



2015

Annual Activity Report

**Employment, Social
Affairs and Inclusion**



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List of acronyms

AAR	Annual Activity Report
AA	Audit Authority
ACR	Annual Control Report
AGS	Annual Growth Survey
AIR	Annual Implementation Report
AOD	Authorising Officer by Delegation
AOSD	Authorising Officer by Sub-delegation
CIE	Counterfactual Impact Evaluations
COM	Commission
CSR	Country Specific Recommendation
CWP	Commission Work Programme
DG	Directorate General
EaSI	EU Programme for Employment and Social Innovation
ECA	European Court of Auditors
EC	European Council
EEA	European Economic Area
EEPO	European Employment Policy Observatory
EESSI	Electronic Exchange of Social Security Information
EGF	European Globalisation Adjustment Fund
EMCO	Employment Committee
EP	European Parliament
ESDE	Employment and Social Developments in Europe
ESF	European Social Fund
ESIF	European Structural and Investment Funds
EURES	European Employment Services
FEAD	Fund for European Aid to the Most Deprived
FTA	Free Trade Agreements
IAC	Internal Audit Capacity
IAS	Internal Audit Service
ICS	Internal Control Standards
IPA	Instrument for Pre-accession
JER	Joint Employment Report
LFS	Labour Force Survey
LTU	Long Term Unemployment
MA	Managing Authority
MCS	Management and Control Systems
MFF	Multiannual Financial Framework
MLP	Mutual Learning Program
MP	Management Plan
MS	Member States
SCO	Simplified Cost Options
SIP	Social Investment Package
SPC	Social Protection Committee
SPPM	Social Protection Performance Monitor
SWD	Staff Working Documents
TMS	Targeted Mobility Scheme
TTIP	Transatlantic Trade and Investment Partnership
WLA	Workload Assessment
YEI	Youth Employment Initiative
YfEj	Your First EURES Job
YG	Youth Guarantee

INTRODUCTION

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 the rights of persons with disabilities.

Mission Statement Management Plan 2015

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" (Article 45 TEU), the coordination of social security systems (Article 48 TEU) and the promotion of social dialogue and of improved living and working conditions (Articles 151 to 155 TFEU). 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 thereby to raising the standard of living (article 162 TFEU) and to develop actions leading to the strengthening of the Union economic, social and territorial cohesion (article 174 TFEU). EMPL also contributes to the employment and social dimension of enlargement and of globalisation.

EMPL's policies are framed by the **Europe 2020** Strategy, intended to help the EU to move from crisis-effect management to longer-term structural growth. With the overall goal to generate smart, inclusive and sustainable growth, it sets out an overarching policy framework for reforming labour markets, modernising social Europe, creating job opportunities, ensuring adequate and sustainable social protection systems and social inclusion, and fostering economic competitiveness.

Guided by the Treaty, EMPL's mission and political priorities are further defined on the basis of **President Juncker's political guidelines**¹ set for the Commission 2014-2019 and its translation in Commissioner Thyssen's mission letter².

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** to work towards the attainment of those objectives are:

- (1) Policy activities of guidance, coordination and governance towards employment and social policies reforms;
- (2) Regulatory activities in the areas of working conditions (labour law, health & safety), workers' rights and free movement of workers;
- (3) Management of a wide range of funding instruments (with an annual budget of EUR 15.9 billion in 2015) under different management modes:
 - **Shared:** European Social Fund (ESF), including the Youth Employment Initiative (YEI), European Globalisation Adjustment Fund (EGF), Fund for European Aid to the Most Deprived (FEAD);
 - **Direct:** EU Programme for Employment and Social Innovation (EaSI³), part of Erasmus+ and of the Rights, Equality and Citizenship Programme (REC) and funds allocated by

¹A New Start for Europe: My Agenda for Jobs, Growth, Fairness and Democratic Change Political, http://ec.europa.eu/priorities/docs/pg_en.pdf

²President 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

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

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 & ETF⁴).

- **Indirect:** Instrument for Pre-Accession Assistance – Human Resources Development (IPA-HRD 2007-2013) which is now phasing out. Its successor is managed by ELARG.

EMPL also **entrusted budget implementation tasks** to ESTAT, REGIO, DIGIT, AGRI, CNECT, ECFIN, SANTE and DGT (commitment EUR 10.2 million).

The table below shows the total commitment and payment appropriations authorised in 2015⁵:

2015 (in EUR Mios)	Commitments appropriations authorised	Payments appropriations authorised
The European Social Fund and the YEI	17 152.8 ⁶	10 338.3
The Fund for European Aid to the Most Deprived	536.9	45.6
The European Globalisation Adjustment Fund	147	111.7
The Instrument for Pre-Accession Assistance – Human Resources Development	0	64.5
Direct Management (EaSI, prerogatives, REC, Erasmus+) and agencies	296.5	255.5
TOTAL	18 133.2	10 815.6

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

- **ESF and FEAD (shared management):** The ESF, representing 94.6% of EMPL's 2015 budget⁷, operates under shared management in accordance with Article 58(1) (b) and 59 of the Financial Regulation. Member States therefore 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 although the Commission retains final responsibility for the implementation of the budget under Article 317 of the Treaty. 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. The Commission exercises supervisory controls, mainly by audit of the MS' management and control systems, including transactions tests at beneficiary level.
- **IPA-HRD – (indirect management-third countries):** This fund 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 sound management of the allocated appropriations. This risk is however mitigated by the fact that ex-ante verification is carried out by the EC delegations in the candidate countries;
- **EaSI and prerogatives (Direct management):** It involves (a) the attribution of numerous contracts and grants for specific activities, and (b) the payment of numerous operating grants to 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.
- Although the four decentralised agencies supervised by EMPL have full responsibility for their own management, a number of reporting and supervising arrangements allow EMPL to build assurance as regards their management.

