protection). This analysis, which is at an advanced stage, forms the basis for the issuance of and monitoring of existing Country-Specific Recommendations to Member States in the area of Social Protection and Social inclusion.

DG EMPL provided regular input to the Commission work on the **sustainable development goals**, notably in relation to the **poverty, gender, disability and inequality goals**. This included in particular the reflection paper on sustainable Europe by 2030 (adopted by the College on 30 January 2019), as well as the commitments taken by the EU within the UN 2030 Agenda for Sustainable Development. A study on **integrated delivery of social services** aiming at the activation of minimum income recipients in the labour market was finalised, complemented by a Practitioners' Checklist. DG EMPL also contributed to the stronger presence of social protection in EU external action including through the Universal Social Protection Initiative to achieve the SDGs (USP 2030).

In 2018, DG EMPL continued to consolidate and deepen its **dialogue with the civil society**, notably through the allocation of 30 operating grants to NGOs in the social and disability areas. This was achieved through holding monthly strategic dialogues devoted to the various political priorities and activities of the DG and the Annual Convention on Inclusive Growth held in April 2018 and fully devoted to the implementation of the European Pillar of Social Rights.

Beyond those policy and regulatory achievements, some significant outcomes were obtained owing to funding by EMPL instruments.

## Specific Objective 1.6. Greater Social Inclusion and Effective Social Protection <sup>27</sup>



\* Although all programmes tackle employment and social matters, their scopes are complementary and do not overlap.

<sup>27</sup> For more information regarding programmes, please refer to the [Programme Statements](#) and the Annex 12



## General Objective 2: A Deeper and Fairer Internal Market with a Strengthened Industrial Base

### Specific Objective 2.1. Improved conditions for geographic and professional mobility whilst tackling risks of distortions and abuses

In 2018, the focus was on the targeted review of the **posting of workers directive**, the revision of the **rules on social security coordination** as well as on implementing decisions following the regulation strengthening the **European job mobility** portal (EURES) and the **cooperation between employment services** (EURES). In this context, the adoption of the revised posting of workers directive in July 2018 was a major achievement. Regarding the social security coordination revision, the adoption of the Council General approach in June and of the European Parliament report in December paved the way for the trilogues to start in January 2019.

Regarding the proposal establishing the **European Labour Authority**, all efforts were dedicated to the preparation of the legislative proposal which was adopted on 13 March 2018 by the Commission, and then to the facilitation of negotiations. This led to a general approach by the Council, as well as a negotiating mandate of the European Parliament adopted by December 2018, paving the way for finalising the decision making process before the European elections in 2019. This will help individuals, businesses and national administrations to get the most out of the opportunities offered by free movement and to ensure fair labour mobility. Work started also on discussing the practical arrangements for setting up the future tasks of ELA in the first meetings of the ELA Advisory Group.

Other initiatives broad forward in 2018 include:

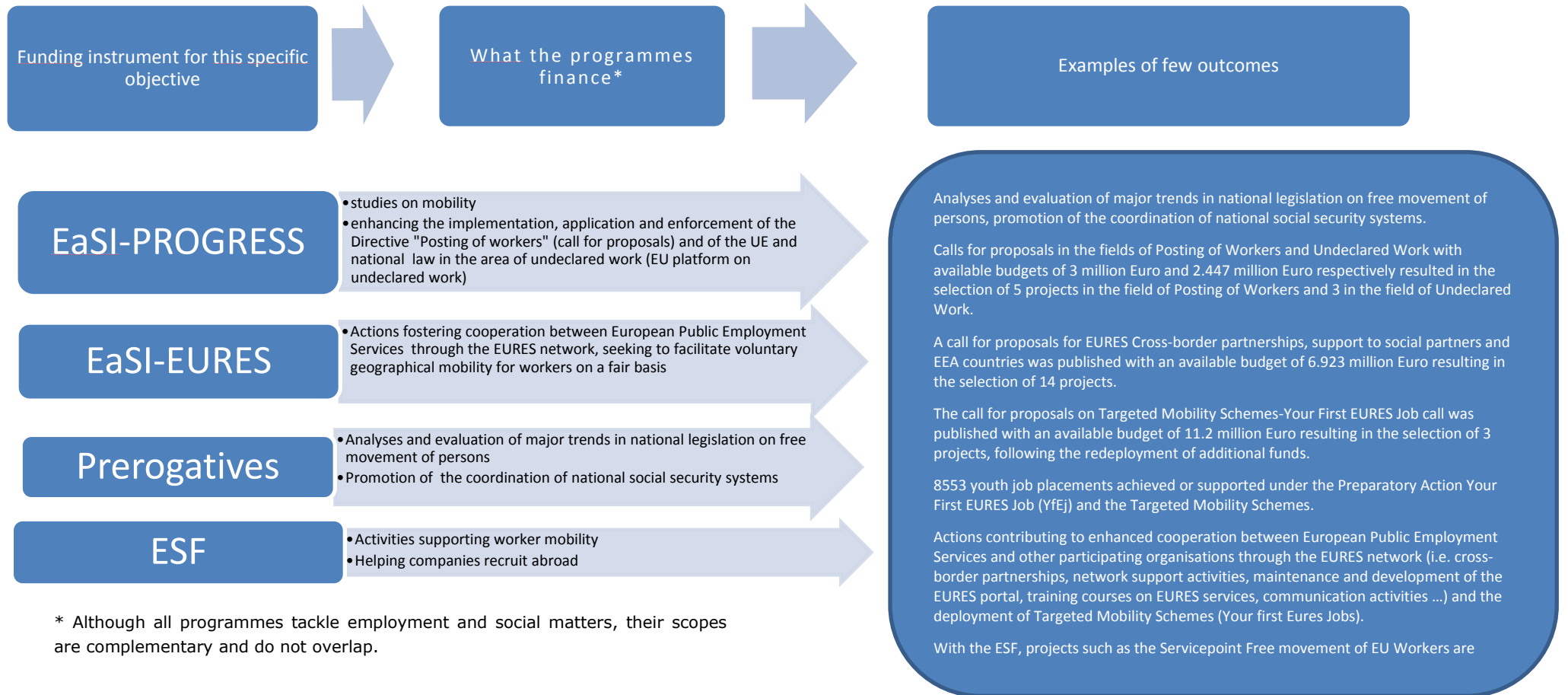
- The entry in production in December of the first country (Austria) in the **Electronic Exchange of Social Security Information**<sup>28</sup>.
- DG EMPL also contributed substantially to the citizens' chapter of the Withdrawal Agreement of the UK from the EU and to contingency measures in case of no-deal scenario. This included preparing a proposal for a contingency Regulation in the area of social security coordination and a guidance note of the Commission services for national social security institutions and providing a technical support for related discussions in the Administrative Commission and with EU-27 experts.

Beyond those policy and regulatory achievements, some significant outcomes were obtained owing to funding by EMPL instruments as illustrated in the graph below.

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<sup>28</sup> All participating countries (EU Member States and EFTA countries) should be in production by mid-2019.

**Specific Objective 2.1. Improved conditions for geographic and professional mobility whilst tackling risks of distortions and abuses<sup>29</sup>**



<sup>29</sup> For more information regarding programmes, please refer to the [Programme Statements](#) and the Annex 12

## General Objective 3: A Deeper and Fairer Economic and Monetary Union

### Specific Objective 3.1. Strengthened social dimension of the EMU

In 2018, EMPL continued to take action to put the 20 rights and principles of the **European Pillar of Social Rights** into practice. This was key in promoting upwards social convergence and strengthening the social dimension of European and Monetary Union.

In March 2018 the Commission outlined its views for monitoring the implementation of the Pillar. The Communication focussed on reflecting the priorities of the Pillar in the annual cycle of the European Semester of policy coordination, which includes:

- an analysis of measures taken and progress made at national level;
- the provision of technical assistance,
- benchmarking exercises and exchange of good practices
- the screening of employment and social performances,

This was achieved with the help of the **Social Scoreboard**, which tracks trends and performances across EU Member States in the three areas of principles under the Pillar of Social Rights (equal opportunities and access to the labour market; fair working conditions; and social protection and inclusion). EMPL also published an updated staff working document recalling the legal framework for each of the principles of the European Pillar of Social Rights, with due regard to the respective competences of the EU and of the Member States, including the role of the social partners and recent EU-level actions in each area.

The 2018 **European Semester** cycle was more social than ever, with the Pillar firmly integrated in the process to monitor social progress. The 20 principles embedded in the Pillar informed the analysis of the employment and social situation in Member States and formed the basis of policy recommendations directed towards them. The draft Joint Employment Report adopted in November 2018 included, for the second year, the findings of the Social Scoreboard, which was set up as an important monitoring tool to assess Member States' performance vis-à-vis key dimensions of the Pillar. Member States' performances were assessed along 14 headline indicators through a methodology agreed with the Council.

EMPL took further legislative action to deliver on the political commitments of the Pillar<sup>30</sup>. In March 2018, as part of the Commission Work Programme 2018, the Commission presented a Social Fairness Package including a proposal to establish a European Labour Authority. The Package also included a proposal for a Council Recommendation to set a direction for Member States to support access to social protection for all workers and self-employed.

EMPL was active in negotiating new and other pending legislative proposals to implement the Pillar. A milestone achievement was the formal adoption by the co-legislators of the revision of the posting of workers Directive ensuring equal pay for equal work for posted workers. Negotiations with the co-legislators were successfully completed on the European Accessibility Act making key products and services accessible for people with a disability, the recommendation on access to social protection, and updates to the EU health and safety legislation to better protect workers against work-related cancer.

At the end of 2018, several proposals were still under negotiation between the European Parliament and the Member States. This concerned in particular the initiative on work-life balance for parents and carers, the new Directive on transparent and predictable working conditions, and the reform of the rules on social security coordination, and the European Labour Authority.

Beyond these policy and regulatory achievements, the Commission supported the

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<sup>30</sup> See under previous objectives for details

Bulgarian Presidency of the Council of the EU in organising the high-level conference "The European Pillar of Social Rights: Working together for results" on 27 June 2018 in Sofia, which took stock of the implementation of the European Pillar of Social Rights a year after its proclamation.

## **1.3. Managing funds towards delivery of policy results (focusing on ESF)**

### **1.3.1. ESF 2007-2013**

#### **1.3.1.1. ESF 2007-2013 ex-post evaluation**

After the publication of the Staff Working Document "Ex-post evaluation of the ESF 2007-2013 programming period" on 12 December 2016, many dissemination activities took place, including a press presentation, presentations at the relevant committees in Council, EMCO and in a number of Member States and conferences.

As the ex-post evaluation relied on achievements until 2014, while operations were possible until the end of 2015, a follow-up contract was launched end of 2017. This "Study supporting the update of the data reported in the 2007-2013 ESF ex-post evaluation" provides an update of the financial and performance data presented by the Staff Working Document (SWD) and the external synthesis evaluation report, based on the Final Implementation Reports, which were submitted to the Commission in the course of 2017. The update were published at EMPL Europa:

<https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8158&furtherPubs=yes>

### **1.3.2. ESF 2014-2020**

#### **1.3.2.1. Implementation of EMPL 2018 operational priorities**

In order to improve reporting on the management aspects related to shared management, EMPL identified 6 operational priorities and 42 associated indicators for the ESF 2014-2020, its largest instrument. This framework was set up to move towards a more performance-based culture.

By the end of 2018, approximatively more than 90 % of the actions for which indicators were defined are reported to be on track or completed, and the rest are either slightly delayed or expecting confirmation on the basis of pending data.

2018 was marked by a significant increase in the number of programme amendment requests. However, despite the significant workload combined with limited resources and tight regulatory deadlines, 83% of the ESF and/or multi-fund operational programmes (OP) amendments covered by Commission decision were adopted on time.

The programmes were closely monitored in 2018 with:

- 100% of observations on the annual implementation reports sent within the deadline (EMPL CDF)
- High attendance at monitoring committees and annual review meetings.

In 2018, the monitoring of the programmes put a strong emphasis on performance in light of the upcoming performance review in 2019.

The Commission reported on progress in implementation through the ESIF Annual Summary Report adopted on 19 December 2018 and through the accompanying update of the ESIF Open Data Platform.

In terms of evaluations, overall, Member States have completed 164 ESF and multi-fund evaluations relating to 2014-2020 until mid-2018, but very few of them go beyond process and implementation. In view of this situation, the Commission has launched four thematic evaluations in 2018 (on support to youth employment, on ESF support to employment and mobility, on ESF support to education and training and on ESF support to social inclusion) . The Commission also continues promoting the use of counterfactual impact evaluations by

Member States, with the support of the Joint Research Center of the Commission and through a feasibility study assessing ways to access existing data registers with a view to carrying out counterfactual impact evaluations.

### 1.3.2.2. Assessment of the performance of programmes

#### Methodology

As indicated in the 'EMPL strategy for a performance-based culture for the ESF 2016-2023' EMPL has developed in 2017 a methodology to yearly assess the performance of programmes

This methodology is based on section II of the quality assessment checklist for the annual implementation reports (AIRs) analysis.

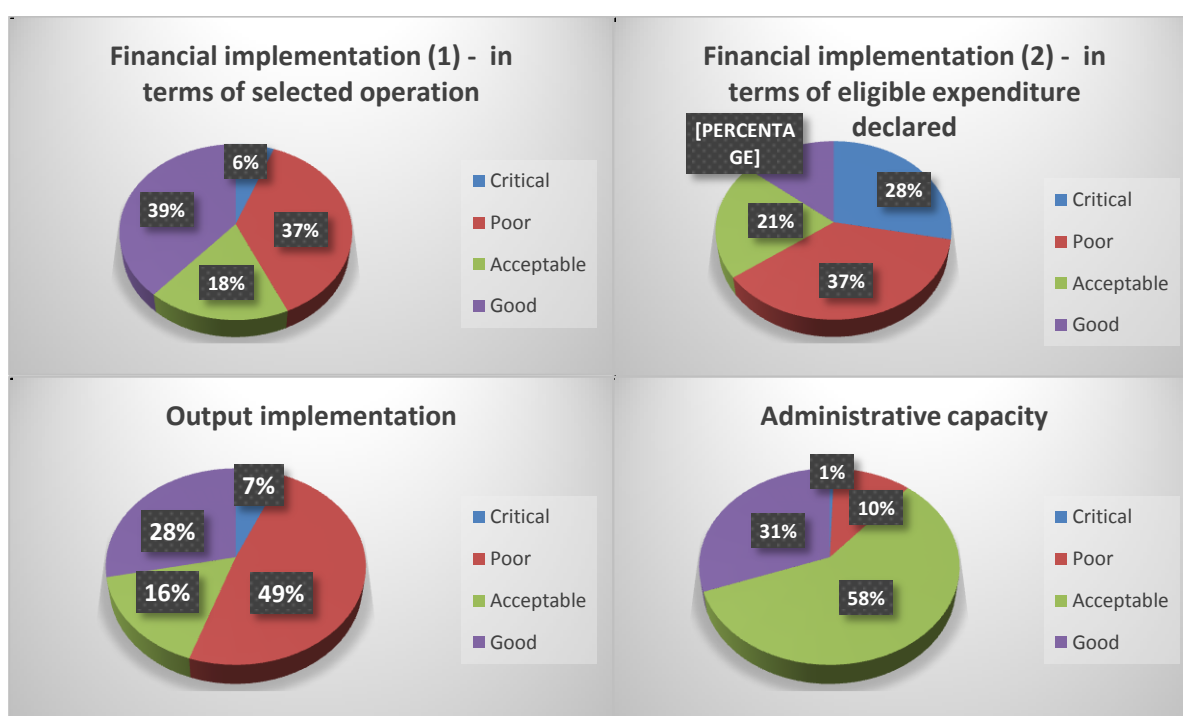
These checklists are filled out by desk officers in the geographical units for each operational programme. They are focused around four criteria: financial implementation in terms of projects selection, financial implementation in terms of expenditure declared by beneficiaries, outputs and administrative capacity. The desk officers' assessment is categorised according to four categories: Good, Acceptable, Poor or Critical.

The assessment of programme performance detailed below is based on programme implementation in 2014, 2015, 2016 and 2017 as reported in the Annual Implementation Reports submitted by May 2018.

#### Assessment

As regards the 4 specific areas of assessment, the main difficulties are linked to financial implementation in terms of eligible expenditure with 43% of programmes assessed as poor or critical with regards to selected operations, 65% in terms of eligible expenditure declared. For 56% of the programmes progress with regard to output implementation was assessed as poor or critical. Finally, the administrative capacity was assessed as satisfactory with 89% of the programmes assessed as good or acceptable. The Managing Authority and the Commission services will continue to work together to ensure that programmes deliver to their full potential.

**Chart 9: Assessment of financial implementation and administrative capacity**



### **1.3.2.3. Status of programme implementation & key programme achievements to date**

#### **Status of programme implementation (2014-2018)**

The year 2018 has marked a further acceleration of implementation for all operational programmes despite important disparities between Member States and programmes. The ESIF 2018 Summary Report covering the implementation of the programmes up until end 2017 was published and transmitted to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on 19 December 2018. This report underlines that the ESI Funds provide a stable, long-term investment framework for Member States and their regions. It also shows that the largest annual rise of number of projects selected in 2017, indicating that Member States are reaching full speed in turning the ESI Funds into concrete results and improving people's lives in Europe.

The first years of a programming period require efforts from the managing authorities to set up programme structures and processes in order to ensure sound and quality investments. They include the designation of authorities, the mobilisation of stakeholders, the setting-up of IT systems, the establishment of monitoring committees, the definition of selection criteria and the launch of calls for proposals. By end 2018, all programmes' designation packages were received. The lack of designation during the first years prevented Member States from sending payment applications to the Commission; it however did not prevent implementation on the ground.

In 2018, nearly EUR 12.1 billion has been paid by DG EMPL for the 2014-2020's ESF programmes (including pre-financing) and by the end of 2018 the absorption rate (interim payments vs. 2014-2020 allocation) for the ESF was 19.1%. By November 2018, the average project selection rate on the ground had exceeded 62%, paving the way for a strong contribution of the ESI Funds to the Europe 2020 objectives in these areas.

Concerning the Youth Employment Initiative (YEI), a mature phase of implementation continued in 2018. By November 2018, the total eligible cost of YEI operations selected for support was €7.8 billion and nearly EUR 3.9 billion had been declared by beneficiaries. By end 2018, the Commission had paid to the Member States nearly EUR 4.8 billion in relation to YEI (including interim payments and initial and annual pre-financing).

In December 2018, the co-legislators agreed that the YEI specific budget allocation would further be increased by an additional EUR 116.7 million of fresh funding in 2019 (allocated to 9 eligible Member States). Consequently, in 2019 the Commission will prepare a proposal for amending the Common Provisions Regulation to reflect the increase. Once it is adopted, Member States will have to amend their operational programmes before the end of 2019 to reflect the additional allocations.