⁴ (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)

⁵ 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.

⁶ Include EUR 2.1 billion carried over

⁷ See annex 3.

Executive Summary

The Annual Activity Report is a management report of the Director-General of EMPL to the College of Commissioners. It is the main instrument of management accountability within the Commission and constitutes the basis on which the Commission takes its responsibility for the management of resources by reference to the objectives set in the management plan and the efficiency and effectiveness of internal control systems, including an overall assessment of the costs and benefits of controls.

a) Policy highlights of the year

2015 was a challenging year for the Commission. EMPL was active in implementing the President's Political Guidelines via the 2015 Commission Work Programme, which committed to fighting unemployment and improving social conditions, while setting the ground for a new start for social dialogue. During the year, EMPL was restructured to reflect the mandate given by President Juncker to Commissioner Thyssen to focus on employment, social affairs, labour mobility and skills. One Directorate is now devoted to each of those priority actions. In addition, one Directorate has been tasked with employment and social governance in the framework of the European Semester and another with the management of funds. Geographical units, in charge of ESF and FEAD as well as policy monitoring, were spread throughout the DG to ensure a closer link with policy making and coordination.

It focused on the 5 key priorities set in its Management Plan 2015 and delivered on the following key achievements:

1. Better-performing economic governance

Further strengthening the employment and social dimension of the European Semester:

- Progress was made on rebalancing the economic and social governance of the European Semester. The 2015 Semester has a stronger focus on employment and social issues, including for the first time in the Euro Area recommendations;
- Three indicators (activity rate, youth unemployment, long-term unemployment) were added to the Macroeconomic Imbalances Scoreboard included in the Alert Mechanism Report;
- The Commission adopted in March 2015 a proposal for a new package of integrated policy Employment Guidelines on common priorities and targets for employment policies, as well as the Joint Employment Report (JER), assessing the employment situation in Europe, the implementation of the Guidelines and the scoreboard of key employment and social indicators.

New start for social dialogue:

- The new start for social dialogue was launched during the High Level Conference on 5 March in Brussels, with a broad cross-section of social partners aiming to better address the economic and social challenges faced in Europe;
- Constructive discussion with social partners took place in the preparatory stage of major policy initiatives. Social partners also played an increased role in the European Semester; the Commission extensively discussed the analysis from the Country Reports directly with both EU level and national social partner organisations.

2. Improving labour-market performance

Focusing on access conditions and fostering employability:

- The fight against youth unemployment remained a top priority in 2015 with a focus on delivering concrete results. In order to enable Member States to deliver adequate support on the ground, the Commission increased significantly the pre-financing rate for the funding from the Youth Employment Initiative, providing around 1 billion euro to national and regional authorities with the aim of supporting up to 650,000 young people not in employment, education or training (NEETs);
- To tackle the long-term unemployment that reached alarming levels, affecting 12 million EU workers, the Commission proposed on 17 September 2015 a Council Recommendation aiming to increase transitions to employment by strengthening the support offered to the long-term unemployed.

Focusing on quality jobs:

- The fast-changing world of work calls for a renewed and balanced approach to the EU policies and instruments aiming at promoting fair and safe working conditions in the EU. Significant progress was achieved in carrying out the REFIT agenda aiming at a simplified, clearer and more robust regulatory framework in this area, notably with key steps taken for several evaluations, such as the comprehensive evaluation of the *acquis* in the area of occupational safety and health.

3. Modernising social protection & achieving greater social inclusion

- The European Accessibility Act, proposed by the Commission in the last quarter of 2015, aimed to improve the functioning of the internal market for accessible products and services designed for disabled persons, by removing and preventing barriers to their free movement;
- The 2015 edition of the Pension Adequacy Report published on 5 October 2015 assessed the degree to which pensions in EU Member States manage to provide older people with adequate income and poverty protection. Key messages were reflected in the 2016 Annual Growth Survey and will feed into other Commission policy work.

4. Preparing for the new jobs

- Under the Latvian Presidency, the Ministers in charge of vocational education and training (VET) issued joint conclusions on a new set of medium-term deliverables in the field of VET for 2015-2020 aimed at modernising the sector and helping Member States implement necessary reforms to enhance employability and help meet labour demand needs⁸. Also as part of this Ministerial, the Commission organised a joint event to give a new impetus to the European Alliance for Apprenticeships (EaFA);
- A new European Pact for Youth promoted by EMPL and CSR Europe was launched on 17 November 2015 seeking to create 10,000 business education partnerships and at least 100,000 new apprenticeships, traineeships and entry-level jobs by end 2017.

5. Fostering mobility within a pan-European labour market

- Supporting labour mobility and better coordination of social security systems have been one of the Commission's main actions to improve the European labour market. The EURES portal allows workers to easily access a database of job vacancies from the public employment services of all Member States and match them with their job applications on line. During 2015, the Council of the EU and the European Parliament approved the Commission's proposal to strengthen cooperation in this area;
- The COM proposal for a European Platform against undeclared work, aiming to improve cooperation at EU level to prevent and deter undeclared work, progressed following the provisional agreement reached by the EP and the Presidency of the Council in November.

EMPL's policy objectives are supported by the following funds

- Each year the ESF helps millions of Europeans improve their lives by learning new skills and finding better jobs. By the end of 2015, the Commission had adopted all ESF Operational Programmes (OPs), worth EUR 86.4 billion of investment in Europe's human capital;
- The EGF provides support to workers dismissed due to the economic crisis and/or changes in world trade patterns. The biennial report published in July showed that nearly 30 000 workers had been supported in 2013-2014. Applications received in 2015 point to a similar level;
- The Commission adopted the last remaining national operational programmes for the FEAD. In total this is worth EUR 3.8 billion of EU funds together with close to EUR 0.7 billion of national co-financing to assist the people most in need in the EU for 2014-2020;
- To promote jobs and growth in Europe, social and micro-enterprises now have access to over EUR 500 million of finance (EaSI Microfinance). This is the result of an agreement signed in June 2015 between the European Commission and the European Investment Fund and to be implemented through the EaSI Program which will provide EUR 96 million in funding for the period 2014-2020.