**Simplified Cost Options** - Following the adoption of Delegated Regulation 2015/2195 in July 2015 which covered unit costs for Sweden and France, the Commission adopted six amendments of this regulation and will adopt two further amendments by mid-2019. By now, 19 Member States are covered by unit costs or lump sums set in the delegated regulation. These Member States are benefitting from legal certainty of having their simplified cost methodology and amount defined in advance and also from the consequent reduction of administrative burden associated with reduced documentation needs for management verification. The total European Social Fund (ESF) expenditure expected to be covered by the simplified costs under the regulation is approximately EUR 10 billion. Furthermore, the Commission also developed unit costs for four areas which can be used by all Member States for their related operations. The areas are education, training for unemployed, counselling services and training for employees.

**Pilot Joint Action Plans (JAPs)** - Following a call for proposals (EMPL VP 2018/010) the Commission awarded two pilot Joint Action Plans, financed via COM technical assistance. Both pilot JAPs will run from January 2019 to June 2020. One contract with the municipality of Tilburg targets the integration of migrants into society and the labour market as well as supporting young people not in employment, education or training

(NEETS). The other awarded pilot JAP is based in Lisbon, PT, and supports vocational education students and their tutors with the transition from VET school to the labour market. Financing of the pilot JAPs is entirely on the basis of outputs and results.

### **Key programme achievements to date**

While implementation varies between Member States and operational programmes, in aggregate terms the ESF and YEI actions delivered by end 2017:

- 15,3 million participants supported (out of which 2.4 million young people supported by the YEI only), including 7,9 million unemployed and 4,9 million inactive participants;
- 2,8 million long-term unemployed participants supported;
- amongst all participants 1,4 million were in employment, 1,9 million have gained a qualification and 870000 participants were in education or training thanks to ESF or YEI support.

Among these participants, those with low skills represent 46%; 16% were migrants, had a foreign background or were from minorities (including marginalised communities such as the Roma).

The doubling of the number of ESF and YEI participants since end-2016 clearly indicates a sharp acceleration in the implementation of projects on the ground.



## 2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

This section explains how the DG delivered the achievements described in the previous section. It is divided into 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<sup>31</sup>. 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 to 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 properly documented and reported to the Director-General. The reports produced are:

- the annual reports by Authorising Officers by Sub-Delegation (AOSDs) in the DG;
- the reports from Authorising Officers in other DGs managing budget appropriations in cross-delegation;
- the reports on control results from management and 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 Audit Directorate and ex-post supervision and controls, including the assessment of system audit reports received from audit authorities;
- the contribution of the Internal Control Coordinator, including the results of internal control monitoring at the DG level;
- the reports on recorded exceptions, non-compliance events and any cases of 'confirmation of instructions' (Art 92.3 FR);
- the opinion, observations and the 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 Employment, Social Affairs and Inclusion.

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) Assessment of audit observations and recommendations, (2.1.3) Assessment of the effectiveness of the internal control system, and resulting in (2.1.4) Conclusions on the impact as regards assurance.

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<sup>31</sup> Art 36.2 FR: a) effectiveness, efficiency and economy of operations; b) reliability of reporting; c) safeguarding of assets and information; d) prevention, detection, correction and follow-up of fraud and irregularities; and e) adequate management of risks relating to the legality and regularity of underlying transactions

## 2.1.1. Control results

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives<sup>32</sup>. 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 relevant control systems.

**Table 3: Synthesis of the control results**

Activity		Payments 2018	% EMPL	ICO indicators available at this level	Reservation
2014-2020 programming period	ESF/YEI	13 087.8	89.8%	Risk at payment = 2.1%	25 OPs
	FEAD	352.1	2.4%	Risk at payment = 1.2%	3 OPs
	EGF	27.7	0.2%	- ER = 0.01% - 5 year basis = 0.5%	No
2007-2013 programming period	ESF	820.4	5.6%	- RRR = 0.7%	14 OPs
	IPA	1.0	0.1%	- RRR = 0.1%	No
Direct management	Grants & procurement	205.8	1.4%	- ER grants = 0.7% - ER procurement < 2%	No
Indirect management	Subsidies to agencies	72.7	0.5%	NA	No
		<b>14 567.5</b>	<b>100.0%</b>		

For direct and indirect management, IPA and EGF, management has reasonable assurance that suitable controls are in place and work as intended. Risks are appropriately monitored and mitigated, and necessary improvements and reinforcements are implemented.

Management has also reasonable assurance that suitable controls are in place and work as intended as regards the ESF, YEI and FEAD.

Based on the in-depth review of the data provided by the Audit authorities in the Final Control Reports received by the Commission on 31 March 2017 and on the audit work performed during the year, there are 14 2007-2013 ESF programmes for which a reservation without financial impact is made as either additional audit work is requested or potential important additional financial corrections may have to be requested.

For the 2014-2020 programming period, EMPL has carried out audit work to confirm the residual total error rate for the 2016/2017 accounting period where Member States had declared expenditure for an amount off EUR 4.934 million. EMPL also reviewed the assurance packages received by 15 February (or 1 March) for the 2017/20108 accounting period and the audit reports submitted by the national Audit Authorities. This allowed EMPL to have reasonable assurance and to conclude that the management and control systems of the operational programmes worked as intended in 2018 with the exception of 25 ESF/YEI and 3 FEAD programmes which presented material deficiencies of some key elements of the systems.

### 2.1.1.1. Control effectiveness as regards legality and regularity

EMPL has set up internal processes to ensure adequate management of the risks related to the legality and regularity of underlying transactions, taking into account the multiannual

<sup>32</sup> 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 programs as well as the nature of the payments (FR Art 32).

character of programmes as well as the nature of the payments concerned.

## **A. Shared Management**

Annex 10 provides an introduction to shared management and Cohesion Policy Funds and to the related control architecture.

### **A.1 Shared management - ESF/YEI and FEAD 2014-2020**

Member States are in the first instance responsible for putting in place strong management and control systems, which are capable of preventing and detecting irregularities, and allowing for the reporting of the residual total error rates for each programme each year, whilst also having recourse to the imposition of financial corrections where necessary. In this regard, the 2014-2020 programming period introduced some major regulatory changes which aimed to increase programme authorities' accountability and to strengthen management and control systems. These included:

- the introduction of annual accounts for each programme with reliable annual residual risks (after the Member State's corrections) below 2% to avoid additional financial corrections, possibly net, by the Commission
- a retention of 10% on each interim payment from the Commission.

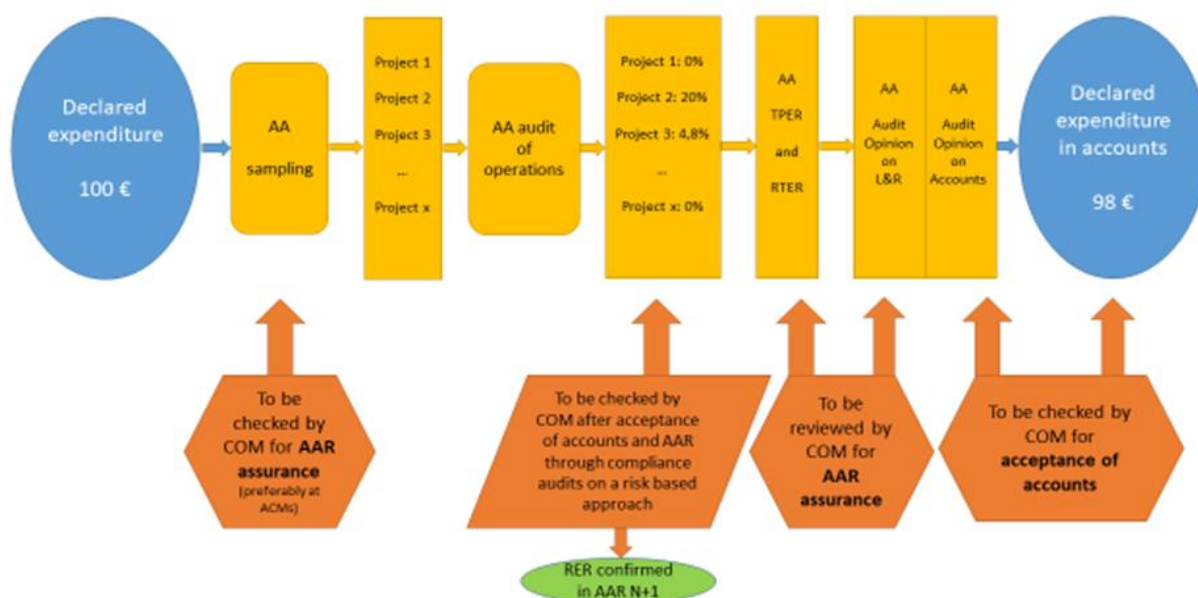
The acceptance of accounts is a separate process from the assessment of legality and regularity, as foreseen in the Regulation (EC) 1303/2013. However, the national authorities should ensure that the block of expenditure certified in the accounts does not contain any remaining material level of irregularity. When a material level of irregularities is identified in the accounts, as reported by the audit authority (for ex. because of an annual residual total error rate above 2%), the Commission may decide to interrupt the payment of the final annual balance.

Following the reception of the assurance packages, the Commission auditors perform:

1. a desk review for the acceptance of accounts and preliminary consistency checks for the assurance declaration in the AAR,
2. a detailed desk review of the Annual Control Reports and,
3. a number of compliance audits to re-perform the work done by the audit Authorities, selected on a risk-based approach.

When the Commission, through its desk review and compliance audits, still identifies further irregularities in the accepted accounts, it launches financial correction procedures. These corrections will be net, either if the Member State does not accept the corrections or if they are due to serious deficiencies which have not been previously detected / corrected or reported by the Member State. The graph below demonstrate the whole process of assessment by the Commission of the declared expenditure:

Chart 10: Commission's assessment of the expenditure



As a result, at the end of the assurance process which includes the Commission's assessment of assurance packages, its compliance audits and the resulting application of (net) financial corrections, the Commission should be able to provide assurance that the residual risk of error – after all corrections are applied – is below 2% for each programme, year on year.

### **Materiality criteria (control objective) and reservation**

With respect to the legality and regularity of the transactions for the 2014-2020 programming period, **the objective is to ensure that the estimated residual risk of error is below the materiality level of 2% for each operational programme and accounting year.**

The Directorate-General reviews each operational programme in order to identify the need for reservations and additional corrective measures. Reservations or partial reservations are made for programmes with one or a combination of the following:

- a total error rate above 10%;
- deficiencies in key elements of the systems, which could lead to irregularities above 10% and for which no adequate corrective measures to remedy the deficiencies have yet been implemented;
- material legality and regularity issues and insufficient level of financial corrections implemented i.e. the annual "residual total error rate" remains above 2%;
- material issues on the completeness, accuracy and veracity of the accounts.

The materiality criteria for issuing a reservation are presented in detail in Annex 4.

### **Source of information used to build up the assurance during the implementation**

For the 2014-2020 programming period, the main source of assurance source is the submission of the "assurance package" that programme authorities must provide each year by 15 February (1<sup>st</sup> March at the latest) until, and including, 2025. These "assurance packages" contain for each programme:

- A Management Declaration and Annual Summary, prepared by the managing authority;
- Accounts, certified by the certifying authority;

- An Annual Control Report and Audit Opinion, issued by the audit authority, based on the main findings of system audits carried out to verify the effective functioning of the management and control system and audits on representative samples of operations based on the declared expenditure, as well as audits on the accounts.

### **A system under constant monitoring: Commission's desk and on-the-spot audit work to implement the 2014-2020 Single Audit Strategy**

The Single Audit Strategy for the funds managed by REGIO, EMPL and MARE for the 2014-2020 programming period aims to focus the Commission's audit activity on the re-performance of the audit authorities' work. This single audit approach is complemented by capacity building actions and thematic/targeted audits to ensure that no serious deficiencies remain uncovered or uncorrected by the Member States when submitting the accounts, and that the Commission can rely on the assurance packages. The overall objective of the Single Audit Strategy is to obtain reasonable assurance that the management and control systems of the Member States:

- comply with requirements of the relevant EU Regulations;
- are functioning effectively to prevent and detect errors and irregularities and to ensure the legality and regularity and the effectiveness of the expenditure declared to the Commission; and
- ensure the quality and reliability of the systems in place for reporting performance data.

Moreover, at the start of the programming period, before the reception of the audit authorities' audit results for all programmes, the Single Audit Strategy foresees risk-based, targeted preventive system audits to obtain assurance on the proper functioning of the designed systems early on.

### **Audit work in 2018**

The table below offers an overview of the audit missions carried out over the last four years for the 2014-2020 programming period:

**Table 4: Number of EMPL audit missions (2015-2018)**

EMPL audit missions		2018		2017		2016	2015
		EMPL CdF <sup>33</sup>	REGIO CdF	EMPL CdF	REGIO CdF		
2014-2020	Designation fact finding			1		5	1
	Early Preventive System Audit	15	5	9	3	8	
	YEI Performance audit					2	10
	Performance data reliability	3	3	2	8		
	Compliance audit	14	3	2			
	ACR fact-finding	9	1	4			
	Other			1		1	
	<b>Total 2014-2020</b>	<b>41</b>	<b>12</b>	<b>19</b>	<b>11</b>	<b>16</b>	<b>11</b>

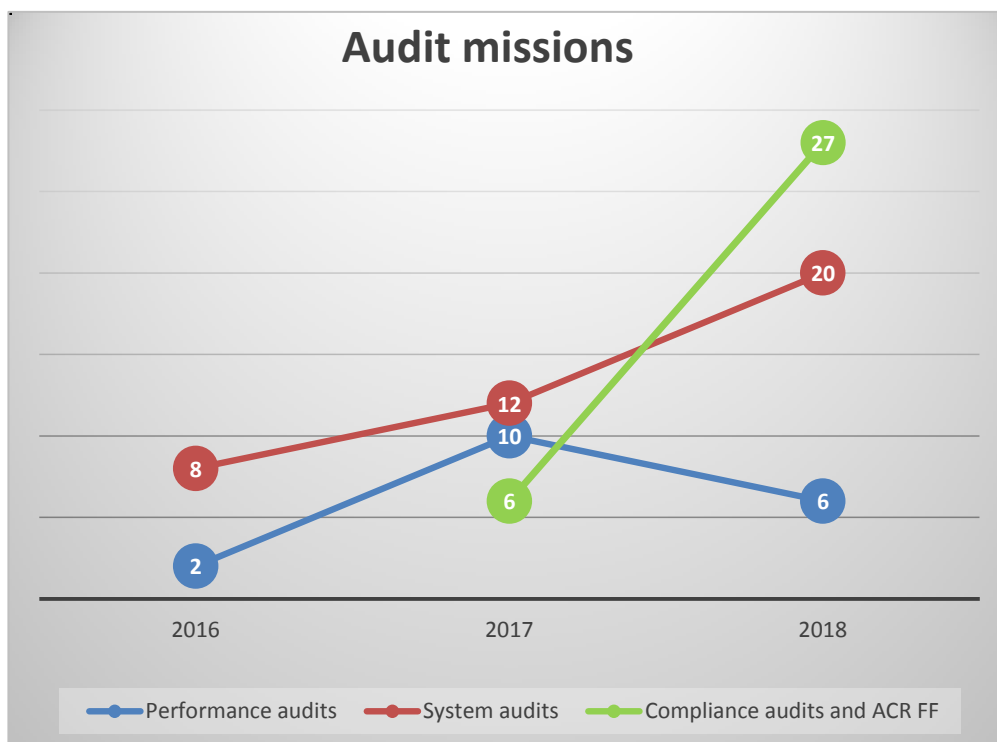
- Following the desk review of the assurance packages covering the annual accounts for 2016/2017 (received in February 2018), and the updated risk assessment, the audit plan for 2018 shows: an **important increase in the number of compliance audits** reviewing the audit authorities' work (i.e. re-performance of audits of operations at the level of beneficiaries) and ACR fact-finding missions at the level of the audit authorities, which aim to clarify methodological issues detected and/or prepare for the analysis of the next annual control reports. The 17 compliance audits performed in 2018 covered 36 out of 215 ESF/YEI and FEAD programmes (17 %) for an amount of EUR 1.890 million out of EUR 4.934 million

<sup>33</sup> CdF : Chef de File, or DG in charge of performing the audit.

(38 %) declared in the annual accounts 2016/2017.

- the continuation of work regarding **Early Preventive system Audits (EPSA)** for the programmes not sufficiently covered by the audit authorities or for which insufficient assurance has been obtained through the desk work.

**Chart 11 : Audit missions (2016-2018)**



The **programmes** covered by these audits have been **selected based on a risk assessment** concluded by the DGs by the end of April each year, considering, among other factors the results of the desk review mentioned above and the assessment of the remaining risks in the expenditure of the accounting year under analysis. The main objective of these audits is to confirm the legality and regularity of expenditure certified in the accounts for the reference year as much as possible, before the submission of the assurance package for the subsequent accounting year. Considering the time required between the audit fieldwork and the transmission of the final report, it is not always possible to have final conclusions available in the next accounting year. The process of implementing corrections will however be carried on to safeguard the EU budget. The results of these corrections also form part of the information provided in the annual activity report.

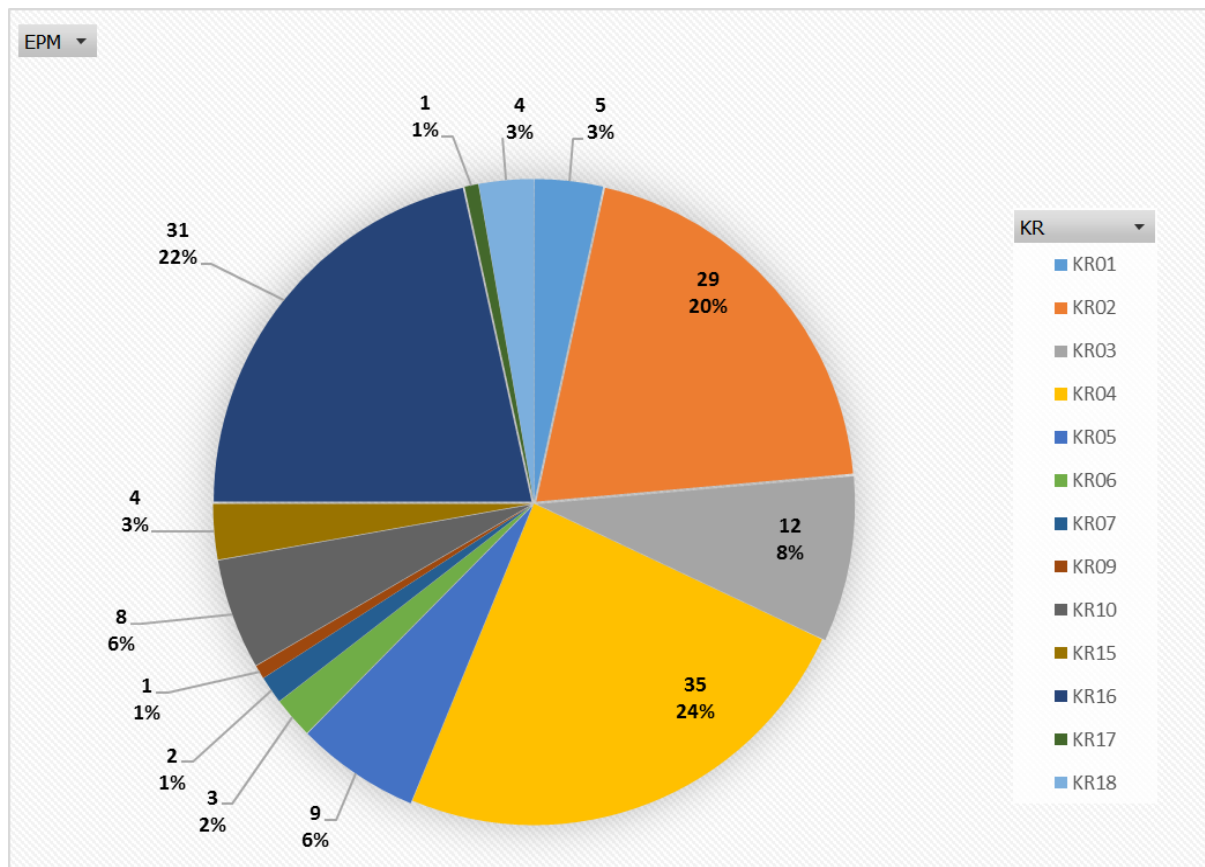
Priority is therefore given to on-the-spot legality and regularity audits. In particular, audits on programmes with a high risk score and that have a potential material impact (above 2%) on the Commission payments during the year are carried out as from April/May each year. This allows, if necessary for the rapid initiation of a financial correction procedure, whilst also ensuring high quality standards and proper contradictory process with the concerned Member State. Taking into account the audit capacity of the DGs, all required audit fieldwork on the basis of the risk assessment will in principle be completed within the calendar year, so that corrective actions can be taken as soon as possible.