⁸ Riga Summit 2015: Shape the future of the multilingual digital single market

b) Key Performance Indicators (KPIs)

EMPL - KPIs	Target	Latest known results															
Degree of implementation of EMPL's initiatives of the CWP	100%	2015: 40% (3/8) <i>3 of 8 CWP items adopted⁹ and 3 labour mobility items are pending. REFIT information and consultation of workers is on hold and REFIT written statement is postponed until 4th Q 2016.</i>															
Level of implementation of the employment and social policy components of the Country Specific Recommendations (CSRs)	100% (2020)	<table border="1"> <thead> <tr> <th>2015</th> <th>No. CSRs</th> <th>Some or full progress (%)</th> </tr> </thead> <tbody> <tr> <td>More & better jobs</td> <td>66</td> <td>52%</td> </tr> <tr> <td>Skills</td> <td>57</td> <td>53%</td> </tr> <tr> <td>Mobility</td> <td>15</td> <td>53%</td> </tr> <tr> <td>Social protection systems</td> <td>52</td> <td>42%</td> </tr> </tbody> </table> <p><i>This is an improvement over last year (respectively 55%, 46%, 25% and 37% in 2014).</i></p>	2015	No. CSRs	Some or full progress (%)	More & better jobs	66	52%	Skills	57	53%	Mobility	15	53%	Social protection systems	52	42%
2015	No. CSRs	Some or full progress (%)															
More & better jobs	66	52%															
Skills	57	53%															
Mobility	15	53%															
Social protection systems	52	42%															
Adoption of all the remaining Operational Programmes and closure decisions in 2015, respecting relevant deadlines, where the Commission has the necessary information	100% (2015)	2015: 100%															
Unemployed participants in education/training, gaining a qualification or in employment, including self-employment, upon leaving the YEI supported intervention	347,000 ¹⁰ (2016)	2014: 4,063 ¹¹ . <i>Implementation on the ground has faced some delays. A major problem identified was the lack of public funding to advance YEI activities. This was tackled by the increase of the YEI initial pre-financing in 2015.</i> <i>138 000 participants were reported in 2014, most of whom did not leave the YEI by the December 2014 cut-off date of the reporting. This number should therefore increase in the next Annual Implementation Report.</i>															
Cumulative residual error rate in shared management below 2% (section 2.4.1.2)	< 2%	2014: 1.2% (OPs 2007-2013) 2015: 0.9% (OPs 2007-2013)															

c) Key conclusions on Management and Internal control

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

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 (further details in section 2).

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.

In conclusion, management has reasonable assurance that for the EGF, 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.

⁹ Speeding up the implementation of the Youth Employment Initiative through an increase of the pre-financing rate; Proposal for a Council Recommendation on "Integration of the long-term unemployed"; European Accessibility Act: improving accessibility of goods and services in the Internal Market

¹⁰ Initial targets and milestones were calculated on partial information as not all OPs were adopted at the time. They have been adjusted on the basis of all OPs

¹¹ The first set of structured data for YEI was submitted to the Commission in April-May 2015 and covered interventions until end 2014. Next reporting exercise will happen in May 2016 and will cover 2015 interventions.

The management has the same assurance that suitable controls are in place and work as intended as regards IPA and the ESF. The internal control system allowed detecting deficiencies in the Management and Control Systems of 23 ESF OPs and 1 IPA OP of the 2007-2013 programming period. The financial risk is estimated at less than 0.1% for the IPA OP and 0.7% for the ESF OPs of the 2007-2013 interim payments executed in 2015. Concerning the ESF, the overall estimated validated average error rate¹² on 2015 payments for the 2007-2013 programming period, after the Commission analysis of Annual Control Reports (ACRs), is in the range of 3 to 3.6% and the cumulative residual error rate over the whole period is estimated at 0.9%. One FEAD OP to which interim payments were made is 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 0% of the interim payments executed in 2015 as the potential risk estimated at 10% is covered by the 10% retention on the payments made.

EMPL continues to apply a strict policy of interruption and suspension of payments to preserve the EU's financial interests. The financial corrections implemented in 2015 amounted to EUR 373.2 million of which EUR 193.8 million for 2007-2013 and EUR 179.4 million for 2000-2006 and previous programming period.

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 between 2.2% and 2.7% at the time the payment is made.

By applying the calculated CRR for the programming period 2007-2013 to all EMPL's interim payments, EMPL's conservative estimate of future corrections for those 2015 payments should reach at least EUR 160 million.

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 the programming period 2007-2013 and to FEAD for the programming period 2014-2020. A reputational reservation is also maintained for the three remaining ESF Operational Programmes from the 2000-2006 period.

d) Information to the Commissioner

The main elements of this report and assurance declaration, including the reservations envisaged, have been brought to the attention of Commissioner Thyssen, responsible for Employment, Social Affairs, Skills and Labour Mobility.

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

The policies pursued by the Commission are shaped by many other factors with strong effects; key among these are the macro-economic situation, in particular the current and expected GDP growth in the EU and the linked rest-of-world GDP growth; push and pull factors in the various origin and destination countries of intra-EU movers such as differences in income levels across countries and regions. Furthermore, most policy levers are in the hands of the Member States and subject to many sometimes conflicting demands including fiscal constraints.

Notably due to the specific nature and/or management mode of the underlying activities, the achievement of expected results and impacts goes therefore far beyond EMPL's area of control.

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

¹² This validated error rate is the most comparable with the error rate determined by the ECA for the Cohesion Policy. However they are based on different approaches: (1) on the one hand, an extrapolated error rate (fund specific as from the DAS 2011) based on audits of a sample of programmes and of operations using a statistical approach (ECA approach); and (2) on the other hand, an average error rate based on the audit of operations by the Audit Authorities reported in the ACRs covering all the ESF operational programmes (Commission).

1.1 The employment and social situation in the EU¹³

In its Management Plan 2015, EMPL revised the **general objectives**¹⁴ it contributes to in order to better reflect the mission given of the new Commissioner Marianne Thyssen:

- Creation of more and better jobs accessible to all;
- A skilled and more entrepreneurial workforce stimulating job creation;
- Increased geographic and professional mobility in a dynamic and integrated EU labour market;
- Effective and efficient social protection systems supporting shared prosperity.

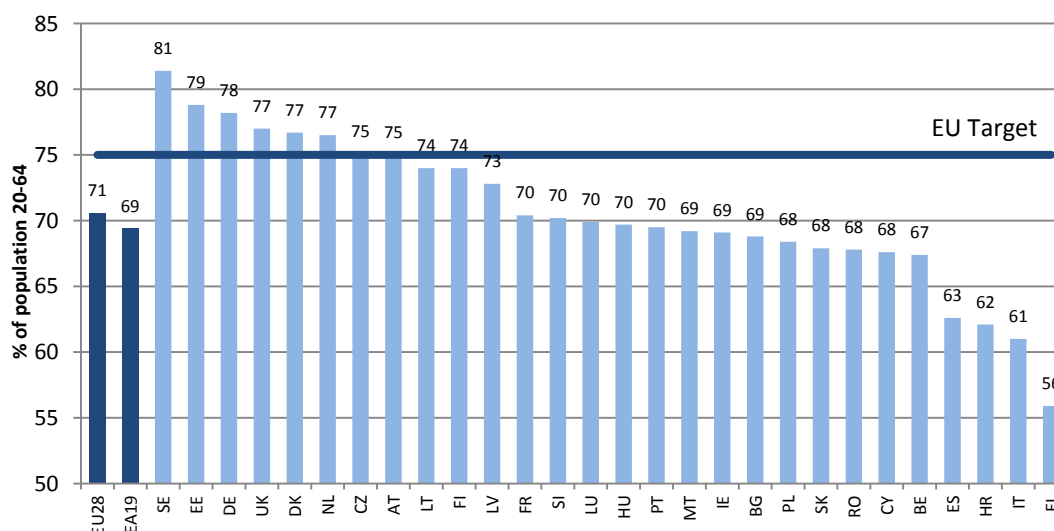
Progress of key indicators reflecting those EU objectives is notably monitored throughout the year in the Quarterly and annual reviews of Employment and Social Developments (ESDE). This section reflects the [latest publications](#) of those documents.

The economic and financial crisis has had a profound impact on society. There are some signs that the employment and social situation in the EU is slowly improving and this more favourable macro-economic environment must translate into more and better opportunities for people in the EU.

The EU employment rate returns to pre-crisis level but remains nearly 5% below Europe 2020 target...

The employment rate¹⁵ for 20 to 64 year-olds has recovered consistently for two years now and reached 69.2% in 2014. In the third quarter of 2015 (not seasonally adjusted), it had just returned to its 2008 level, at 70.6% which is thus far from the Europe 2020 target (Chart 1). For the Euro Area (EA), the employment rate increased to 69.4%, still 1.1 p.p. below the 2008 value. In many Member States, notably those more severely hit by the crisis, employment rates have still some way to go to recover from the crisis.

Chart 1: Employment rate (20-64) in the EU Member States, 2015Q3¹⁶



¹³ Sources: "The 2015 Employment and Social Developments in Europe (ESDE) Review", "The EU Employment and Social Situation Quarterly Review (December 2015)

¹⁴ Corresponding indicators are presented in annex 12

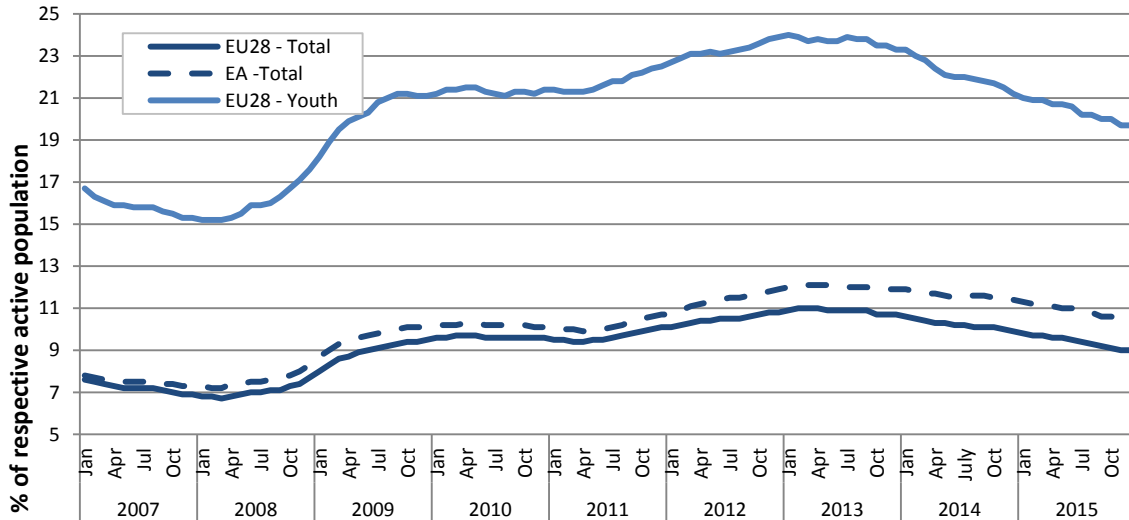
¹⁵ Indicator 1 – see annex 12

¹⁶ Source: Eurostat, LFS [lfsi_emp_q] Data non-seasonally adjusted

... with slightly declining but still unacceptable levels of youth unemployment ...