The scope of the EPSA audits covers the management and control system, and the authorities and intermediate bodies concerned by the identified risks. The scope of the compliance audits covers the re-performance of audits of operations carried out by the audit authority under its representative sample, for a number of operations at beneficiary level. This allows the Commission to substantiate its audit conclusions and confirm (or not) the level of reliance to be placed on the national audit results. The scope of such audits can also be expanded to expenditure included in previous accounts with regard to the risks

identified, if necessary, within the regulatory limits of the period for keeping documents available.

In terms of results, the audits carried out led to the identification of 144 observations at the level of the key requirements<sup>34</sup> of the management and control systems. Most of the findings concerned the managing authorities. They related to breaches in the selection of operations (KR 2) and flaws in the management verifications (KR 4) which continue to remain an issue in certain programmes. Other findings concerned the audit authorities regarding the performance of adequate audits of operations (KR 16). The following graph shows the breakdown of the findings covering the various key requirements:

**Chart 12: Findings of the EMPL’s audits by Key Requirements**



Note: KR 1: Adequate separation of functions and adequate systems for reporting and monitoring where the responsible authority entrusts execution of tasks to another body – KR 2: Appropriate selection of operations – KR 3: Adequate information to beneficiaries – KR4: Adequate management verifications – KR5: Effective system in place to ensure that all documents regarding expenditure and audits are held to ensure an adequate audit trail – KR6: Reliable system for collecting, recording and storing data for monitoring, evaluation, financial management, verification and audit purposes, including links with electronic data exchange systems with beneficiaries – KR7: Effective implementation of proportionate anti-fraud measures – KR8: Appropriate procedures for drawing up the management declaration and annual summary of final audit reports and of controls carried out – KR9: Adequate separation of functions and adequate systems for reporting and monitoring in cases where the responsible authority entrusts execution of tasks to another body – KR10: Appropriate procedures for drawing up and submitting payment applications – KR11: Appropriate computerised records of expenditure declared and of the corresponding public contribution are maintained – KR12: Appropriate and complete account of amounts recoverable, recovered and withdrawn – KR13: Appropriate procedures for drawing up and certifying the completeness, accuracy and veracity of the accounts – KR14: Adequate separation of functions and adequate systems for ensuring that any other body that carries out audits in accordance with the

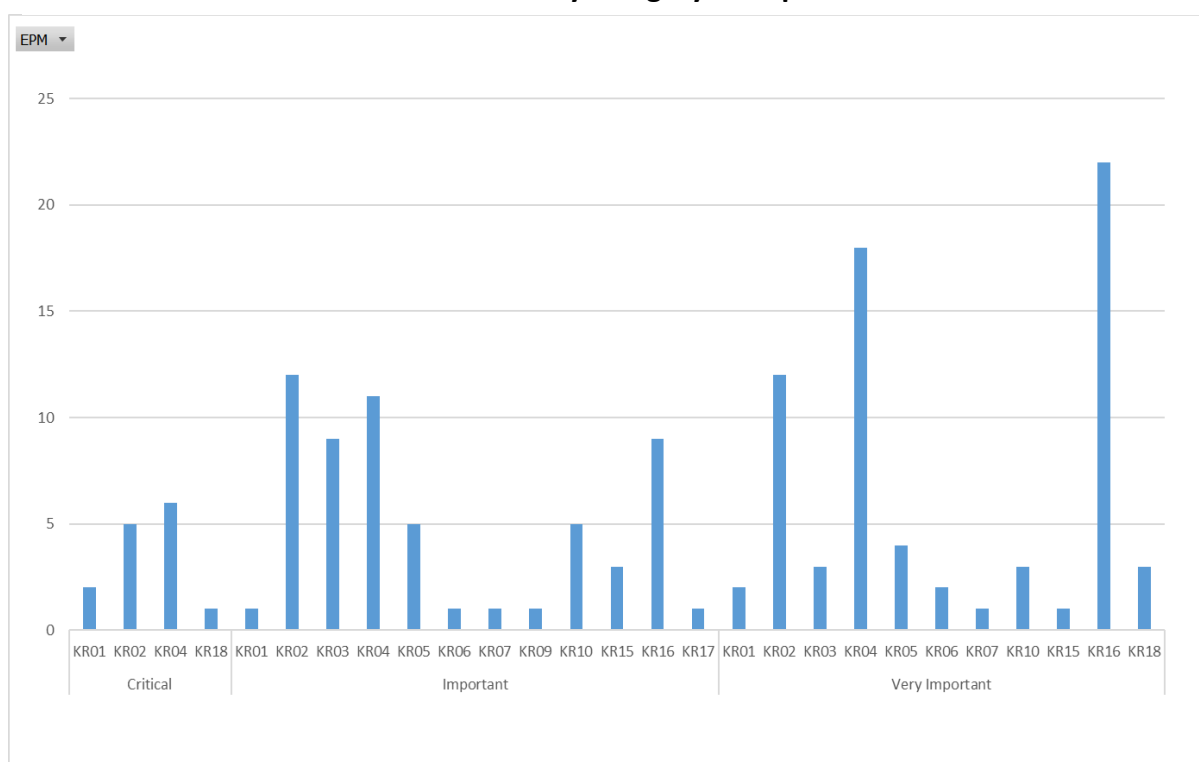
<sup>34</sup> The definition of the key requirements (KR) can be found in annex 10.

programme audit strategy has the necessary functional independence and takes account of internationally accepted audit standards – KR15: Adequate system audits – KR16: Adequate audits of operations – KR17: Adequate audits of accounts – KR18: Adequate procedures for providing reliable audit opinion and for preparing the annual control report

Each finding entails a recommendation, for which there are three categories of importance: "critical", "very important" and "important". Although the number of "critical" recommendations has dropped considerably over the last years, some programme authorities continue to have difficulties with the implementation of robust management and control systems. For each of these, EMPL closely follows the implementation of the recommendations and takes (financial) corrective action where needed.

An overview of the breakdown of the importance of the recommendations per key requirement is displayed below:

**Chart 13: Number of recommendations by category of importance**



In total, the Audit directorate in DG EMPL audited 230 ESF/YEI projects for a total value of EUR 667 million of which EUR 102 million have been audited. The main irregularities detected during this audit work are the inclusion of ineligible expenditure and breaches in public procurement procedures.

The table below shows the categories of errors found in the audits of operations:

**Table 5: Error categories found in audit of operations**

Category of error	Data	Proportion
Ineligible expenditure	51	34,7%
Public Procurement - Contract notice and tender specifications	9	6,1%
Public Procurement - Evaluation of Tenders	5	3,4%
Public Procurement - Contract implementation	4	2,7%
Public procurement - National rules	1	0,7%
Management and control systems	14	9,5%
Missing supporting information or documentation	14	9,5%
Supporting information or documentation	10	6,8%



State Aid	9	6,1%
Accounting and calculation errors at project level	6	4,1%
Sound Financial Management	6	4,1%
Standard Cost Options	6	4,1%
Information and publicity measures	4	2,7%
Performance indicators	3	2,0%
Revenue Generating projects	3	2,0%
Equal Opportunities	2	1,4%
<b>Grand Total</b>	<b>147</b>	<b>100,0%</b>

The audit findings reported by the Audit Authorities following their audits of operations show the same typology with the ineligible expenditure representing 34 % and public procurement 15 %.

EMPL also launched a performance audit covering several Member States to verify the effectiveness of anti-fraud measures. The audit field work was finalised in December 2018 and the first results will be available in the course of 2019.

### Capacity Building actions

In 2018, Cohesion DGs continued to provide support to Member States:

- The various guidance notes on ACR, on accounts were updated to clarify the questions raised by the audit authorities during the first two exercises of assurance packages. In addition, two Q&A documents were distributed to the national authorities
- A working group comprising the Commission and some Audit Authorities has been set up. It met for the first time in November 2018, to discuss the first draft of the methodology for auditing the financial instruments as presented at the Homologues Group meeting in September 2018.
- The full set of Commission's checklists for the on-the-spot audit work was shared with the Audit Authorities at the technical meeting in December 2018.

Given the continuous importance of supporting Member States with the setting-up and implementation of **Simplified Cost Options**, an Intra DG EMPL Task Force on Simplification was set up to promote the use of simplified cost options (SCOs). The group mainly consists of staff from the audit, evaluation and geographical units and continues to focus on so called Article 14(1) EU-level SCOs, the implementation of SCOs in the current programming period, and the implementation of pilot Joint Action Plans (JAPs). The task force will continue its work with an updated mandate, to also include the future SCOs in the next multiannual financial period (2021-2027).

The audit units have been closely involved in the activities of the Transnational Cooperation on simplification. This group has explored areas where simplification and simplified costs could benefit programme implementation and lift the administrative burden from both programme authorities and beneficiaries. The group met on three occasions (Athens, Prague and Lisbon). The most important result has been the development of EU-wide Simplified Cost Options for (i) training for the unemployed, (ii) pathways to employment and (iii) training for the employed. All these SCOs have been introduced through the 6th amendment of the Delegated Act on Simplified Cost Options.

### Validation of the Residual Total Error Rates

The following approach is applied for the 2018 AAR<sup>35</sup>:

- The Directorate General assesses the reliability of residual total error rates for the accounting year 2016-2017 and confirms, where possible, the average and

<sup>35</sup> This approach aims to follow the recommendation of the European Court of Auditors in its 2017 Annual Report regarding the error rates to be communicated in REGIO and EMPL's AARs

individual rates after the whole control process by both Member States' authorities and the Commission has been performed:

- This average residual total error rate represents the most relevant key performance indicator of the residual risk since the whole control chain has been applied to it<sup>36</sup>.
- Total error rates and residual total error rates for individual programmes are confirmed taking into account all available audit information, and as the result of a two-stage audit process: a thorough desk review applied to all programmes followed, for programmes considered at risk, by on-the spot compliance audits to re-perform audits. Where the contradictory procedures for compliance audits are still ongoing as at the moment of the AAR, a prudent approach is followed and the residual total error rates are estimated using the worst case scenario (meaning in some cases a flat rate). In such limited cases, EMPL may still further adjust downwards the TPER/RTER upon completion of the contradictory procedure with the Member State. A similar approach is followed for Court's audits on 2016-2017 error rates, until completion of the contradictory procedure.

In addition, the Commission endeavours to confirm all residual total error rates in the subsequent AAR following reception of the assurance packages. However, in line with the legal provisions, the Commission can for individual cases continue to carry out audits, including on the spot, to address specific risks or programmes.

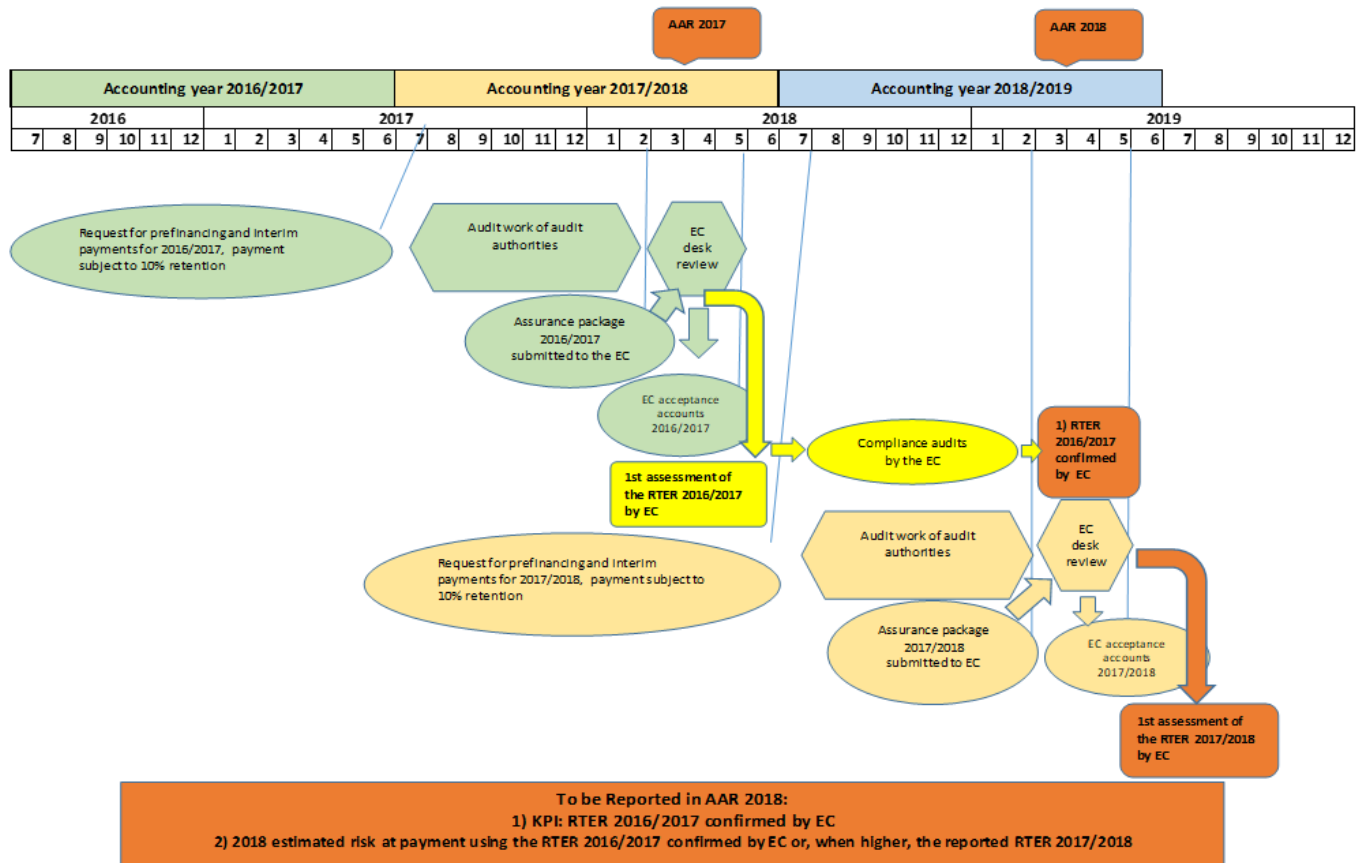
- In relation to the accounting year 2017-2018 (assurance packages including residual total error rates communicated by the audit authorities by 1st March 2019 at the latest), a first preliminary consistency review has been carried out before signature of the AAR to identify potential inconsistencies or deteriorations in the effectiveness of management and control systems that would require additional reservations in the AAR. These error rates will then be assessed in the course of 2019, through the two-step audit process described above, and confirmed where possible in the 2019 AAR with the resulting average residual error rate to be disclosed for ESF/YEI and FEAD.
- In relation to the calculation of the amounts at risk at payment and at closure that will contribute to corporate reporting covering the 2018 relevant expenditure (2018 Annual Management Performance Report), a conservative approach has been agreed with the Central Services. The risk "at payment" is calculated for each programme by applying to the "relevant expenditure" of the 2018 reporting year<sup>37</sup>:
  - either the confirmed residual total error rate for the accounting year 2016-2017 as defined above
  - or, when higher, the residual total error rate reported by the audit authorities for the accounting year 2017-2018.
  - In case there is no confirmed residual total error rate for the accounting year 2016-2017, a 2% flat rate or the residual total error rate reported by the audit authorities for the accounting year 2017-2018, whichever higher, is applied. In case no error rates are reported yet by the audit authority, a 2% flat rate is used.

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<sup>36</sup> After neutralizing the impact of advances paid into financial instruments and included (in line with Article 127 CPR) in the sample of audit authorities based on declared expenditure

<sup>37</sup> Relevant expenditure = payments made during the 2018 reporting year excluding new pre-financing and including the 10% retained, and including the cleared pre-financing minus the retentions released and any deductions applied in the accounts covering the expenditure of the period 1st July 2017 to 30th June 2018

Chart 14: Assurance process



**Annual accounts 2016/2017 - audit work performed in 2018 to validate error rates**

EMPL completed its assessment

For accounting year **2016- 2017:**

**115 ESF/YEI and 26 FEAD certified accounts received**

Updated Residual Total Error Rate of **1.5% for ESF/YEI and 1.7 % for FEAD**

of the assurance packages submitted by the Member States by 15 February 2018 (or 1<sup>st</sup> March 2018). For the 141 programmes which submitted annual control reports, the assessment focused on the validation of the reported audit opinions and error rates / residual total error rates. The assessment followed a **full desk review** of the information contained in the annual control reports and of other information received during the year (mainly system audit reports) and taking into account of the results from any EU re-performance audit work carried out during the year by EMPL or REGIO auditors. Where possible, EMPL also took account of the results of the European Court of Auditors’ work. EMPL paid special attention to the sampling methodology used by audit authorities, analysis and treatment of errors and the reporting of

financial corrections that would affect the calculation of the residual total error rate.

When needed, **on-the-spot compliance audits** were also carried out on a risk basis. The main objective of these audits was to seek reasonable assurance that no serious system deficiency remained undetected or unreported by Member States and that the reported audit opinions (on the effective functioning of systems and on legality and regularity of the expenditure declared) and residual total error rates were reliable. The scope of such audits could cover the last accounting year, as well as the expenditure included in previous accounts, within the regulatory limits of the period for keeping documents available.

Based on the results of the compliance audits available at the date of signature of the 2018 AAR, the Residual Total Error Rate for the 2016-2017 annual accounts is revised at 1.5 % for ESF/YEI and 1.7% for FEAD compared to respectively 0.9 % and 1.6 % reported last year.