The unemployment rate in the EU and EA has seen a steady but moderate decline since mid-2013 (Chart 2) but remains markedly higher than its low in 2008. Although remaining at unacceptable levels the same trend is observed for the **youth unemployment rate** which fell to 19.7% in the EU and to 22 % in the EA.

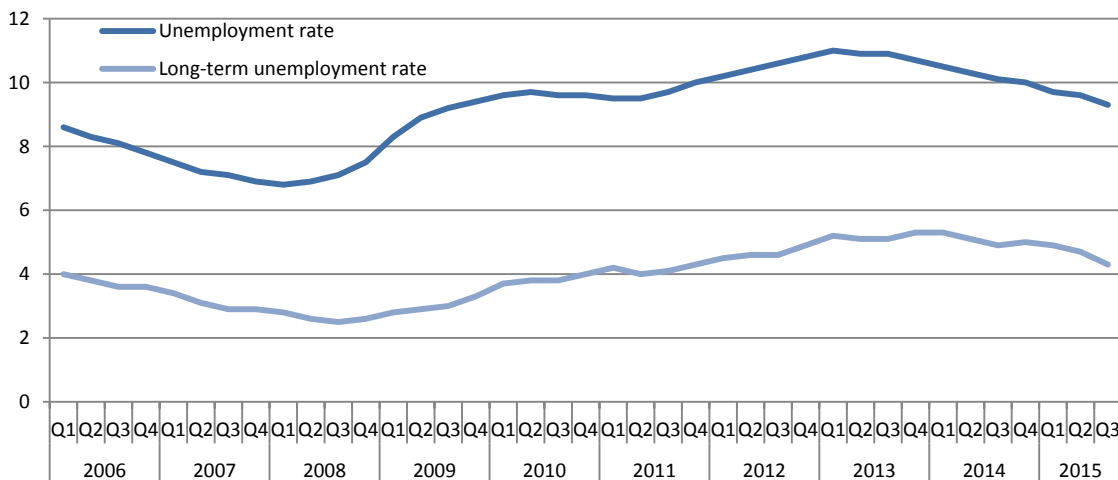
Chart 2: Unemployment rate (total and youth) - EU and EA¹⁷



... and long-term unemployment which both became major challenges for the EU.

The long-term unemployment rate¹⁸ reached 5.1% in 2014. It decreased by 0.6 pp in the year to the third quarter of 2015 (not seasonally adjusted) and is now 4.3% of the labour force (Chart 3). This is the biggest reduction since the first decline in 2014 and suggests that the reduction in long-term unemployment may be gaining momentum. This level is in line with the milestone that was set for 2015 (< 4.5%).

Chart 3: Unemployment and long-term unemployment rates and share in the EU¹⁹



¹⁷ Source: Eurostat, series on unemployment [une_rt_m] Data seasonally adjusted

¹⁸ The rate for those unemployed for a year or more. Indicator 3 – see annex 12

¹⁹ Source: Eurostat, LFS [une_rt_q, une_ltu_q] Data non-seasonally adjusted

Yet 40% of employers report difficulties in finding candidates with the right skills...

The labour market is constantly evolving; skills, competences, and knowledge that people need change over time.

40% of employers report difficulties in finding candidates with the right skills, many of them stressing lack of technical or transversal skills and work experience among job applicants.

OECD surveys reveal that too many people leave education and training without sufficient levels of skills for being employable and taking part in social life. Almost 70 million European adults do not possess sufficient levels of literacy or numeracy and one in five 15 year-olds is low performing in these basic skills²⁰. Almost 40% of individuals in the EU have only low level or no digital skills²¹ and a significant share of migrants from third countries already residing in the EU lack basic skills²².

EU education and training systems are struggling to meet 21st century expectations, including longer working lives and digital skills. Investment in this area is therefore crucial to reducing unemployment and increasing EU competitiveness. Reducing school drop-out rate below 10%²³ and exceeding 40%²⁴ of 30-34 year-olds who completed a third level education are key objectives of the Europe 2020 Strategy. Latest results are on track towards the targets set in the EU2020 Strategy.

Chart 4: Early leavers from education and training

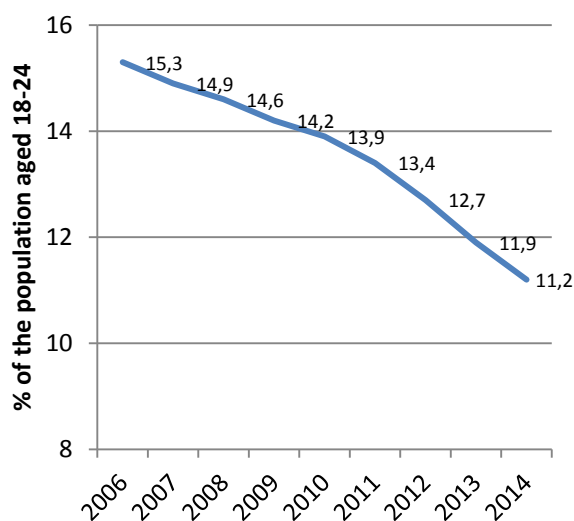
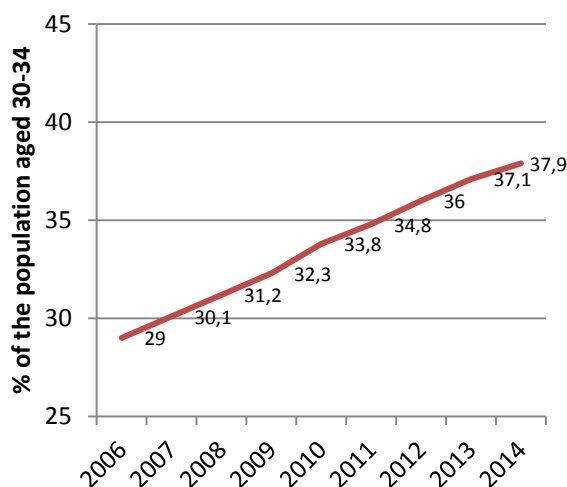


Chart 5 Tertiary educational attainment by sex, age



... and the Internal Market remains unevenly developed, with untapped potential for growth and jobs.