**The confirmed average residual total error rate for the 2014/2020 programming period (covering all ESF/YEI and FEAD programmes) is 1.5 %<sup>38</sup>.** Based on the results of the compliance audits performed in 2018, for programmes where the confirmed residual total error rate is above 2 %, EMPL will request the national authorities concerned to apply the necessary financial corrections to reach a residual total error rate of 2%. After implementation of these additional financial corrections, the average residual total error rate would drop to 0.9 %.

EMPL can therefore conclude with reasonable assurance that, after the control cycle (national and Commission) has been completed, there is no material residual risk remaining in the accepted 2016/2017 accounts, except for 11 programmes for which additional financial corrections are necessary to reach the objective of bringing the residual risk to materiality level for all programmes. In addition, for another 36 programmes, further corrections could be needed pending ongoing contradictory procedures at the time of signature of the AAR.

### Annual accounts 2017/2018 - acceptance of accounts and first review of legality & regularity

For all programmes, the Commission received by 15 February 2019 (or, exceptionally, 1 March) a full assurance package including the accounts, the Annual Control Report and the Audit opinions on the accounts, the management and control system and the legality and regularity of the underlying transactions, and the assurance declaration and annual summary.

191 programmes (164 ESF/YEI and 27 FEAD) certified expenditure for a total amount of EUR 11.946 million. This is a difference of EUR 534 million (4.3 %) compared to the related final interim applications submitted in July 2018.

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*For accounting year  
2017- 2018:  
191 certified accounts received  
with ESF/YEI and FEAD  
expenditure  
173 accounts accepted as at  
1st April 2019*

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This shows that the new system allows for an exclusion from the annual accounts of the expenditure found to be irregular or under on-going assessment. These deductions result from financial corrections implemented following audits, continued management verifications and from various on-going assessments on the legality and regularity of expenditure previously declared during the accounting year (see further detailed information on corrective capacity below).

As a consequence of these timely financial corrections, audit authorities were able to issue unqualified audit opinions on the completeness, accuracy and veracity of all submitted accounts except in 10 cases due to a residual total error rate above 2 %.

Following its assessment of the work carried out by the audit authorities to substantiate their audit opinions on the accounts<sup>39</sup> and after having received for some programmes

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<sup>38</sup> Based on all audit evidence available at this date and pending the outcome of some contradictory procedures (conservative approach). Taking account of possible further errors in the remaining audited samples, beyond the detected ones, and of further information which might become available after adoption of the AAR, EMPL estimates the confirmed rate could reach a maximum of 2.3% after adjusting upwards the rates for some programmes with the use of conservative flat rates and before implementation of the relevant additional financial corrections for the programmes concerned.

<sup>39</sup> Following the regulatory framework (Article 139(2) CPR), the audit authority's opinion on the accounts is the key criterion to decide on the acceptance of the accounts.

revised accounts or further clarifications from national authorities, EMPL concluded that the reported accounts can be accepted in 173 cases but, has to reject the accounts for 18 programmes mainly due to accounts with a residual total error rate above 2 %.

Upon receipt of the assurance packages for the accounting year 2017-2018, and in order to decide which reservations need to be issued in relation to the year 2018, EMPL has carried out a preliminary assessment to confirm that the information disclosed in the annual control report and audit opinion is in line with all other relevant information available to the Commission, including through their own audit work.

In particular, as part of the consistency checks carried out, EMPL assessed:

- that the Member States' authorities have taken appropriate preventive and corrective actions to follow-up the interruptions and warnings issued by the Commission;
- that audit conclusions reported by the audit authorities are in line with the national system audit reports issued during the period, as well as the results of the Commission's on-the-spot audit work;
- that the expenditure under on-going assessment has been treated from the accounts in accordance with article 137(2) CPR and was appropriately treated by the programme authorities when calculating the residual total error rate;
- that, in case EMPL does not rely on the audit work performed by the audit authority, there is an appropriate quantification of the risk for the expenditure declared.

The audit opinions and the error rates detailed by programmes are available in annex 10

### Conclusion for 2014-2020 expenditure paid in 2018: overall assessment of the effective functioning of management and control systems

Indicator	2018
Number of ESF/YEI programmes from the 2014-2020 programming period in reservation	25
Number of FEAD programmes from the 2014-2020 programming period in reservation	3

Taking all the available information resulting from the audit work performed during 2018 into account, as well as the result of the assessment of the assurance packages received in February 2019, a detailed review of all operational programmes took place during the ISFC Committee (chaired by the Director General) on 5 April 2019, in order to ensure the quality and consistency of the opinions and to identify the operational programmes for which a reservation should be made. This resulted in a single EMPL opinion for each ESF/YEI and FEAD programme.

As a general rule, taking into account the 10 % retention on payments and the annual accounts that include the necessary financial corrections to reach a below the materiality threshold of 2 %, a programme is included in the reservation list if at least one of the following conditions applies:

- A total projected error rate above 10 %;
- A residual total error rate above 2 %;
- Material issues concerning the completeness, accuracy and veracity of the accounts;
- Deficiencies in key elements of the management and control system with a material risk of the EU budget.

For the cases in which the total projected error rate is below 10 % and the audit opinion is qualified with significant observations, no reservation is issued provided that adequate financial corrections have been implemented, meaning residual risk below 2 %. Exceptions

may be decided on the basis of professional judgement.

As a result, the programmes are classified into five categories in accordance with the level of assurance that they provide as to the legality and regularity of the expenditure paid during the reporting year. All programmes falling under the categories 'qualified opinion with significant observations – risk for the EU budget' and 'adverse opinion' (in the tables below) are subject to a reservation.

EMPL concludes it has reasonable assurance that the management and control systems function effectively and ensure the legality and regularity of the 2018 expenditure certified by the Member States in the annual accounts with the exception of 25 ESF/YEI and 3 FEAD programmes.<sup>40</sup>

**Table 6: Final assessment of management and control systems in the annual management opinion: ESF/YEI + FEAD**

IMPACT on Declaration of Assurance (based on functioning of systems, materiality and legality and regularity criteria)		Coverage		
		number of OPs	% of OPs	% of 2018 relevant expenditure
1	Unqualified opinion	44	20.5%	10.0%
2	Qualified opinion with minor observations	114	53.0%	59.4%
3a	Qualified opinion with significant observations	29	13.5%	7.4%
3b	Qualified opinion with significant observations – risk for the EU budget	18	8.3%	21.8%
4	Adverse opinion	10	4.7%	1.4%
		215	100%	100%

***Safeguarding the EU budget by preventive and corrective actions (interruption and financial corrections)***

**Preventive actions**

Taking into account the regulatory framework for the 2014-2020 programming period including the possibilities of interruption<sup>41</sup> and suspension<sup>42</sup>, the annual closure of accounts and the 10% retention on reimbursement of interim payments, EMPL and REGIO agreed to follow a common approach regarding interruption and suspension of payments. The objective has been to follow a balanced approach that protects the EU budget against serious deficiencies and irregularities. This approach has aimed ensure a residual total error rate of below 2%, as well as the possibility for the Commission to apply net financial corrections where serious deficiencies are identified by the Commission's Audit Directorates (or the European Court of Auditors) after the submission of the accounts, not identified, reported or corrected by the Member State.

In practice, this means that the Commission will not have to interrupt payment deadlines as often as in the 2007-2013 programming period: an interruption will only be necessary where the serious deficiency in the management and control system would require a

<sup>40</sup> This is based either on incorrect 2017/2018 annual accounts that have been returned for correction (eg. residual risk above 2%, missing financial corrections, audit work not properly completed by the Audit Authority, etc.), for 18 programmes, or on systemic deficiencies identified and/or ongoing interruptions for 7 programmes.

<sup>41</sup> An interruption means that the payment of an individual payment claim under a program are temporarily stopped (up to 6 or 9 months).

<sup>42</sup> Contrary to interruptions, a suspension means that *all* payments under a program (or a part of a program) are stopped until the Member States has taken the necessary measures to improve its management and control system.

financial correction higher than 10% (as this risk would not be covered by the 10% retention on interim payment claims).

If the financial risk is below 10% (and therefore covered by the 10% retention on interim payments) or the Member State has not submitted a payment claim, a warning letter is sent to the Member State, requesting measures to be taken to improve the system.

Interruption would also be necessary with regards to the special case of the payment of the balance (Article 139(7) CPR) following the annual examination of the assurance package as such payment of the balance of accounts is to be considered as "an interim payment" in the sense of the CPR. Annual accounts can be accepted, whilst the payment of the balance can be interrupted if identified Legality and Regularity issues are still open and not yet corrected as the payment of the balance is not anymore protected by the 10% retention.

Interruptions and suspensions are terminated on the basis of reasonable assurance on the implementation of an action plan including preventive and corrective measures and/or after financial corrections have been implemented.

Within EMPL, this process is formalised through the work of the Interruptions-Suspensions-Financial Corrections Committee (ISFC), chaired by the Director-General. The ISFC Committee meets regularly, analyses the cases brought to its attention, takes the appropriate decisions and monitors their effective implementation. In addition to the ISFC meetings, for cases requiring urgent decision, a written procedure can be launched.

The two tables below show that 4 decisions on interruptions of payment have been adopted in 2018 and 33 warning letters sent to the Member States concerned. The number of warning letters and interruptions has significantly increased in 2018 compared to previous year due to the increased number of assurance packages received in February 2018 and the result of the compliance audits performed during the year.

In Q1 2019, 6 additional decisions on interruptions have been adopted and 5 warning letters sent to the Member States concerned.

**Table 7: Number of Decisions in 2018 (PP 2014-2020)**

Number of Decisions in 2018 – PP 2014-2020				
	Warning letters	Interruptions of payment	Pre-suspension letters	Suspension decisions
DE	2			
EE	1			
ES	2			
FR	7			
HR	1			
HU	6	1		
IT	7	2		
LT	2			
PL	3			
RO	1			
UK	1	1		
<b>Total</b>	<b>33</b>	<b>4</b>		

**Table 8: Number of Decisions in first quarter of 2019 (PP 2014-2020)**

Number of Decisions in first quarter of 2019 – PP 2014-2020				
	Warning letters	Interruptions of payment	Pre-suspension letters	Suspension decisions
ES	1	1		
FR	3	1		
IT		2		
LT	1			
UK		2		
<b>Total</b>	<b>5</b>	<b>6</b>		

The following table shows the latest state of play at the end of 2016, 2017, 2018 and Q1-2019, reflecting the stage that the relevant procedure has reached at that moment. When, for example, for a suspended programme, several decisions to interrupt payment deadlines had been taken prior to the adoption of the suspension decision, these interruption decisions are not reported in the table as they relate to the same weaknesses as the suspension decision. In this way, the total shows precisely the number of OPs affected by a known problem of the management and control system at the given moment in time.

**Table 9: Number of open decisions**

	End 2016	End 2017	End 2018	State of play 31/03/2019
Warning letters	2	4	30	26
Interruptions	1		3	7
Pre-suspensions				
Suspensions				
<b>Total</b>	<b>3</b>	<b>4</b>	<b>33</b>	<b>33</b>

Details of the warning letters, interruptions of payment deadlines decided by EMPL in 2018 and 2019-Q1 are listed in Annex 10.

### Corrective actions

The regulatory provisions for the 2014-2020 period significantly strengthen the Commission's position on protecting the EU budget from irregular expenditure.

The new system incentivises Member States to ensure that EU funds are spent in a legal and regular manner and that all necessary financial corrections have been applied at national level before certifying the expenditure in the accounts. The reporting on financial corrections is now integrated into the annual assurance package and examined by the audit authority.

At the same time, the Commission has improved its capacity to ensure that irregular expenditure is no longer reimbursed from the EU budget. Net financial corrections have to be applied when serious system deficiencies are found, and which had not been detected and reported upon by the Member State before the submission of its annual accounts to the Commission<sup>43</sup>.

In the 2017/2018 annual accounts received in February 2019, the Member States have reduced the declared expenditure by EUR 534 million compared to the expenditure declared in the interim payment applications. This includes EUR 125 million of financial corrections resulting from the audits of operations performed by the Audit Authorities. Previously, during the accounting year 2017/2018, the Managing Authorities had already withdrawn or recovered an amount of EUR 21 million. The detailed amounts by Member States are available in annex 10.

### A.2 Shared Management – Closure of ESF 2007-2013

Indicator	2018
Number of programmes (pre)closed at end 2018	87
RAL at 1/1/2018 (in EUR million)	2.512
RAL at 31/12/2018 (in EUR million)	1.479

118 closure package concerning all Member States (including Croatia which deadline was 31/03/2018) have been received and analysed. Following the final declaration of expenditure at closure, 14 operational programmes will be subject to a recovery order (total amount of EUR 240.3 million) and the remaining will lead to payments estimated at

<sup>43</sup> See Article 145.7 of Regulation (EC) 1303/2013



EUR 3.3 billion.

At the end of December 2018, DG EMPL has sent 87 Pre-closure letters (80 programmes with an amount to be paid, 4 with an amount to recover, and 3 with no payment/recovery). For 59 programmes Member States accepted the closure proposal, consequently 59 closure letters were sent to the MS and those programmes are definitively closed.

Concerning the programmes with under execution (818 million EUR), EMPL has issued the relevant letters and got the agreement to decommit the unused RAL for 39 programmes. The amount decommitted at the end 2018 amounted to EUR 460 million. Globally taking into account the final payments made and the decommitments, the RAL has been reduced in 2018 by EUR 1 billion.

### ***Audit Activity of the DG on closure***

In 2018, EMPL's Audit Directorate has performed 2 audit missions in relation to the closure of the 2007-2013 programming period.

**Table 10: Audit missions**

<b>EMPL audit missions</b>		<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
2007-2013	System audits			1	1	6	16	14
	AA review/ACR re-performance		8	1	6	18	20	22
	Article 73				2	9		
	Financial corrections			1	3	14	1	9
	FEIs			2		1		3
	Management Verifications			1	9	9	8	
	Fact findings ACR N-1			23	22	20	15	10
	Fact findings ACR N			5	7			
	Follow-up and Other	1		1	1	10	10	11
	Preparation for closure audits	1	1	15				
	<b>Total 2007-2013</b>	<b>2</b>	<b>14</b>	<b>45</b>	<b>51</b>	<b>87</b>	<b>70</b>	<b>69</b>

One audit mission at the level of the Audit Authority (IT – Calabria) to re-perform the audit work took place in 2018. In addition, one follow-up mission took place in France to clarify some issues before validating the information in the Final Control Reports. In both cases, no major issues were detected.

### ***Estimated Residual Risk Rate for the whole 2007-2013 programming period***

The programme authorities have submitted by end of March 2017 the closure documents for all ESF programmes (end March 2018 for Croatia).

#### **2007-2013 programming period:**

Estimated Residual Total Error Rate of **0.7 %**

The EMPL Audit Directorate has reviewed the Final Control Reports in 2017 and confirmed the error rates communicated by the Audit Authorities or requested additional information or audit work to be performed.

The residual risk rates (RRR) communicated by the Member states in the closure declarations are all below 2 %. In case of significant scope limitation relating to additional expenditure claimed in the final payment claim, the residual risk rate has been set at 2% following a precautionary approach. Applied to the

certified expenditure declared for the whole programming period, the average RRR for ESF was estimated at 0.7% as reported in the 2017 AAR.

In 2018, the final payment or recovery has been processed for 35 programmes. For some of the programmes concerned, additional information was provided or additional audit work was performed, resulting in the update of the Residual Risk Rate. The average RRR for the whole programming period is now estimated at 0.66 % compared to 0.74 % last year. This slight decrease is mainly due to the fact that for programmes where additional work was needed EMPL sometimes used a flat rate RRR of 2% until the final calculation was available.

As the final payments made in 2018 concern only programmes for which the Commission has the assurance that the residual risk rate is below the materiality threshold of 2%, the estimated residual risk on these payments is 0.3 %.

### ***Safeguarding the EU budget by corrective actions***

<b>Indicator</b>	<b>2018</b>
Corrections made resulting from Commission audit work (accepted/decided)	34.3 million
Corrections made resulting from Commission audit work (implemented)	12.0 million

The purpose of financial corrections is to restore a situation where all the expenditure declared for co-financing from the Structural Funds is in line with applicable regulations.

### **Financial corrections carried out by the Member States at the Commission's request**

A financial correction must be based on evidence. The Commission bears the (initial) burden of proof for systems deficiencies, irregularities and breaches of the obligations under Articles 98 and 15(4).

The principal sources of evidence are:

- EMPL audits (audits by the Audit Directorate or on its behalf);
- Reports by national audit bodies (annual control report and audit opinion submitted according to Article 62(1)(d)(i) and (ii) of Regulation (EC) No 1083/2006 ; national audit reports );
- Audits by the European Court of Auditors (ECA);
- OLAF final case reports.

Following this methodology, the reporting of financial corrections provide only information on amounts of financial corrections carried out by the Member State at the Commission's request following EU audit work.

#### *Financial corrections accepted/decided in 2018 relating to the 2007-2013 programming period*

Financial corrections are reported as "accepted/decided" following closure of the programmes on accrual basis after the Member State's agreement with the pre-closure proposal or financial correction decided by the Commission and after the financial transaction of the final balance at closure. The Member State must confirm its (whole or partial) agreement with the correction proposed by the Commission in writing stating clearly the scope of the agreement, the amount of the agreed correction and how it will be implemented. In the context of the closure of the programmes the source of the financial correction is the Member State withdrawal or deduction at closure of irregular expenditure by the Commission from the final payment claim.

EUR 34.3 million represents the amount of financial corrections accepted in 2018 by Member States in the context of closure of the programmes, deducted from the final payment claims. The total cumulative accepted/decided amount of financial corrections for the 2007-2013 programming period stands at the end of 2018 at EUR 1.553 million.

#### *Financial corrections implemented in 2018 relating to the 2007-2013 programming period*

Financial corrections are reported as "implemented" on a cash basis once the financial transaction including the correction has been processed and can be referenced by an ABAC

key of payment order, recovery order or de-commitment. Standalone clearing transactions are accounted for the implementation of the financial corrections only for Greek programmes for which the clearing of pre-financing will only be processed after acceptance of the pre-closure letter by the Member State.

82 % of financial corrections accepted during the year 2018 and previous years for the programming period 2007-2013 have been implemented, leaving an amount of EUR 277.6 million still to be implemented. The total amount of financial corrections implemented in 2018 is EUR 12 million.

The total cumulative implemented financial corrections for the 2007-2013 programming period stand at the end of 2018 at EUR 1.275 million.

Detailed tables showing cumulative financial corrections (accepted/decided and implemented) for all programming periods can be found in Annex 10.

### **Total financial corrections for the whole 2007-2013 programming period implemented at end 2018**

The cumulative amount of the ex-post financial corrections implemented at the Member States' initiative stands at EUR 1.509 million and those implemented at the Commission's request stand at EUR 779 million.

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#### **2007-2013 programming period:**

Implemented Financial  
Corrections at end 2018:  
3.6 % of the declared  
expenditure

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In total, including ex-post and ex-ante corrections, the total amount of the implemented financial corrections stands at end 2018 at EUR 2.785 million, representing around 3.6 % of the declared expenditure.

Taking into account the amount of financial corrections accepted but not yet implemented, the amount of financial corrections will reach a minimum amount of EUR 3.062 million (3.9 % of the declared expenditure).