Currently, around 8.1 million EU citizens are economically active and live in another EU country, representing 3.5% of the total EU labour force. Furthermore, 1.6 million people work in a Member State other than the one in which they reside, and some 1.45 million workers are posted. However, these figures are still rather low if compared for example with the U.S. where around 30 % of the working-age population live in a different state than that of their birth.

At the same time, the impact of labour mobility on the ground is subject to discussions both in destination and origin countries. Concerns have been raised in relation to potential negative effects, such as the risk for mobile and posted workers to be exploited or abused, displacement effects of local workers, the perception of abuse and fraud in access to welfare benefits, as well as brain drain and youth drain.

²⁰ OECD PIAAC survey on EU working age population and PISA survey on 15 year olds.

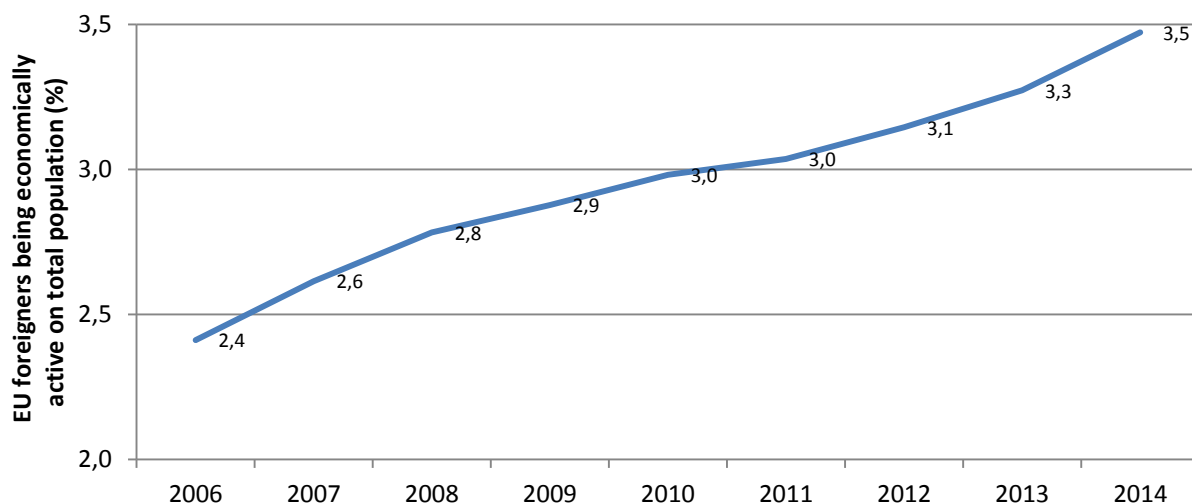
²¹ The Digital Economy and Society Index (DESI) 2015.

²² OECD-EU, Indicators of Immigrant Integration, 2015.

²³ Early leavers from education and training: dropped from 12.7% in 2012 to 11.2% in 2014 (see annex 12)

²⁴ Tertiary educational attainment: up from 36.0% in 2012 to 37.9% in 2014 (see annex 12)

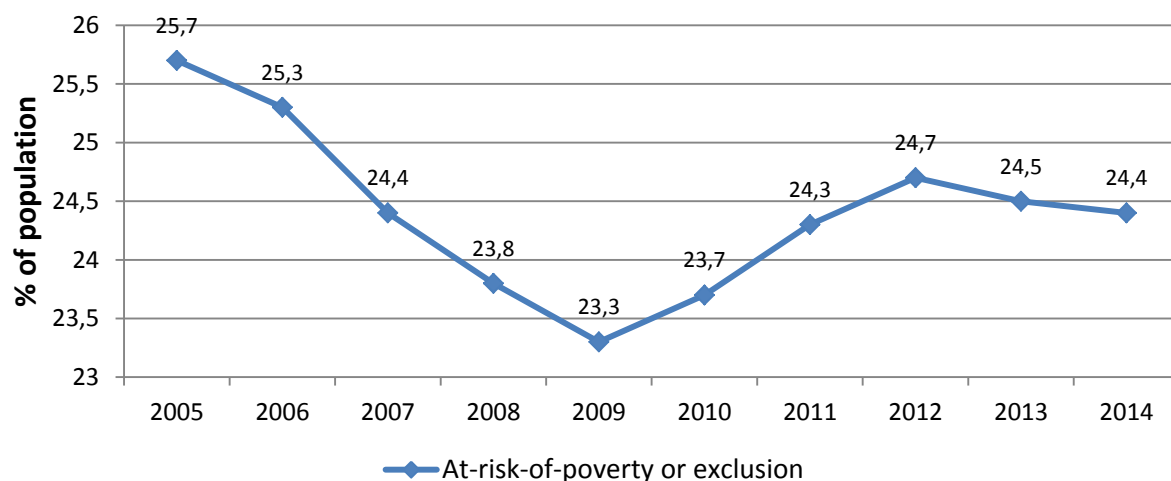
Chart 6: Share of mobile EU citizens in % of the labour force (EU-28)



Unfortunately, improvements on the labour market did not translate into significant progress in reducing poverty.

With 122.3 million people at risk of poverty²⁵ in 2014 against 115.7 in 2008, poverty and social exclusion levels have reached record highs.

Chart 7: Trends in poverty and social exclusion in the EU²⁶



Continuous high level of poverty and social exclusion points to the need for further improving social policies towards a fairer European Union, in particular ensuring sustainable and adequate social protection systems. Further modernisation of social protection systems is needed to facilitate labour market participation and to prevent and protect against risks throughout the life course.