The process of closure of the 2007-2013 programming period is still on-going and additional financial corrections will have to be implemented for the closure

of some programmes in the following years.

### **Conclusion: reservation in relation to ESF 2007-2013**

#### **Follow-up of 2017 reservation**

For the AAR 2017, as a result of the review of the Final Control Reports, there were 18 programmes for which the Audit Authorities still needed to provide additional information to clarify some issues or to perform additional audit work on expenditure declared at the end of the eligibility period.

In 2018, the audit work performed by the Audit Authorities and the information provided has allowed the lifting of the reservation for 4 programmes. For 2 of the 4 programmes, EMPL was able to issue the final payment in 2018. For the 2 other programmes the closure process is ongoing and the final payment will be issued in 2019.

#### **2018 reservation**

As a consequence, the reservation is maintained for the 14 programmes for which the result of the ongoing audit work still need to be finalised.

For these programmes, further financial corrections may need to be implemented to reach a residual risk below the materiality threshold of 2%.

The reservation is without financial impact in 2018 as the final payment for these programmes will take place only when the relevant level of financial correction is agreed.

Further details on the reasons for the reservation for these 14 programmes are described in annex 10.

## B. IPA

### Procedures and controls for optimizing economic, efficient and effective implementation of programmes

One of the primary objectives of "IPA HR component Development" is to step up the institutional capacity of the candidate countries to prepare them to manage the future ESF in accordance with the principles of sound financial management.

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.

For IPA, as for the ESF, the control system is built on multiannual and multilevel control whereby one level of control may rely on the work of previous controls performed by other bodies.

The following points form the building blocks behind the assessment of EMPL's management towards reasonable assurance.

### Analysis of the Final Control Reports

For the 3 countries (Turkey, Montenegro and North Macedonia), the Final Control Reports and closure declarations have been received end December 2018.

From the first review of the Final Control Reports, the EMPL's audit directorate concluded that for Turkey, North Macedonia and Montenegro there are no significant issues. The Residual Risk Rates are below the materiality threshold.

### Audit work and financial corrections

Indicator	2018
Estimated residual risk rate	0.14%
Financial corrections (decided in 2018)	--

In 2018, no audit mission by EMPL auditors took place, as the Audit Authorities are considered reliable.

### Conclusion

For assessing the level of assurance for IPA, the same process as for ESF is applied, whereby the auditors send their audit opinion to the AOSD who provides the management opinion for each of the three IPA countries.

**Table 15: Final assessment of management and control systems in the annual management opinion**

IMPACT on Declaration of Assurance (based on functioning of systems, materiality and legality and regularity criteria)	Coverage		
	# of Programmes	as % of Programmes	Payments + clearing PF as % of relevant expenditure in the year
<b>1</b> Reasonable assurance			
2a Reasonable assurance with low risk	3	100%	100%
2b Reasonable assurance with low risk, with partial reservation			
3 Limited assurance with medium risk			
4 Limited assurance with high risk			
	3	100%	100%

Based on the assessment described above, EMPL has a reasonable assurance on the legality and regularity of the underlying transactions for IPA programmes in Turkey, North Macedonia and Montenegro.

## **C. EGF**

### **Procedures and controls to optimize economic, efficient and effective implementation of programmes**

Various 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 every case. Member States report, for each EGF case, information as regards the type of actions and main outcomes, the names of the authorities and organisations delivering the measures; the characteristics of the targeted workers and their employment status and a statement justifying the expenditure.

Commission staff also carries out on the spot visits, both for monitoring and for auditing purposes.

### **Audit work**

<b>Indicator</b>	<b>2018</b>
Error rate	0.01%

Regulation (EU) No 1309/2013 of the European Parliament and of the Council of 17 December 2013 on establishing the European Globalisation Adjustment Fund ('EGF') supports workers affected by trade-related redundancies from 1 January 2014 onwards.

In 2018, the Commission finalized six audits selected on a risk-based approach, three initiated in 2017 and three performed in the first half of 2018. They identified deficiencies relating to the functioning of the management and control systems in place and in one case ineligible expenditure.

### **Conclusion**

Based on the finalized ex-post financial audits in 2018, the amount audited was EUR 99 412 869 and an amount of EUR 7 052 was rejected.

This resulted in an error rate of 0.01%. On a 5-year basis, the average error rate is estimated at 0.49%.

The assessment described above provides reasonable assurance to EMPL as regards EGF.

## **D. Direct management**

### **Procedures and controls for optimizing the effective implementation of programmes**

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.

Concerning economy and effectiveness, the implementation of procedures in line with the rules defined in the Financial Regulation for grants and contracts ensures the respect of sound financial management principles for the actions directly managed by EMPL.

Preventive and corrective controls are also implemented at initial and at final phases (project implementation checked by operational officers via the interim and final reports, cost claims checked by financial officers and on the spot checks prior to payment where necessary). Preventive and corrective controls take place through the verification of transactions (grants and public procurement) by financial agents. Commission staff and outsourcing company carry out on the spot audits for grants following a risk-analysis approach.

The following points form the building blocks behind the assessment of EMPL's management towards reasonable assurance:

### Programming, evaluation, selection of proposals and contracting

Indicator	2018
Grants and procurement	
Validation of actions in the annual work programme (relevance and compliance)	100%
Number litigation cases	0
Grants	
Validation of calls for proposals by the Financial Unit prior to publication	100%
Formal opinion given by the Financial Unit before award	100%
Procurement	
Formal opinion given by the Financial Unit before award	90%

EMPL produces annual **Financing Decisions** which specify the activities which will be undertaken to implement the budget in support of policy objectives defined in legal bases.

The programming process starts with a top-down definition of policy priorities. Specific activities subsequently proposed by AOSDs are consolidated and examined by central units (programme coordination/planning and financial implementation) from two perspectives: their relevance as regards policy priorities and their compliance with the rules defined in the Financial Regulation for grants and contracts. This thorough analysis also allows identifying opportunities of simplification and rationalisation across the DG's wide range of activities.

In order to be implemented, Financing Decisions must be followed by award decisions. EMPL designs and implements procedures aiming at ensuring that the **evaluation and selection of projects** complies with the sound financial management principles foreseen in the Financial Regulation and will effectively meet policy objectives.

EMPL exercises control through the following elements:

#### 1) Grants

The call for proposals are prepared by the AOSDs with the support and guidance of the financial unit for direct and indirect management which created and made available financial guidelines, models, workflows and check-lists.

All calls for proposals are systematically submitted to the control of this financial unit which issues formal opinion (completeness, correctness, compliance) prior to the publication of the calls.

Allowing for effective management, the evaluation process has been standardised via the IT application DEFIS Evaluations. Ensuring the respect of grants principles, the rules for evaluating proposals foresee the appointment of evaluation committees.

The evaluation reports and project of award decisions for calls for proposals and direct grants are systematically submitted to the controls of the same Financial unit prior to the budgetary and legal commitments. The Financial Unit provides support to evaluate the financial capacity of the applicants and co-applicants. The final award approval and publication on Europa of the grants awarded takes place after the approval of the financial unit.

In 2018, EMPL only allowed indirect costs above the 7% flat rate within the framework of the partnership agreement signed with OECD at Commission level. It also awarded two

grants not linked to costs under article 125.3 of the Financial Regulation in the frame of a pilot project to promote the use of Joint Action Plans under the ESF and one grant was awarded retroactively as per article 193.3 of the FR under Erasmus plus, for grants to national networks.

## 2) Procurements

Contract notices, Technical specifications, tender files, draft contracts, draft specific contracts under Framework contracts and invitation to tender are checked for regularity, legality and compliance by the Financial unit. Opening and evaluation committees are duly appointed by AOSDs.

Evaluation reports and draft award decisions under Open tender procedures, negotiated procedures and framework contracts procedures with reopening of competitions are submitted to the Financial unit controls. After the positive opinion of the Financial unit, the budgetary and legal commitment are authorised.

## Monitoring the execution

Indicator	2018
<b>Grants</b>	
Verification of transactions by operational and financial agents	100%
Ex-ante in depth check of final cost claims	31%
Error rate (source BVF)	0.52%
<b>Procurement</b>	
Verification of transactions by operational and financial agents	100%

EMPL staff carry out preventive and corrective controls at the various phases of implementation of projects:

- At initial phases, interim reports are checked by operational officers to verify how projects are implemented and financial officers review interim cost claims. All transactions are checked;
- At closure phases, final reports are analysed by operational officers to verify conformity of the implemented actions / deliverables with the contractual provisions. These analyses include cross-checking the final accounts and the final report on the implementation of the action to verify the coherence of the costs declared with the action actually implemented. Final cost claims are checked by financial officers on a risk-based approach to verify the eligibility of the costs, arithmetical checks, conformity with the initial budget, co-financing rate, etc. If necessary, on the spot checks are carried out prior to payment of the balance (always in case of irregularity/fraud presumption).

## Ex-post controls - Audit work

Indicator (*)	2018
Ex-post audits finalised	8 Commission audits 16 outsourced audits
% amount controlled by ex-post audit vs. total amount	7.45 %
Error rate Grants	0.72 %
Error rate Public Procurement	0-2 %

(\*) based on audit procedures finalised between 01/02/2018 and 31/01/2019

Approximately 42% of payments made under centralised direct management are contracted through public procurement which by nature and in view of the ex-ante control procedures are considered free of errors and therefore below the materiality threshold of 2%.

The majority of payments concerns grant agreements which EMPL concludes directly with beneficiaries who co-finance the project costs. The period of execution of the subsidised projects is usually between one and two years. Budgets allocated at the award stage are indicative only, and the amounts paid are always provisional and subject to recovery if

they are not in line with actual costs. Ex- post controls relate only to grant aided projects which have been closed by the Operational Units.

As regards grants, for selecting the sample of transactions to be controlled on the spot, EMPL applies a risk based approach rather than a statistical random method that would comply with the criteria of samples' representativeness. The risk based approach is considered more cost-effective given the heterogeneity and relatively small size of EMPL's audit population.

When measuring against the 2% materiality level, EMPL calculates the weighted average error rate from the audited sample (grants) and complements the information by a qualitative analysis of the origin, nature, impact and coverage of the errors found before issuing any reservation.

In 2018, the error rate for grants amounts to 0.72%. On a 5-year basis for grants, the weighted average error rate is estimated at 1.58% of payments made. This rate is considered as acceptable.

### Conclusion

The assessment described above and the estimated overall error rate being under the materiality threshold (0.42%) provides reasonable assurance to EMPL as regards centralised direct management.

### **E. Budget implementation tasks entrusted to other services and entities.**

This section reports and assesses the elements that support the assurance on the achievement of the internal control objectives as regards the results of the DG's supervisory controls on the budget implementation tasks carried out by other Commission services and entrusted entities distinct from the Commission.

EMPL has entrusted parts of its budget for indirect management implementation by a number of cross-delegations and Decentralised Agencies. In all these cases, the DG's supervision arrangements are based on the principle of controlling 'with' the relevant entity.

#### **Decentralised agencies**

DG EMPL acts as parent DG for four agencies which received budget implementation tasks from the legislative authorities. EMPL provides an annual subsidy to these agencies and has not delegated budget for programme management implementation.

The table below summarizes the payments made for each agency in 2018:

**Table 11: EU contributions to Agencies in 2018**

<b>EU contribution</b>	<b>Amount paid in 2018 (in EUR million)</b>
EUROFOUND	20,37
EU-OSHA	15,15
CEDEFOP	17,43
ETF	20,14
Total	73,09

Although agencies have full responsibility for their own management, a number of **monitoring, reporting and supervising arrangements**<sup>44</sup> allow EMPL to build assurance as regards their management:

- **EUROFOUND:** The Commission and EMPL in particular participate at all levels of governance within the agency. From the governing board and bureau to the advisory committees. The Commission comments and validates the budgetary

<sup>44</sup> Participation in the administrative boards, budgetary committees, cash-flow forecasts, meetings at various levels.



and staff-related planning documents of the agency (Budgetary fiche and Multi-annual staff policy plan). In this respect, DG EMPL consults regularly other DG's, such as DG BUDG, DG HR and SG. The Commission follows-up the discharge process by participating and if necessary intervening in the relevant parliamentary debates.

- **EU – OSHA:** EMPL actively participates in the Governing Board and Bureau of EU-OSHA, as well as in the different consultative and technical groups (Prevention and Research Advisory Group – PRAG, Advisory Group on Communication and Promotion – AGCP – Steering Committee of OiRA, among others) in order to ensure that the activities of the Agency are well aligned with the policy objectives of the Commission and respect the principles of sound financial management as well as the legality and regularity of the operations. The Commission issues annually an opinion on the draft Programming Document of the Agency. Furthermore, it comments and validates the budgetary and staff-related planning documents of the agency (Budgetary fiche and Multi-annual staff policy plan) and follows-up the discharge process by participating and if necessary intervening in the relevant parliamentary debates.
- **CEDEFOP:** In 2018, EMPL participated in the annual meeting of Cedefop Governing Board (GB) and the meetings of the Cedefop Bureau. The progress report, the annual report and the consolidated annual activity report were discussed with the Bureau/GB, besides the regular reporting to the Bureau/GB on the results of audits, budget implementation, transfers of appropriations, etc. The new programming procedure that was introduced in 2016, requiring the adoption of a Commission opinion on the draft multi-annual Programming Document, including the annual Work Programme, which allows for a structured consultation on financial and human resources management and planning with other DGs. Bureau members were also systematically informed on changes in the implementation of the Work Programme. All significant decisions to be taken by the Cedefop GB were validated at the GB meeting or by written procedure. In addition, frequent contacts and meetings at working level took place between EMPL services and Cedefop. In 2018, EMPL addressed in particular issues related to: the non-renewal of the term of office of the Director and the continuity of the management of the Agency following his resignation before the end of this term; the launch of the recruitment procedure for a new Director; the audit report on the management of Human Resources and Ethics and its follow-up; the extension of the term of office of the Deputy Director, in light of the ongoing negotiations on the revision of the Agency's Founding Regulation; and the preparation for the entry into force of the revised Founding Regulation in 2019.
- **ETF:** EMPL carries out a proactive and continuous monitoring of ETF activities, including the organisation of structured dialogue meetings and chairing of ETF Governing Board meetings. The structured dialogue takes place twice a year and brings together all services having a direct link to ETF work programme. In addition, frequent contacts and meetings at working level take place between EMPL services and ETF, including with its liaison office which is located within EMPL's premises. During 2018, ETF continued its consistent track record of completion of all key performance indicators (activity completion, timely payments, implementation of audit recommendations, commitment appropriation implementation, rate of outturn, etc.) with a completion rate of largely over 90%. The ETF Governing Board (GB) meets twice a year. Among the decisions adopted by the GB was the revision of the ETF organisational structure. The new structure aims to increase the strategic focus of the Agency and preparation of the post-2020 actions. In addition, the post of the Deputy Director was cancelled. There have been no discharge issues with the European Parliament which noted ETF's successful performance, nor have there been any legality, sound financial management or fraud issues affecting the COM contribution. ETF has also successfully closed all actions in response to Internal Audit Service recommendations. Whilst ETF's updated Single Programming

Document (2017-2020) is still applicable and fully aligned with DG EMPL priorities, the agency started its reflection process on the next mid-term strategy during 2018. This reflection was launched back to back with the Governing Board meeting of June 2018, where Member State representatives were invited by ETF to provide input and ideas for the upcoming new mid-term perspective covering 2021-2027. EMPL has encouraged ETF to proactively continue cooperation with other agencies, in particular CEDEFOP and EUROFOUND with whom ETF shares a specific action plan as part of the Single Programming Document.

The declarations of assurance of the directors of the four agencies in their latest available consolidated annual activity reports contain no reservations.

EMPL has not been aware of any issue related to the legality & regularity, sound financial management or fraud affecting its contribution payments.

### Cross sub-delegations

EMPL has cross sub-delegated EUR 3.3 million in Commitment appropriations and 3.9 million in Payment appropriations in 2018 to ESTAT. The ESTAT AODs is required to implement the appropriations subject to the same rules, responsibilities and accountability arrangements as EMPL's AOD. The cross sub-delegation agreements require the ESTAT AOD to report on the use of these appropriations.

The ESTAT report does not communicate events, control results or issues which could have a material impact on assurance. It provided reasonable assurance that the resources assigned to the activities described 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.

### F. Conclusion as regard control results

DG EMPL 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.

**Table 12: Estimated overall amount at risk**

	2018 relevant expenditure <sup>e45</sup> (M€)	Average Error Rate at payment/accounts (%)	Estimated amount at risk at payment/accounts (M€)	Average Recoveries and Corrections (%)	Estimated future corrections (M€)	Estimated overall amount at risk at closure (M€)
ESF 2007-2013	1.221	0,3%	3,5	0,0%	0,0	3,5
ESF/YEI 2014-2020	11.488	2,1%	238,9	0,6%	63,2	175,8
FEAD	310	1,2%	3,7	0,3%	0,9	2,7
EGF	27	0,0%	0,0	0,0%	0,0	0,0
IPA	70	0,1%	0,1	0,0%	0,0	0,1
Centralised	283	0,4%	1,2	0,0%	0,0	1,2
<b>Overall</b>	<b>13.398</b>	<b>1,8%</b>	<b>247,4</b>	<b>0,5%</b>	<b>64,1</b>	<b>183,3</b>

**For EMPL, the estimated overall amount at risk "at payment" for the 2018**

<sup>45</sup> The relevant expenditure represents the payments made during the year minus the prefinancings paid plus the prefinancings cleared. For the 2014-2020 programming period, the relevant expenditure includes in addition the 10% of the payment claims retained by the Commission till the acceptance of the annual accounts minus the adjustments made by the Member States when submitting their annual accounts in February n+1.

**relevant expenditure is EUR 247 million (1.8% of the 2018 relevant expenditure).** This is the AOD's best conservative estimation of the amount of relevant expenditure during the year not in conformity with the applicable contractual and regulatory provisions at the time the payment is made.

For the 2014-2020 programming period, the risk at payment is estimated for each programme by applying the residual total error rate of the accounting year 2016/ 2017 as confirmed by the Commission services or, when it is higher, the residual total error rate reported by the audit authorities for the accounting year 2017/2018. In case there is no confirmed residual total error rate for the accounting year 2016/2017, the higher residual total error rate between the one reported by the audit authorities for the accounting year 2017/2018 and a 2% flat rate is applied. In case no error rates are reported yet by the audit authorities a 2% flat rate is used.

The estimated future corrections represent the amount of errors that EMPL conservatively estimates to identify and correct from controls that it will implement in successive years. It results in the risk "at closure" which indicates the remaining risk to the 2018 relevant expenditure once the Commission will apply the necessary financial corrections to bring the total residual error rates for all OPs down to 2%. As the 2007-2013 programming period is at the stage of the closure, final payments are processed when the Commission is of the opinion that all the necessary financial corrections have been made and that the residual risk is below the materiality threshold of 2%, meaning that no additional future corrections should be estimated. Therefore, the estimated amount at risk at payment is based on the estimated residual risk after financial corrections.