²⁵ Indicator 15 – see annex 12

²⁶ Source: Eurostat, EU-SILC [ilc_peps01,], Note: EU-27 up to 2009

1.2 Progress towards policy priorities

EMPL's initiatives, as defined in the 2015 Commission Work Programme²⁷ and in its Management Plan 2015, focused on the following priorities.



1.2.1 Better-performing economic governance

A. Contributing to the European Semester and the related Country Specific Recommendations²⁸

Revamping the European Semester

The economic crisis demonstrated a need for **stronger economic governance and better policy coordination** between the EU Member States. In a Union of highly integrated economies, enhanced policy coordination can help promote structural reforms, prevent discrepancies in employment and social matters and contribute to ensuring convergence and stability in the EU as a whole, and in its Member States.

Action taken to manage the crisis had resulted in "reform fatigue" in the Member States and the main stakeholders and there was a need for simplification and more ownership of the European Semester process. In October 2015²⁹, the Commission decided to further **streamline the European Semester**. This notably includes better integrating the euro area and national dimensions, a stronger focus on employment and social performance, enhanced democratic dialogue, promoting convergence by benchmarking and pursuing best practices, and the support to reforms from European Structural and Investment Funds and technical assistance.

A key role for EMPL in the European Semester process is to ensure that economic governance reflects its assessment of the employment and social situation in Member States. This requires thorough analysis of country reforms, as well as monitoring and evaluation of the implementation of previously adopted Country-Specific Recommendations (CSRs).

²⁷ http://ec.europa.eu/atwork/pdf/cwp_2015_en.pdf

²⁸ In the MP2015, the European Semester is covered by ABB 0403-Specific Objective 1: Policy guidance and initiatives adequately reflect and support EU priorities and are implemented through coordination and governance of employment and social policies reforms.

²⁹ COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE EUROPEAN CENTRAL BANK On steps towards Completing Economic and Monetary Union - COM/2015/0600 final

Delivering on the European Semester

EMPL contributed to the **2015 European Semester** by drafting Country Reports in February and the package of CSRs including the chapeau communication in May 2015. The Country Reports and CSRs were drafted on the basis of EMPL own analysis of the situation in Member States, the examination of draft National Reform Programs elaborated and submitted by national governments and input stemming from the EMCO multilateral surveillance as well as fact finding missions. CSRs were adopted in June 2015 by the Council.

It also helped to prepare the **2016 European Semester** by contributing to the elaboration of the economic governance package which includes the Annual Growth Survey (AGS), the Alert Mechanism Report (AMR), and the Joint Employment Report (JER). It notably made sure that these key documents provide guidance for social and employment policies to Member States and duly take account of social and employment indicators in assessing the risks and consequences of macro-economic imbalances. It was adopted by the Commission in November 2015. EMPL also contributed to the draft euro area recommendation adopted with the AGS and supporting staff working documents.

EMPL also contributed to the work on the European Semester via a series of fiches on Europe 2020 thematic areas (updates in May and November 2015). The latter update aligned the fiches to the philosophy of policy benchmarks as referred in the Five Presidents Report, the Communication on "steps towards Completing Economic and Monetary Union"³⁰ and the AGS 2016.

In addition to the above-mentioned, the following guidance and analysis was provided:

- The **Labour Market and Wages Development** (LMWD³¹) report, which fed into the preparations for the JER and AGS helping highlight key employment challenges, was published in July 2015;
- **Quarterly and annual reviews of Employment and Social Developments** (ESDE), which provide a solid evidence base on key employment and social trends and challenges. The 2015 Review of Employment and Social Developments in Europe was released on 21 January 2016 and covered a broader range of issues than previous editions, including mobility and migration, long-term unemployment, entrepreneurship, skills, social protection, employment protection legislation and industrial relations. The Review was presented and discussed at a major conference that took place on the same day in Brussels. Much of the evidence presented in the report is directly relevant to policy initiatives that are currently being prepared by EMPL. The data and analysis are also useful to national policy makers due to their comparative perspective which facilitates mutual learning;
- **Employment guidelines**, which set out the main policy directions for employment and social policies, were revised to make them more target- or outcome- oriented and use them as a binding instrument. The Commission proposal (March) was adopted by the Council in October 2015.

Seeking ownership in the implementation of reforms and supporting mutual learning

Through the **Multilateral Surveillance process**, exercised via the Employment Committee (EMCO) and Social Protection Committee (SPC) the Commission sought Member States ownership in the implementation of reforms. Priorities were set up to encourage **mutual learning** among Member States and to assess progress towards the employment and poverty targets of Europe 2020. This has allowed for the adoption of the CSRs and the offering of tailored advice to Member States on how to boost growth and jobs while maintaining sound public finances.

The Commission also supported exchange of employment and social policy practices through the Mutual Learning Programme and enhanced evidence-based policy-making through the use of the European Employment Policy Observatory (EEPO) network of experts.

Deepening the EMU

EMPL contributed to the package on deepening the EMU, providing input ahead of the Communication on "steps towards Completing Economic and Monetary Union"³². Work has been

³⁰ (COM(2015) 600 final

³¹ a renamed version of the Labour Market Developments in Europe report

³² COM(2015) 600

initiated on policy benchmarks to promote upwards convergence among Member States as a follow up to this communication. The first discussion with EMCO took place in December 2015. The benchmarking work will facilitate upwards convergence by identifying best policy practices for Member States to implement within ongoing employment and social structural reforms via discussions in EMCO and the European Semester process more generally.