For the 2014-2020 programming period, following the EMPL's compliance audits, additional financial corrections may be requested in addition to those already registered in the annual accounts by the Member States' authorities for the programmes with a current reportable residual total error rate above 2% that would reduce the residual total error rate by 0.5%.

### 2.1.1.2. Fraud prevention and detection

Indicator	2018
Number of Member States implementing ARACHNE	21

#### Implementation of actions for the prevention and detection of fraud in the Structural Funds and Direct Management

EMPL has developed jointly with REGIO and MARE a 'Joint Anti-Fraud Strategy' (JAFS) covering the European Structural and Investment Funds for 2015-2020, which was adopted on 23/12/2015, and its own direct management anti-fraud strategy adopted on 30/09/2016, established based on the methodology provided by OLAF.

The main activities in view of the prevention and detection of fraud that EMPL carried out in 2018 were:

- Finalising together with REGIO and MARE the external *study on the prevention of fraud and corruption in the European Structural and Investment Funds*; this analysis of Member States' fraud risk assessments in respect of a sample of 50 Operational Programmes provides an insight into national practices and will be used by the DGs in order to further underpin and update the objectives and action plan of the JAFS 2015-2020;
- The development of the risk scoring tool ARACHNE helping the national authorities among others to identify the risk of fraud, as well as further actions to increase the effective use by Member States of the **ARACHNE** tool to detect potential fraud.
- ARACHNE aims at establishing a comprehensive database of financial and operational data on projects and beneficiaries in order to carry out, on the basis of objective criteria, a risk scoring allowing the identification of the most risky projects and the most risky Operational Programmes.
- Currently, 21 Member States are involved into ARACHNE with a total of 195

Operational Programmes in the system (16 Member States have integrated Arachne in their management verification processes for at least 1 Operational Programme, 5 are still evaluating the tool), 4 Member States are still in 'reflexion phase' and 3 Member States have decided not to use the tool. In total there were 2.450 active users in 2018 (for Cohesion as a whole) and the number of connections to the tool in 2018 amounted to 32.995. Both figures more than tripled compared to 2017 and demonstrate the success of the system.

- EMPL (together with REGIO) has further supported Member States to increase the number of Operational Programmes – which currently stands at 192 for 2014-2020 - for which data is uploaded in Arachne by the Member States on a regular basis, following the positive results from an inspection carried out by the European Data Protection Supervisor and the adoption of the Charter for the introduction and application of the Arachne Risk Scoring tool in the management verifications.
- EMPL, launched a performance audit through an external contractor to test the effectiveness of the implementation of anti-fraud measures by the Member States.
- In the area of direct management, DG EMPL launched the Urkund tool, with a view to detect plagiarism in funding applications. Training was offered to DG EMPL staff to familiarise them with the tool.
- Moreover, and still in the area of direct management, DG EMPL included so called red flags in its financial management checklists. These are intended to help early detection of potential fraud risks in the context of the assessment of funding applications.

The **controls by EMPL** aimed at preventing and detecting fraud are similar to those intended to ensure the legality and regularity of the transactions. EMPL carries out in-depth controls and/or audits on the basis of the annual audit strategies (for both its shared/indirect and direct management area) revised in consideration of risk assessments made to check the regularity and legality of transactions and include the detection of (suspected) fraud, if any.

The total number of on-going OLAF investigations concerning EMPL's fields of activity and all programming periods put together amounts to 15 cases related to the ESF (1 CZ, 1 DE, 2 EL, 2 ES, 3 HU, 2 PL and 3 PT) and 1 case related to direct expenditure at the end of 2018. The main areas of (potential) fraud in these cases are:

- non-compliance with the principles of sound financial management,
- overpricing and
- fraud in the pre-tendering and tendering phase.

Substantial work has been done implementing strengthened rules on the avoidance of conflicts of interest in shared management (Article 61 of the Financial Regulation 2018, in force since 2 August 2018). Member States' authorities responsible for managing and auditing EU funds have received guidance during meetings held in November and December 2018. All Member States have been contacted to raise awareness on the new provisions and to gather information on the procedures and controls in place. Member States have been asked about the measures they have taken to ensure respect of the revised rules. In continuation of these activities, a conference on April 10th 2019 will bring together Member States authorities and the European Commission to discuss measures taken to deal with conflicts of interest, and to exchange best practices.

### **Action regarding recoveries of unduly paid sums**

Member States and Candidate Countries use the Irregularity Management System ("IMS") to report cases of irregularities, including suspected and established fraud in the areas of shared management and pre-accession-assistance. IMS covers **all types of irregularities, including simple errors, and not just fraud**. The IMS data therefore have to be interpreted with caution when drawing conclusions regarding the level of fraudulent activity involving EU funds.

The three most frequently encountered problems registered in IMS (for all programming periods and all types of irregularity, fraudulent or not) are:

- Non-eligible products, projects or activities,
- Documents missing and/or not provided,
- Non-respect of public procurement procedures.

The treatment of open ESF irregularity cases of programming periods 1989-1993, 1994-1999, 2000-2006 and 2007-2013 was pursued in 2018. For cases where the irregular amounts are considered as irrecoverable the Member States concerned have presented requests for the EU budget to bear the financial consequences.

The existence of open cases under the previous programming periods is explained by the fact that they are often the subject of **lengthy court-procedures** (including investigations, trials and appeals), criminal or civil. This means that even when the concerned OPs are already closed, these cases may remain open for many years.

End of January 2019, in the context of the implementation by EMPL of financial recommendations issued by OLAF, the DG reported to OLAF and BUDG the amounts that it had recovered in 2018 with regard to the cases concerned.

### EMPL's arrangements to facilitate the fight against fraud

In order to further improve the handling of the before mentioned activities, an EMPL internal network of anti-fraud correspondents was set up in June 2016. This network is currently preparing the review of the Fraud Risk Assessment and the Anti-Fraud Strategy – the latter jointly with DGs REGIO and MARE. Another important purpose of this network is the routine internal communication for specific issues and cases, such as the follow-up of OLAF investigations. **Detected (suspected) fraud in ESF as reflected by OLAF's 2016 report concerning the protection of the European Union's financial interests and the fight against fraud**

The annual report established by OLAF on the protection of the financial interests of the EU and the fight against fraud (the so-called Article 325 or PIF Report) contains important information and indicators on the level of fraud and irregularities in EU policy sectors for the previous year.

### 2.1.1.3. Efficiency

Based on an assessment of the most relevant key indicators and control results, EMPL has assessed the efficiency of the control system. This section outlines the indicators used to monitor the efficiency of the control systems for each of the relevant management modes.

- **As illustrated in the introduction of part 2, EMPL manages funds under several management modes:**

2018	Share in overall amount of payments
Shared management	98.1%
Direct and Indirect management	1.9%
<b>TOTAL</b>	<b>100.0 %</b>

#### A. Shared Management

The table below shows the results registered in 2018 in relation to the indicators used to assess the efficiency of the controls carried out during the reporting year.

Indicator	2018
Budget execution (payments in M€)	14 298.11
% of Commission payments on time (number)	97%
Average time to pay	29.5 days
% timely interruption and suspensions of payments notified to MS <i>Impacted by the time required by MS to react and strong concentration in one MS.</i>	100%

## B. Direct and Indirect management

The table below shows the results registered in 2018 in relation to the indicators used to assess the efficiency of the controls carried out during the reporting year.

Indicator	2018
Budget execution (payment - direct management in M€)	269.73
Time-to-inform (days) <sup>46</sup>	154
Time-to-grant (days) <sup>47</sup>	83
% of Commission payments on time (number)	95%
Average time to pay	26 days

The above indicators demonstrate the relative **efficiency** of EMPL services. Time-to inform and to grant indicators are within the limits set by the Financial Regulations. Nevertheless both the time to grant and the time to inform show an increase compared to the previous year (respectively 59 and 137 days in 2017), which might be explained by a higher number of calls to manage (+29%) and some special delays faced in two calls in particular, with changes to be managed within consortia and proposals financed from the reserve list in a second stage.

On-going reflection on alleviating ex ante checks on financial capacity of co-beneficiaries beyond the threshold for low value grants, in line with practices of other DGs discussed in the network of financial units, as part of a harmonisation trend. This could also contribute to an improved efficiency by reducing the time to inform, as well as to alleviate the administrative burden for our beneficiaries.

### 2.1.1.4. Economy (cost-effectiveness of controls)

Based on an assessment of the most relevant key indicators and control results, EMPL has assessed the cost-effectiveness of controls for each of the relevant management modes.

The corporate methodology for the estimation, assessment and reporting on the cost-effectiveness of controls was revisited in September 2018 and applied first time in the 2018 annual reporting. The difference of the estimated cost of controls as compared to previous years derives from this new methodology and does not reflect any substantial change in the DG's control strategy.

## A. Shared Management

The table below shows the results registered in 2018 in relation to the indicator used to assess the cost-effectiveness of the controls carried out during the reporting year.

Indicator	2018
Cost of control/financial management of the Commission checks and assessment (as a % of total payment made)	0.09%

EMPL quantifies the costs of the resources and inputs required for carrying out the controls described in annex 5 and estimates, in so far as possible, their benefits in terms of the amount of errors and irregularities prevented, detected and corrected by these controls.

The annual overall Commission cost is estimated at below 0.1% of total payment appropriations of the year, which is lower than last year due to a higher volume of payments made in 2018 and despite the increased unit costs for staff as per the corporate guidance. Hence the result has to be considered as a proof for efficiency gains in the reporting year.

<sup>46</sup>Average time to inform applicants of the outcome of the evaluation of the application. (Art. 128.2 FR–max 6 months)

<sup>47</sup> Average time to grant (Art. 128.2 FR – max 3 months)

Approximately 1/5 of the Commission cost is made up of the annual cost of audit work (internal & outsourced audit, IT tools supporting audit process) which covers the assessment by the Commission of management and control systems in MS, including analysis of Audit Authorities reports and ACRs, own audit work and the monitoring of the interruption & suspension process.

The remaining annual Commission costs relate to Commission staff which carries out controls throughout the different design, implementation and monitoring phases. This includes the negotiation of Partnership Agreements and Operational Programmes, the setting-up of the management and control systems in the MS, the Commission ex-ante checks of the periodic expenditure declarations (financial circuits), the ongoing monitoring and coaching for effective programme implementation and the setting-up of monitoring and evaluation systems to evaluate the programme results.

As regards costs incurred at the level of Member States, a new study "New assessment of ESIF administrative costs and burden" assessed the cost at Member State level for the 2014-2020 period at 2.8% for ESF, to be compared to 2.2% for ERDF, which encompasses much higher amounts, 4.4% for EMFF, owing to the relatively small size of the fund, and 8.3% for EAFRD, due to a very high number of small operations. As a reminder, costs of controls at Member States level under the previous programming period reached 4.8% under ESF; the current period shows this a significant decrease in the costs of controls.

One way to look at quantifiable benefits would be to consider the corrections implemented by MS following (Commission) audit work. In this context, it must be pointed out that financial corrections are not an objective as such. A decreasing amount of corrections over the years is not solely the result from the quality and/or quantity of controls but could also reflect an improvement in sound financial management of the programmes by the MS.

The estimated quantifiable benefits, with EUR 125M of corrections implemented in 2018, exceed the overall estimated annual cost in a proportion of 9.4 to 1.

In addition, there are a number of non-quantifiable benefits resulting from the controls operated throughout the various control stages. This includes notably the negotiation procedures on the content of Partnership Agreements and Operational Programmes. These were thoroughly analysed by the Commission to ensure the respect of requirements laid down in the Cohesion Policy Regulation (CPR) and the adequate reflection of policy objectives and priorities, notably with the position papers and the follow-up to the relevant Country Specific Recommendations (CSRs). Most of this work, completed in 2014 is of utmost importance to get the programming right from the start and focus the ESI Funds on the challenges MS and regions are facing as identified in the European Semester. Programming, management and monitoring roles carried out by the geographical units are key for all MS if the ESI Funds are to deliver on the Europe 2020 Strategy. The deterrent effects of ex-post controls also bring unquantifiable benefits.

EMPL considers that the necessity of these controls is undeniable, as the totality of the appropriations would be at risk in case they would not be in place.

## ***B. Direct and Indirect management***

The table below shows the results registered in 2018 in relation to the indicator used to assess the cost-effectiveness of the controls carried out during the reporting year.

<b>Indicator</b>	<b>2018</b>
Estimation of cost of control of the Commission (as % of total payments made)	3.16%
Cost of evaluation and selection procedure/value contracted (%)	1.44%
Costs of control from contracting and monitoring the execution up to payment included / amount paid	1.50%

The benefits of controls at the programming stage cannot be quantified easily. They mainly relate to the relevance and effective implementation of activities in line with the DG's policy objectives and contributing towards the achievement of Europe 2020 Strategy.

The deterrent effects of monitoring and controls also bring **unquantifiable benefits**. At the selection, implementation and monitoring stages, by ensuring compliance with the Financial Rules and the respect of principles for grants and procurement, EMPL makes sure that the selected proposals or offers bring the best value for money, i.e. fulfilling performance needs and optimising the use of EU funds and that the underlying operations are legal and regular.

EMPL considers that the relative level of efficiency and cost-effectiveness of the controls operated is adequate. This conclusion is supported by the error rates being consistently below the materiality threshold and by positive values of efficiency indicators.

### ***C. Initiatives to improve economy and efficiency of financial and non-financial activities***

Following a pilot exercise to centralise the management of the calls in the finance unit it was decided not to pursue the exercise, but several recommendations have been made to facilitate the process such as increasing the participation of the finance unit at the early stage of the evaluation process, and concentrating the work of each evaluation committee in a shorter period.

A new electronic workflow system (based on the same IT tool used in shared management -RDIS-) has been piloted since July to treat the procurement invoices from receipt till payment; this workflow will eventually substitute the current ARES e-signatures automatizing several tasks and incorporating some additional controls. It covered a significant part of the invoices received and proved successful to reduce time to payment for those invoices of almost 50%. It is ready to be extended to the whole DG in 2019. During 2019 and 2020 new processes will be included in this system, such budgetary commitment and legal commitment creation for procurement contracts; also it is expected to integrate in this initiative the advances carried out in the context of the corporate compass project.

The finance unit analysed the need to perform systematic financial viability check of private co-beneficiaries, in view of aligning our practices to those of other services in the Commission. It was decided to perform a reduced number of checks and require less documents from the beneficiaries.

The workflow from the expression of the need to the signature of the procurement contract has been analysed in view of its simplification. A first proposal has been discussed internally in 2018, with a view to deploy it in 2019.

The deployment of e-submission in procurement is finalised. The first tender has been launched where the submissions will be submitted electronically.

During 2018, CASIS (DG EMPL specific FWC for procurement of IT services related with EMPL activities) was integrated in eProcurement tools from DIGIT making it available not only to EMPL but also to other DGs using it.

#### **2.1.1.5. Conclusion on the cost-effectiveness of controls**

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

#### **2.1.2. Audit observations and recommendations**

This section reports and assesses observations, opinions and conclusions made by auditors in their reports as well as the opinion 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 audit recommendations.

EMPL is audited by both external and internal independent auditors: the European Court of Auditors and the Commission internal audit service (IAS).

## **A. European Court of Auditors**

### **ECA Annual Report for 2017**

For the fourth time in a row, the ECA published a common chapter corresponding to the budgetary domain of "Economic, social and Territorial Cohesion" (Chapter 6) in its Annual Report. For the third time in a row, the ECA has not reported a specific error rate for ESF expenditure, but it has integrated the ESF related errors in the global error rate for Cohesion spending.

The ECA changed in 2017 its audit approach for this spending area. Its objective was to contribute to the ECA overall statement of assurance, as well as to assess the new 2014-2020 control and assurance framework and the extent to which it can be relied upon.

Therefore, in 2017, the ECA has audited the certified expenditure included in the 2014-2020 assurance packages and, for 2007-2013, the expenditure underlying the final control reports of the audit authorities. In the past, the ECA sampled from the interim and final payments or clearings from the EU budget to the OPs.

In 2017, the ECA examined

- i. a sample of 217 transactions, designed to be statistically representative of the full range of spending under this MFF heading (22 assurance/closure packages covering 51 OPs for which there was a Commission settlement from the EU budget in 2017).
- ii. the work done by audit authorities to validate the information contained in the 22 assurance/closure packages, also using the sample of 217 transactions referred to above;
- iii. the Commission's work when reviewing and validating the 2017 assurance/closure packages, as well as the relevant information in the AARs of DG EMPL and DG REGIO.

### **A decrease in the 2017 global error rate for Cohesion spending**

Audit authorities reported 50 quantifiable errors in the assurance/closure packages for the 217 transactions the ECA sampled. These errors concerned ineligible costs (30), public procurement (12) and ineligible participants (8). Furthermore, the Member State authorities applied financial corrections with a view to bringing the residual total error rates below the materiality threshold of 2 %.

The ECA identified and quantified 36 supplementary errors that had not been detected by the audit authorities. Taking account of the 50 errors previously found by the audit authorities and financial corrections applied by programme authorities worth a total of 101 million euros covering both programming periods, the ECA estimates the level of error to be 3,0 %. This applies to 2014-2020 payments and to closures from 2007-2013, and is lower than in previous years (the error rate steadily decreased to 4.8% in 2016, from 5.2% in 2015 5.7% in 2014).

For Cohesion as a whole, the final ECA annual report 2017 error rate of 3.0% has substantially decreased compared to the previous year (4.8%), but remains higher than the Commission's global error rate of 2.4% (compared to 3.1% in 2016). It is positive to note that Cohesion expenditure is in 2017 not any longer the area of spending mostly affected by errors.

The ECA's 2017 estimate of the level of error for Cohesion policy represents a significant improvement compared to previous years. In particular, the single SME Initiative programme present in the 2015-2016 accounts, with a specific regulatory framework

compared to mainstream programmes due to its innovative nature, contributes 1 percentage point to this estimate. Based on all information it has obtained, the Commission concludes that, for the vast majority of programmes, there is no remaining material level of error in the 2015/2016 accounts.

The Commission further notes in the annual report that its 2017 estimated amount at risk concerning payments for the policy, as disclosed in the annual activity reports of DGs EMPL and REGIO, is within the range calculated by the ECA for the error rate.

### **Main sources of Cohesion policy errors in the ECA annual report 2017**

Financial instruments, followed by ineligible costs, contributed most to the estimated level of error in the ECA annual report 2017. The most common types of eligibility issues detected are the following: ineligible loans (ES), recoverable VAT and over-declaration of indirect costs (PL), ineligible projects (PT), lack of eligibility checks of the NEET status (PT), multiple errors leading to an overstatement of the payment to the beneficiary (PT) or ineligible costs (DE).

### **Financial instruments are a main source of errors for Cohesion policy**

Financial instruments under shared management (FISMs) take the form of equity or quasi-equity investments, loans or guarantees. They are different in nature to traditional grants, which involve reimbursement of a beneficiary's spending on eligible projects.

The ECA examined 30 transactions from the sole OP under the SME Initiative in the 2017 annual accounts (related solely to DG REGIO). The EIF is the fund manager for the SME Initiative at EU level. Although audit authorities are obliged to give an opinion on the legality and regularity of the expenditure included in the accounts of OPs under the SME Initiative, the EIF did not grant them access to the underlying documents for financial instruments.

The ECA also detected deficiencies that seriously affected the eligibility of a number of investments made by financial intermediaries. Only companies meeting the EU definition of SME status are eligible for the SME Initiative. However, financial intermediaries either did not always check this or did not check it correctly.

### **Non-quantifiable errors**

The non-quantifiable errors consist of a series of formal issues with no impact on the EU budget (late and/or partial transfer of funds to beneficiaries, non-payment of daily allowances to participants, failure to comply with the national regulatory (procurement) framework as well as inconsistencies at the level of unit costs and certified amounts).

### **Simplified Cost Options (SCO)**

In 2017, the ECA has not reported on the impact of the use of Simplified Costs Options. The ECA – for the sixth year in a row - did not detect any quantifiable errors related to the use of SCOs, implicitly drawing the conclusion that "projects using SCOs are less prone to error than the ones using actual costs, which is especially relevant for the 2014-2020 programming period".

This confirms DG EMPL's analysis that an extensive use of SCOs by Member States should be encouraged. Therefore, DG EMPL continues to work intensively with the competent national authorities to ensure that Member States have considered all simplification possibilities allowed by the 2014-2020 European Structural and Investment Funds Regulations, including the Omnibus Regulation revision.

### **Encouraging Performance assessment**

Since four years, the ECA also checked whether and to what extent a performance measurement system was in place to assess whether the completed examined projects have achieved their planned output and result objectives. This year the ECA examined 113 completed ERDF/CF and ESF projects.

The ECA concluded that, in general, there is a clear link between output objectives at OP

and project level. Where they exist, most targets were reported as having been met, at least partially. However the ECA notes that, many performance measurement systems lack result indicators at project level, which makes it difficult to assess the overall contribution of a project to specific OP objectives.

### **Assessment of the Commission's Annual Activity Reports (AARs) and other governance issues**

The ECA is of the opinion that the AARs should be further streamlined and adapted to the new control and assurance framework. This framework means that it takes almost two years from the end of the relevant accounting period before the Commission can first report its conclusion on the reliability of audit authorities' residual total error rates for a given accounting year. This period includes eight months for the audit authorities to carry out their audit work. Subsequently the Commission carries out its desk reviews, complementary fact-finding missions and audit missions.

Already in 2016, the ECA drew attention to the fact that the AAR reporting period is not the same as the period covered by the Member States' assurance packages. The residual total error rates reported by audit authorities relate to the accounting year. In the AARs, however, to reflect the budgetary principle of annuity, and following the guidance provided by DG BUDG and the Secretariat-General, the directors-general provide reasonable assurance for the calendar year. For this purpose, in the 2017 AARs, the directors-general of DGs REGIO and EMPL decided to estimate the risk by projecting a provisional residual total error rate for 2017 calendar year expenditure, which they had not yet accepted and confirmed.

The reporting requirements for AARs have not been sufficiently adapted to the new control and assurance framework. In the ECA's view, given that the residual total error rates for the 2015/2016 accounting year are the only ones for which the Commission could have the necessary assurance from audit authorities and its own regularity work, they should be the main indicator for regularity in the 2017 AARs. They should also be the main basis for the DGs' declarations of assurance for the specific policy areas. However, the ECA is of the opinion that neither DG EMPL nor DG REGIO gives the 2015/2016 residual total error rate sufficient prominence or mentions them as a key performance indicator.

Furthermore, the ECA is of the opinion that the Commission presents in the AARs at least 13 different rates for the two programming periods as a measure of the expenditure at risk. Such a large number of rates would lead to a lack of clarity and potential confusion as to their relevance and the assurance provided.

The Commission underlined that, at the time an AAR is signed off, expenditure declared in the previous calendar year is covered by the 10 % retention on EU interim payments. The Commission is open to reflect on, and to discuss with the ECA, how to further improve and streamline its presentation of error rates in its future AARs.

### **EMPL's follow-up of errors reported by the ECA**

EMPL is following-up all errors reported by the ECA and ensures for all cases that corrective measures take place or that appropriate action plans are implemented in the concerned systems in order to prevent such errors in the future.

EMPL has committed itself to continuing its capacity building actions (simplification seminars promoting the use of Simplified Cost Options and action plans) together with its strict interruptions and suspensions policy.

### **EMPL's follow-up of previous ECA recommendations**

EMPL is following-up all ECA annual reports 2014-2017 recommendations reported by the ECA and ensures that they are implemented by the deadlines set by the ECA. The Commission notes with satisfaction that, according to the Court's analysis in its 2017 AR, all 2014 Cohesion related recommendations were either fully or in some respects implemented.

Only 10 ECA recommendations addressed to EMPL are open in RAD by the beginning of

March 2019. All 10 refer to special reports (one from SR 16/16 Education, two from SR 14/16 Roma and seven from SR 6/18 Mobility). The open ECA recommendations, most of them with a deadline 31/12/2019 will be taken into consideration by the responsible EMPL officers.

There are no open recommendations from ECA that have an impact on the achievement of the internal control objectives.

### **The ECA's recommendations for Cohesion policy**

The Court issued six recommendations in Chapter 6 of the 2017 AR. The Commission (partially) shared the Court's opinion for all of them. The Commission will take the necessary actions to follow up the six recommendations:

Recommendation 1: the Commission should ensure that the audit arrangements for financial instruments managed by the EIF are adequate at the level of financial intermediaries. When the EIB/EIF uses agreed-upon procedures with external auditors, the Commission should define the minimum conditions of such contracts with a view to the need to provide assurance, in particular the obligation for sufficient audit work at the level of the Member State. This recommendation concerns mainly ERDF/CF. The Commission has accepted the recommendation and considers that with the entry into force of the Omnibus proposal, in its drafting resulting from the political agreement between the Council and Parliament, and with new provisions for audit of financial instruments managed by EIF, the recommendation will be implemented.

Recommendation 2: the Commission should propose legislative changes for the post-2020 financial framework that would exclude reimbursement of VAT to public bodies from EU funds. The Commission has partially accepted the recommendation and has made a legislative proposal for the financial framework 2021-2027.

Recommendation 3: the Commission should address the weaknesses the ECA has identified in its verification of the audit authorities' work in the context of the Commission's regularity audits. In line with its 2018 Single Audit Strategy and agreed audit plan, the Commission has accepted the recommendation.

Recommendation 4: the Commission should address the complexity of the information presented on the 2014-2020 control and assurance framework in the AARs of DGs REGIO and EMPL. The Commission has partially accepted the recommendation and underlined that the annual activity reports of the concerned Directorates general already provide a clear focus on the validation of error rates for programmes and accounts in relation with accounting years ending 30 June n-1.

Recommendation 5: the Commission should ensure that audit arrangements are changed in accordance with the proposal made by the Commission for financial instruments in the post-2020 regulatory framework so that only the actual use of funds at final recipient level is used for the calculation of residual total error rates. The Commission has accepted this recommendation to the extent the Commission's proposal for the post-2020 regulatory framework is adopted by the co-legislators.

Recommendation 6: the Commission should carry out sufficient regularity checks to conclude on the effectiveness of audit authorities' work and obtain reasonable assurance on the regularity of expenditure at the latest in the AARs it publishes following the year of accepting the accounts. The Commission has partially accepted this recommendation, which is in line with its Single Audit Strategy for the concerned Funds.

### **ECA Special Reports (based on performance audits) in 2018**

While for the years 2013-2014, the ECA published three Special Reports covering EMPL policy areas, in 2015 it adopted five such reports, seven in 2016, six in 2017 and seven in 2018. At the beginning of 2019, there are eight special reports ongoing. While EMPL is not always the lead DG for these audits, they require a significant involvement at all stages from its staff.

Special reports adopted by ECA in 2018 concerning Employment and Social Affairs related to (1) Audit of the Macro-economic Imbalance Procedure (MIP); (2) Free Movement of

Workers; (3) New options for financing rural development projects; (4) Broadband in the EU Member States; (5) Preventive arm of Stability and Growth Pact; (6) Selection and monitoring of ERDF and ESF projects in 2014-2020; (7) Absorption. Further details, summary conclusions and/or main recommendations on these special reports can be found in Annex 10.

### **ECA "new" reporting products (based on performance and compliance assessments) in 2018**

Furthermore, the ECA published a number of other reports, called "rapid case reviews", "opinions" and/or "briefing papers" in 2018. At the beginning of 2019, there are two briefing papers and rapid-case review ongoing. The ECA adopted the following of these reports in 2018: (1) Briefing Paper on Simplification in post 2020 delivery of Cohesion Policy; (2) Briefing Paper on the integration of migrants from outside the EU; (3) Opinion on the Commission's proposal for the 2021-2027 CPR; (4) Rapid Case Review on the VAT reimbursement in Cohesion. Further details on these ECA reports can also be found in Annex 10.

### **Impact of the ECA findings on EMPL's assurance**

EMPL notes that the estimated level of error presented by the Court remains stable and is also consistent with the error rates reported in the previous AARs of EMPL. EMPL also notes that the ECA's conclusions and recommendations in its 2017 annual and special reports do not affect EMPL's internal control systems and do not have a material impact on the achievement of the internal control objectives. EMPL will continue to focus its audits and actions on the most risky programmes/Member States and implement corrective measures when needed through a strict policy of interruptions and suspensions of payments up to closure, and to apply strict procedures at closure to exclude any remaining material risk of irregular expenditure.

## **B. Internal Audit Service (IAS)**

All audit recommendations made by the IAS in 2018 were accepted by the auditees, and EMPL's management committed to implement the corresponding action plans. The IAS did not issue any 'critical' recommendations to DG EMPL.

### **Audits performed by the IAS in 2018**

In 2018, the IAS performed the following audits in EMPL:

#### **Audit on 'Evaluation Process in DG REGIO and DG EMPL'**

The overall objective of the audit was to assess if DGs REGIO and EMPL effectively plan, design, conduct, report and follow-up on evaluations in accordance with the legal framework and BR requirements, and if they provide adequate methodological support to the evaluation activities by the MS and make proper use of their results.

The IAS concludes that the audited process is overall working well. The audit did not result in the identification of any critical or very important issues. The IAS considers however that there is room for further improvement and formulated two important recommendations for DG EMPL relating to: (i) Evaluation planning; and (ii) Follow-up and reporting of Member States' evaluations.

An action plan to implement the recommendations was transmitted to the IAS on 25 September 2018.

#### **'Limited Review on the reporting on the corrective capacity'**

The objective of the Limited Review, carried out in 7 DGs/Services, was to assess (i) the validity of the concept of the estimated amounts at risk at closure, (ii) how it is being applied and reported on by operational DGs/Services in their respective AARs, and, (iii) how it feeds into and is presented in the Annual Management Performance Report (AMPR).

The recommendations of the IAS are mainly addressed to DG BUDG; the only 'important'

recommendation for DG EMPL related to presentational issues in the AAR.

DG EMPL has implemented the action plan relating to the recommendation, which will be reviewed by the IAS.

### **Audit on 'Review of the annual assurance packages by DGs REGIO, EMPL and MARE'**

The objective of the audit was to assess whether the review of the annual APs by DGs REGIO, EMPL and MARE is effective in supporting the declaration of assurance by the Directors-General in their AARs and performed in a timely manner.

The IAS concludes that, in the light of the challenging and complex assurance and control architecture, overall, the DGs have put in place the necessary procedures and coordination arrangements so that the annual AP review process effectively supports the declaration of assurance by the Directors-General in their AARs within the accountability, control and assurance framework of the 2014-2020 PP. Nevertheless, the IAS identified a number of important weaknesses that do not fundamentally undermine the robustness of the systems, but the DGs should address well on time to prepare for the next review exercise. The IAS formulated four important recommendations, related to: (i) General aspects of the Commission's review of the APs; (ii) Commission's desk review of the APs (iii) Commission's on the spot work on the APs, and, (iv) European Court of Auditors' modified statement of assurance approach – Impact on the Commission's assessment of the APs.

An action plan to implement the recommendations was transmitted to the IAS on 29 January 2019, and will be implemented in the framework of the current AAR exercise.

### **Audit on 'Connecting Europe Facility (CEF) Telecom governance (multi-DG)'**

The objective of the audit was to assess the adequacy of the design and the effectiveness of the implementation of the Commission's CEF Telecom governance arrangements within the Commission

The IAS concludes in the draft report of 20 December 2018 that, while recognising some well-established governance elements (such as the drafting of the work programmes and the arrangements related to the re-usable DSI building blocks), the governance structure, as initially set up, is no longer adapted to the current complexity of the programme and its implementation is therefore not effective. It needs to be further enhanced in preparation for future developments under the Digital Europe Programme outlined in the next multiannual financial framework. The IAS formulated two very important recommendations to DG CONNECT, in cooperation with the other DGs implementing the CEF Telecom programme, relating to: (i) Governance arrangements for the DSI part of the CEF Telecom; and (ii) CEF Telecom performance framework.

The action plan to implement the recommendations was transmitted to the IAS on 26 February 2019, and will be implemented in 2019.

### **Conclusion**

In its note Ares(2019)930609 of 14/02/2019, the Internal Auditor concludes that the internal control systems in place for the audited processes are effective, except for the observations giving rise to the 'very important' recommendations. These recommendations still need to be addressed, in line with the agreed action plans.

EMPL considers that the risks are mitigated and the necessary improvements and reinforcements are being made, and that the above findings will not impact on the assurance provided in the AAR given the fact that the action plans are being implemented in accordance with the revised planning.

Recommendation n° 10 relating to the Audit on early implementation of the ESIF control strategy 2014-2020 in DGs REGIO, EMPL and MARE, on 'Audits on Financial Instruments', will be implemented in 2019 and the DG will align its approach with DG REGIO which is in the lead for the implementation of the recommendation. All other 'very important' recommendations relating to the audit have been implemented.

Most points of Recommendation n° 1 relating to the audit on effectiveness of simplification measures under 2014-2020 ESI Funds in DG EMPL, REGIO and MARE, on 'Uptake and impact of simplification measures and the DGs' processes to promote and monitor these measures' have been implemented, and the three DGs will implement the remaining issues before 30 June 2019. The action plan for Recommendation n° 2 relating to the same audit has been implemented, and will be reviewed by the IAS.

DG EMPL is currently implementing the action plan relating to the Audit on policy and funding for Youth Employment in DG EMPL; most of the actions relating to recommendations n° 1 and 5 have already been done and the remaining actions will be implemented before 30 June 2019; recommendation N° 4 will be implemented by 31 December 2019.

All 'very important' recommendations relating to other IAS audits carried out before 2018 have been implemented by EMPL or marked as 'ready to be reviewed by the IAS'

### **2.1.3. Assessment of the effectiveness of the internal control system**

The Commission has adopted an Internal Control Framework based on international good practice, aimed to ensure the achievement of policy and operational objectives. As regards financial management, compliance with the internal control framework is compulsory.

DG EMPL has put in place the organisational structure and the internal control systems suited to the achievement of its policy and internal control objectives, in accordance with the Commission standards and having due regard to the risks associated with the environment in which it operates.

To assess the effectiveness of the internal control principles the DG has followed the methodology established in the "Implementation Guide of the Internal Control Framework of the Commission". A survey was conducted in October 2018. DG EMPL had defined indicators for each of the Internal Control Principles (ICP) in its working group for internal control, which is composed of representatives of each Directorate. All managers as well as 100 staff, who were selected on a random basis, were invited to participate in the survey. The results of the survey were analysed by the ICP working group taking into consideration other factors, including audits and exceptions. After several years of sharp decrease, the number of exceptions increased in 2018 compared to the previous year (14 versus 10 in 2017) and the number of non-compliance cases increased from four to nine.

Besides, management assesses on a continuous basis the effectiveness of the internal control systems, in order to determine whether they work as intended and ensure that any control weaknesses in the system are detected, analysed and considered for improvement. At Mid-year all Directors are also asked to report any weakness identified in relation to the internal control systems. In addition, management may performs any specific assessments deemed necessary.

Based on this wide-ranging analysis and comparison with the target values, suggestions for improvements were developed. Some improvements needs have been identified in particular for principles 8 ("The Commission considers the potential for fraud in assessing risks to the achievement of objectives"), 10 ("The Commission selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels"), and 12 ("The Commission deploys control activities through corporate policies that establish what is expected and in procedures that put policies into action") and remedial actions were agreed. These were all presented to and approved by the Coordination Meeting on November 6th.

DG EMPL has assessed its internal control system during the reporting year and has concluded that subject to the improvements previously mentioned, it is effective and that the components and principles are present and functioning as intended.

### **2.1.4. Conclusions on the impact as regards assurance**

This section reviews the assessment of the elements reported above (in Sections 2.1, 2.1.2 and 2.1.3), the sub-conclusions above, and draws conclusions supporting the declaration of assurance and whether it should be qualified with reservations.

#### ***Review of the elements supporting assurance***

The information reported above stems 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 EMPL.

The Commission gives the highest priority to the exercise of its responsibilities for implementing the budget under Article 317 of the EU Treaty.



EMPL has assessed the effectiveness of its key internal control systems during the reporting year and concluded that they are overall working satisfactorily.

In addition, EMPL has systematically examined the available control results and indicators, including the results of its own audits, 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.

### ***Reservations and overall conclusion on assurance***

For **direct management**, the assessment described above and the estimated overall error rate for centralised direct management under the materiality threshold (0.42%) provides reasonable assurance to EMPL.

For **EGF**, the overall estimated error rate is 0.01%. Based on this assessment, management has reasonable assurance that suitable controls are in place and work as intended, risks are being appropriately monitored and mitigated and necessary improvements and reinforcements are being implemented.

Concerning **IPA**, the analysis made at programme level allowed to conclude to a reasonable assurance. The overall estimated error rate is 0.14% of the 2018 IPA relevant expenditure.

For the **ESF 2007-2013** programming period, the overall residual risk for the whole programming period is estimated at 0.7%. A reputational reservation is maintained for 14 programmes for which additional audit work is still ongoing or potential significant additional financial corrections may need to be requested.

As regards the **ESF/YEI and FEAD 2014-2020** programming period, the average residual total error rate for the 2016/2017 annual accounts is confirmed at 1,5 %. The first assessment of the assurance packages received in February 2019 for the 2017/2018 annual accounts in addition to the audit work performed during 2018 allowed detecting deficiencies in the management and control systems of 25 ESF/YEI and 3 FEAD operational programmes of the 2014-2020 programming period that are included in the 2018 reservation.

### ***Overall Conclusion***

In conclusion, EMPL management has reasonable assurance that, overall, suitable controls are in place and working as intended, that risks are being appropriately monitored and mitigated and that necessary improvements and reinforcements are being implemented. The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance albeit qualified by reservations concerning 28 2014-2020 ESF/YEI and FEAD programmes and 14 ESF 2007-2013 programmes.

## 2.1.5. Declaration of Assurance and reservations

I, the undersigned, Joost KORTE, Director-General of the Directorate General for Employment, Social Affairs and Inclusion

In my capacity as authorising officer by delegation,

Declare that the information contained in this report gives a true and fair view<sup>48</sup>.

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 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 examination of the management and control systems of the Member States highlights the following elements:

- There are deficiencies of key elements of the management and control systems set up in relation to the requirements of Regulations No 1303/2013 and No 223/2014 (2014-2020 period) for identified ESF/YEI operational programmes in Czech Republic, Germany, Spain, France, Hungary, Italy, Lithuania and the United Kingdom and for identified FEAD operational programmes in Czech Republic, Hungary and Romania.
- There are deficiencies of key elements of the management and control systems set up in relation to the requirements of Regulation 1083/2006 (2007-2013 period) for identified ESF operational programmes in Austria, France, Germany, Italy, Romania and the United Kingdom which have not been subject to sufficient control and corrective measures by the national authorities for the closure.

Brussels, 25 April 2019

Joost KORTE

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<sup>48</sup> True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG/Executive Agency.

**Table 13: Reservations 2014-2020 programming period**

EMPL	
Title of the reservation, including its scope	Management and control systems for 25 ESF/YEI operational programmes in Czech Republic, Germany, Spain, France, Hungary, Italy, Lithuania and the United Kingdom and 3 FEAD operational programmes in Czech Republic, Hungary and Romania for the programming period 2014-2020
Domain	Shared management of ESF and FEAD
Programme in which the reservation is made and total (annual) amount of this programme	04.02 ESF/YEI (2014-2020) 04.06 FEAD (2014-2020)  Payments made in 2018 to programmes in reservation: EUR 2.694 million
Reason for the reservation	Deficiency of the management and control systems set up in relation to the requirements of Regulations 1303/2013 and 223/2014.
Materiality criterion/criteria	Significant deficiencies at the level of the key elements of the management and control systems
Quantification of the impact (= actual "exposure")	EUR 63 million
Impact on the assurance	The weakness affects the legality and regularity of the payments concerned and the management systems in place.
Responsibility for the weakness	The expenditure concerned is under shared management, in which the Member State is responsible for implementing the management and control systems. The Commission supervises the national authorities in this respect.
Responsibility for the corrective action	For each programme included in the reservation, with the aim to obtain assurance that the required corrective measures have been completed, the Commission has undertaken or planned specific actions which include, if necessary: <ul style="list-style-type: none"> <li>▪ Warning letters</li> <li>▪ interruption of payments</li> <li>▪ launch of suspension and financial corrections procedures</li> <li>▪ complementary guidance and support for national authorities especially on the coverage and quality of the audit activities</li> <li>▪ audit work to check the ability of national auditors to fulfil their obligations</li> </ul> on the spot audits of operations or on systems on a risk-based approach.

**Table 14: Reservations 2007-2013 programming period**

EMPL	
Title of the reservation, including its scope	Management and control systems for 14 specific ESF Operational Programmes in Austria, France, Germany, Italy, Romania and the United Kingdom for the 2007-2013 programming period.
Domain	Shared management of ESF
Programme in which the reservation is made and total (annual) amount of this programme	04.02 ESF (2007-2013)
Reason for the reservation	Deficiency of the management and control systems set up in relation to the requirements of Regulation 1083/2006 (ESF 2007-2013).
Materiality criterion/criteria	Significant deficiencies at the level of the key elements of the management and control systems.
Quantification of the impact (= actual "exposure")	EUR 0 million. The final payment for the closure of the programmes concerned will take place only when all the issues are solved and the relevant financial corrections agreed.
Impact on the assurance	The weakness affects the legality and regularity of the payments concerned and the management systems in place. The Commission will make the final payment once the Member states' authorities will have agreed all necessary additional financial corrections.
Responsibility for the weakness	The expenditure concerned is under shared management, in which the MS is responsible for implementing the management and control systems. The Commission supervises the national authorities in this respect.
Responsibility for the corrective action	For each programme included in the reservation, the Commission has requested Member States to perform additional audit work and/or apply additional financial corrections.

**Table 15: List of operational programmes in the 2018 reservation****2014-2020 PROGRAMMING PERIOD**

1	CZ	2014CZ05M9OP001	Operational Programme Employment	Full
2	CZ	2014CZ05FMOP001	Operační program potravinové a materiální pomoci - FEAD	Full
3	DE	2014DE05SFOP002	Operational Programme ESF Federal Germany	Full
4	DE	2014DE05SFOP007	Operational Programme ESF Hamburg 2014-2020	Full
5	ES	2014ES05M9OP001	OP ESF 2014 YOUTH EMPLOYMENT	Partial Rep.
6	FR	2014FR05M0OP001	Operational Programme ERDF-ESF Ile-de-France et Seine 2014-2020	Full
7	FR	2014FR05M2OP001	Operational Programme ERDF-ESF Guadeloupe et St Martin Etat 2014-2020	Full
8	FR	2014FR16M0OP006	Regional programme Languedoc-Roussillon 2014-2020	Full
9	FR	2014FR16M0OP007	Regional programme Midi-Pyrénées et Garonne 2014-2020	Full
10	FR	2014FR16M0OP011	Regional programme Martinique Conseil Régional 2014-2020	Full
11	FR	2014FR16M0OP014	Regional programme Bourgogne 2014-2020	Full
12	FR	2014FR16M2OP004	Regional programme Corse 2014-2020	Full
13	FR	2014FR16M2OP005	Regional programme Franche-Comté et Jura 2014-2020	Full
14	HU	2014HU05M2OP001	Human Resources Development	Full
15	HU	2014HU05M3OP001	Public Administration and Civil Service Development	Full
16	HU	2014HU16M0OP001	Economic Development and Innovation OP	Full
17	HU	2014HU16M2OP001	Territorial and settlement development OP	Full
18	HU	2014HU16M2OP002	Competitive Central-Hungary OP	Full
19	HU	2014HU05FMOP001	Rászoruló Személyeket Támogató Operatív Program - FEAD	Full
20	IT	2014IT05M9OP001	National on Youth Employment	Full
21	IT	2014IT05SFOP001	National Operational Programme on Social Inclusion	Full
22	IT	2014IT05SFOP011	POR Valle d'Aosta ESF	Full
23	IT	2014IT05SFOP012	POR Veneto ESF	Full
24	IT	2014IT16M2OP002	ROP Puglia ERDF ESF	Full
25	LT	2014LT16MAOP001	Operational Programme for EU Structural Funds Investments for 2014-2020	Partial
26	RO	2014RO05FMOP001	Programul Operational Ajutorarea Persoanelor Dezavantajate - FEAD	Full
27	UK	2014UK05M9OP001	ESF England	Full
28	UK	2014UK05M9OP002	ESF Scotland (incl. YEI)	Full

**2007-2013 PROGRAMMING PERIOD**

1	AT	2007AT052PO001	Beschäftigung	Full Non-fin
2	DE	2007DE05UPO001	Bund	Full Non-fin
3	FR	2007FR052OP001	National ESF	Full Non-fin
4	FR	2007FR051OP001	Martinique	Full Non-fin
5	FR	2007FR051OP002	Guadeloupe	Full Non-fin
6	FR	2007FR051OP003	Guyane	Full Non-fin
7	FR	2007FR051OP004	Réunion	Full Non-fin
8	IT	2007IT051PO002	Calabria	Full Non-fin
9	IT	2007IT051PO003	Sicilia	Full Non-fin
10	IT	2007IT051PO005	Puglia	Full Non-fin
11	IT	2007IT052PO004	Lazio	Full Non-fin
12	RO	2007RO051PO001	Human Resources Development	Full Non-fin
13	RO	2007RO051PO002	Administrative Capacity Development	Full Non-fin
14	UK	2007UK052PO002	Lowlands and Uplands of Scotland	Full Non-fin

## 2.2. Other organisational management dimensions

### Brexit Preparedness

Brexit preparedness on both deal and no deal scenarios made progress. Meetings were organised regularly with the Task Force 50 in order to provide input to the Withdrawal Agreement on the section on Citizens Rights, and the Political Declaration on the Future Relationship on level playing field on social and employment standards.

EMPL also produced a Preparedness Notice on European Works Council and contributed to a Notice for Travellers.

EMPL contributed to the Communications produced by the SG Brexit Preparedness Group on preparing on the withdrawal of the UK.

EMPL internal preparedness included making an inventory of all bodies and agencies, which fall under its remit, as well as an inventory of all IT systems to which UK authorities and organisations have access. Each business owner was asked to prepare a planning of the revocation of UK access.

Preparatory work has also been carried out on the Europa website and other communication material, since references to the UK as a Member State will have to be removed on the date of withdrawal.

In the framework of the preparations for an eventual no-deal Brexit, DG EMPL prepared a legislative proposal on contingency measures for social security coordination. The Commission proposal was presented on 30 January 2019, and the Regulation was adopted by co-legislators on 19 March 2019.

Finally DG EMPL contributed to the preparations for a 'no deal' Brexit on the financial management of the European Union budget, in particular vis-à-vis the ESIF.

### 2.2.1. Human resource management

2018 was the second year of functioning under the new HR Delivery Model, whereby the implementation of standard HR operations were taken over by an Account Management Centre (AMC) in DG HR, while the HR Business Correspondent (BC) with a small team remained responsible for defining HR strategy and supporting HR decisions, in consultation with the management of the DG. Adapting to this new model while maintaining business continuity and the quality of services to the DG remained a key challenge throughout the year.

DG EMPL continued its efforts to align staff allocation with priorities, including through careful screening of vacant posts. For contract agents, measures have been taken to ensure a better correspondence between the type of contract and the level of responsibilities.

Prepared on the basis of a management survey, the 2018 Learning and Development Programme provided a rich learning offer throughout the year with nearly 100 internal sessions, including the EMPL Summer School and the European Semester training series. An all-staff event 'EMPL Day' was organised with the purpose of bringing insight into the main activities of the DG and facilitating informal exchanges between colleagues. This event and the Christmas Party of the DG were also aimed at increasing job satisfaction and staff engagement.

To facilitate mobility within the DG, the internal job market is made visible through systematic publication of EMPL vacant posts on the intranet. DG EMPL also participated in the '4 years career talk' pilot scheme of DG HR, the job-shadowing scheme for AST officials, as well as in the pilot Female Talent

Development Programme.

With the 57% representation of women in middle management, DG EMPL largely overpasses the 40% target.

## 2.2.2. Better regulation

### Impact Assessments

The Regulatory Scrutiny Board (RSB) assessed five EMPL impact assessment (IA) reports. On the first submission, one IA got a positive opinion, two got positive opinions with reservations and two got negative opinions.

The impact assessment related to a proposal for a Regulation establishing a European Labour Authority received a positive opinion upon resubmission, thus not delaying the initiative unduly, while the impact assessment related to the proposal for the Regulation on European Social Security Number has not been resubmitted yet. The work on both impact assessments highlighted several challenges when working under time pressure, such as challenges in gathering evidence, consulting stakeholders or carrying out analysis.

The results against the milestone set for the impact assessment improved thanks to intensive and proactive work within the DG in raising awareness about the Better Regulation requirements of the units before starting the work. The very strong involvement of the experts on impact assessments within the DG in the preparation of the impact assessment reports and supporting studies, as well as including the experts directly in the internal task force has also been made standard practice within DG EMPL. Preparatory meetings between operational units and the unit dealing with impact assessments in advance of the Regulatory Scrutiny Board meeting have proven helpful.

### Regulatory acquis covered by evaluations

The share of EMPL's policy related legislation covered by ex-post evaluations remained stable at 86% in 2018. However, this indicator does not take into account funding instruments. Therefore, evaluations completed until 2018 are not reflected in this ratio (evaluation of Your First EURES job mobility scheme, ESF ex-post evaluation, the ex-post EGF evaluation). To better capture the evaluation activities of DG EMPL, the approach for defining this indicator should be revised in the future under the new Commission to include also funding instruments.

## 2.2.3. Information management aspects

### Sharing of information and knowledge

**Contributing to the EU Results website with EMPL managed funds:** EMPL extensively contributed to the EU Results website with more than a thousand projects related to ESF and EGF, as well as EaSI and FEAD, thus exceeding the target set.

**Improvement to MyEMPLnet:** following the feedback from the Rethinking DG EMPL Taskforce, as well as the online survey open to all staff and the tests involving colleagues from across the DG, MyEMPLnet was fully revised and improved. A second survey was launched before the end of the year with a view to making this a recurrent feedback exercise. The survey confirmed the high staff satisfaction (90%) after the implementation of the improvements to MyEMPLnet.

### Document management

**Extension of access of EMPL NOMCOM files to other Commission services:** a revision of the visibility of EMPL files was carried out through a survey that



involved all EMPL services. The objective was to extend access to EMPL files whose access does not need to be restricted because of personal data or other sensitive information according to current EC and national legislation and rules. In the absence of corporate guidelines on specific types of files (e.g. financial files), the revision led to extending access to other Commission's services of a limited percentage of EMPL active and closed files. In fact, this exercise also led to the restriction of visibility of some financial files, audit and legal files that may contain sensitive information, such as non-finalised Commission positions, personal or third parties sensitive information or information subject to risk of leakage. Nonetheless, access to other Commission services was extended for 52% of active policy files and 29 % of closed policy files. The relevant reference documents relating to the filing plan were updated accordingly.

**Implementation of Hermes Preservation System (HPS) functionalities:** HPS functionalities were analysed and new electronic workflows were established to facilitate the transfer of closed paper files from units to EMPL Intermediate Archives and to apply the APED (administrative elimination of documents during ARP- Administrative retention period). Procedures were also revised to prepare future post-ARP actions, such as sampling and selection of financial files.

Furthermore, DG EMPL established a fully-electronic circulation of documents in Ares at all levels to improve both efficiency and quality in document management and archiving.

### **Data protection**

The implementation of the Commission's action plan on data protection is well under way in DG EMPL. In 2018 the Director-General of DG EMPL decided to move the role of Data Protection Coordinator (DPC) to the coordination unit in order to strengthen accountability and ownership. A new DPC was appointed in September 2018. The DPC made a presentation to the Senior Management on Regulation 2018/1725 and the Action Plan C(2018)7423 at a Coordination Meeting in October 2018.

Following this presentation, the DPC made a series of presentations to each Directorate, where all Heads of Units were present, and a system of contact points at Directorate and Unit level throughout the entire DG has been established.

The DPC regularly provides updates to the Director-General and assistants of DG EMPL.

EMPL is also raising awareness on data protection and the new Regulation (EU) 2018/1725 within the DG through internal trainings and info sessions at Directorate and Unit level. Three trainings took place in 2018 to which over a hundred staff members participated. More trainings are planned for 2019.

The EMPL intranet page on data protection has been completed revamped with the latest information including the Regulation, guides and the templates for records and privacy statements. An interview with the DPC was published on the EMPL intranet on the day when the new Regulation came into force.

The DPC also provides a helpdesk to colleagues on all data protection issues. This varies from answering questions by email to providing mini information sessions to a small group of colleagues.

The DPC has written an internal guide with frequently asked questions, which was presented at a special information session to all internal contact points and distributed to all staff members. Guidance from the EDPS and DPO is distributed regularly to all contact points.

A review of all processes, records, privacy statements and mailing lists in light of the new Regulation has taken place. The records and privacy statements are now

being transferred to the new DPMS register. This exercise will be concluded by May 2020.

Structures will be put in place in DG EMPL on data protection related issues such as data breaches, DPIAs and privacy by design and default in 2019. This could not be done in 2018 due to lack of guidance.

The DPC of EMPL regularly attends meetings of the DPC network and attends working groups of DPCs.

As a result of all these measures DG EMPL has a high level of compliance to Regulation 2018/1725 and the Action Plan C(2018)7432. This will be further strengthened throughout 2019 through additional guidance and training for all staff members.

## **2.2.4. External communication activities**

Following the adoption of the European Pillar of Social Rights, EMPL's external communication focused on enhancing public awareness and visibility of the different measures implementing the Pillar. The main objective was to communicate what the EU concretely does to build a fairer and more social Europe with well-functioning labour markets and a strengthened social dimension. This contributed to the objective of EMPL's strategic plan 2016-2020 to regain citizens' trust in the sustainability of the European economic and social model by reaching out to citizens and passing the message that more and better social rights are at the heart of the European project.

EMPL's external communication concentrated on three policy areas included of the 2018 Commission Work Programme:

### **Key priority #1 "jobs, growth, investment"**

EMPL communicated on the 2018 European Semester and in particular on its "social dimension" including data from the Social Scoreboard. Furthermore, EMPL communicated on the European Skills Agenda and organised a "Validation Festival", which allowed reaching out to stakeholders and experts to advance the validation of informal and non-formal learning. Another priority of EMPL's external communication was to raise awareness on the social dimension of the EU's next long-term budget, in particular on the new European Social Fund+ and the strengthened and more effective European Globalisation and Adjustment Fund. EMPL implemented targeted communication actions to reach out to the media, stakeholders and citizens by communicating the concrete achievements of the European Social Fund, the European Globalisation Adjustment Fund, the EU Programme for Employment and Social Innovation and the Fund for European Aid to the Most Deprived, Erasmus+ / ErasmusPro and the European Solidarity Corps. EMPL also cooperated with DG COMM and contributed with success stories and testimonials to the corporate communication campaigns investEU, EUandMe and EU protects.

### **Key priority #4 "Internal Market"**

EMPL developed communication actions and organised a media seminar on the launch of the Social Fairness package in spring, covering the coordination of social security, a proposal for a European Labour Authority and the access to social protection for atypical workers and self-employed. EMPL's Facebook post announcing the Package reached over 17.000 people against a target of 8.000. More targeted communication was done on the Pensions Adequacy Report, the report on Employment and Social Developments in Europe, the reform of the posting of workers directive, the predictability and transparency of working conditions, the reduction of workers' exposure to cancer-causing chemicals in the

workplace and the provisional agreement for a European Accessibility Act. In autumn EMPL launched a communication campaign to attract awareness of the 50th and 60th anniversaries of the two founding regulations on free movement of workers and social security coordination. Furthermore, EMPL promoted successfully the European Health Insurance Card by reaching around 55.000 website visits, 50.000 of which came from Facebook and Instagram. This was complemented by a YouTube video campaign, which obtained more than 132.000 views.

### **Key priority #5 "deeper and fairer EMU"**

EMPL launched a communication campaign to raise awareness among stakeholders and citizens on the European Pillar of Social Rights. The campaign included the placement of an exhibition at events in Member States, the establishment of a network of multipliers to reach out to wider audiences, the organisation of events on the Pillar in cooperation with Commission REPs and the broadcasting of Pillar-related topics in collaboration with Euronews. EMPL targeted in particular young people through its participation in the European Youth Event in Strasbourg in June where debates and workshops with young people on Pillar-related topics were organised, including a photo competition on #MySocialRights. The targets set in the 2018 Management Plan were overachieved. EMPL's general and country-specific posts on Facebook generated a total reach of over 3.000.000, with further 1.745.000 impressions and more than 25.000 interactions coming from tweets from @EU\_Social during the year.

EMPL also raised awareness on the EURES job network, the European Day of Persons with Disabilities, the Access City Award and reached out to apprentices and employers during the European Vocational Skills Week. The latter covered over 1800 events, reaching out to 2.4 million people. This is an overachievement compared to the targets set in the 2018 Management Plan (1585 events, outreach to 986.000 people).