Funds supporting this priority

This priority is sustained by **EaSI-PROGRESS** which supports actions developing and disseminating comparative analytical knowledge provides evidence on the Union's policies and improves information sharing, mutual learning and dialogue. It is also supported by the **European Social Fund** which is one of EU's main financial instruments to support structural reforms, policies and priorities. It does so notably by: (1) financing projects under Operational Programmes designed to address the challenges identified in the National Reform Programmes and the relevant country specific recommendations; and (2) supporting Member States' efforts to improve the capacity of public administration and governance which is instrumental in ensuring a successful implementation of structural reforms. Further elements on the contribution of the ESF are provided in part 1.3.

How does the ESF support the implementation of CSRs and contribute to achieving EU2020 objectives?

ESF 2007-2013 programming period (see p 30-32):

- Preliminary conclusions from the ESF ex-post evaluation showed that ESF OPs were aligned with EU policies and supported the implementation of national reforms;
- Good fit between activities implemented under ESF, CSRs made under the European Semester and EU 2020 strategy was found.

ESF 2014-2020 programming period (see p27-30):

- The ESF was programmed to address the challenges identified in the investment-relevant CSRs.
- The "EU Quality of Administration Toolbox" aims to support, guide and inspire administrative development, as well as help countries address their related CSRs and successfully implement their strategies and programmes.

B. Promoting social dialogue at all levels³³

Re-launching the social dialogue

In recent years the economic recession has put national industrial relations systems under severe strain. At European level, divergences have become apparent between the cross-industry social partners, especially regarding the causes of the crisis and the economic policy responses. The impossibility for social partners to come to a common vision has led to a situation where social dialogue at EU level is performing below its potential and not contributing as much as it could to EU policy making. The Commission therefore committed to re-launching and strengthening the dialogue with social partners which strongly marked the activities in 2015.

It started on **5 March** when high level representatives from EU institutions and social partner organisations gathered to give an impulse to the new start for social dialogue. As a **follow up to the Commission's commitments made at the high level event**, two thematic groups gathering social partners, Commission representatives and Member States (Presidencies') representatives were set-up to examine ways to improve the involvement of social partners in the European Semester, capacity-building, the relationship between better regulation principles and social partner agreements and a better involvement of social partners in EU policymaking. Following the work in the thematic groups, social partners entered into negotiations on a joint declaration with a view to ask the Commission and Council to sign it.

³³ In the MP2015, [Social Dialogue](#) is covered by ABB 0403-Specific Objective 5: The role of social dialogue is strengthened and results in the adoption of adequate agreements between the social partners

In 2015, the Commission already made concrete steps towards those commitments:

- by enhancing the involvement of social partners in its policy initiatives such as the Energy Union, the Investment Plan, Digital Single Market and TTIP;
- by organising dedicated hearings with social partners on the long-term unemployment initiative and on the mobility package;
- by emphasizing the need to strengthen the role of social partners in the design and implementation of policies and reforms in the employment guidelines adopted in October 2015, in the 2016 AGS and in the Communication on strengthening the EMU.

Consulting social partners (Art 154 TFEU)

The Commission also consulted with the EU level social partners in order to obtain their views on the possible direction of European Union action aimed at strengthening the coherence and effectiveness of the existing EU legislation on worker information and consultation at national level and on addressing the challenges of work-life balance faced by working parents and caregivers.

An agreement was reached in December 2015 among the social partners with the aim of extending the rights for information and consultation of workers to central government administrations. They requested the implementation of their agreement by a Council decision.

Improving the functioning and the impact of the Tripartite Social Summit (TSS)

The Council Decision on the TSS could not be finalised due to the pending UK parliamentary scrutiny which was only lifted by the end of 2015. The Decision is now likely to be adopted in the course of 2016 depending on the European Parliament's consent. Throughout 2015 EMPL continued its efforts to improve the functioning and the impact of the TSS, resulting in a modified agenda leaving more time for exchanges between participants. This has led to a positive feedback by the social partner representatives on the new set-up.

Funds supporting this priority³⁴

The above policy priorities were sustained by **prerogatives**³⁵ which mainly financed in 2015: (1) capacity building actions for workers' and employers' organisations and analytical work³⁶ on industrial relations (joint EC-ILO activities); (2) actions promoting the exchange of information and good practice between social partner organisations at EU and/or transnational level; and (3) cost-benefit analysis of sectoral social dialogue agreements (crystalline silica, ILO fisheries).

1.2.2 Improving labour-market performance

A. Focusing on access conditions and fostering employability³⁷

In the context of promoting integration and employability in the labour market (CWP 2015), a package of measures was foreseen to support Member States in getting people, especially the longer-term unemployed, into work and developing a skilled workforce.

The Commission made a proposal for a **Council recommendation on the integration of the long-term unemployed into the labour market** on 17 September 2015. The Council reached a political agreement in this regards in December and adopted the Recommendation on 15 February 2016.

The Recommendation will lead to simplified, more transparent access to support. It encourages increased registration and an assessment of individual potential and barriers to employment before 18 months of unemployment. The job integration agreements will mainstream individualised, tailored support combining active measures, employment services and social support. For a group with complex needs, a strong coordination of support is essential. This is why the Recommendation puts forward a single point of contact, to simplify access to support and boost administrative delivery for this group. The Recommendation provides a general

³⁴ Illustrated by indicators 16 & 17 of the ABB "Employment, Social Affairs & Inclusion" (annex 12)

³⁵ by virtue of the Treaty

³⁶ report on Europeanisation of Industrial Relations, guide on sectoral social dialogue

³⁷ In the MP2015, policy guidance in the employment area is covered by - ABB 0403 Specific Objective 1: Policy guidance and initiatives adequately reflect and support EU priorities and are implemented through coordination and governance of employment and social policies reforms.

framework for action, coupled with improved ownership of the reforms at Member States level. The proposed Council Recommendation provides Member States specific guidance on the policy pathway, whilst accepting Member States discretion in adapting such measures to national institutions and delivery models. It thus complements the country specific approach of the European Semester and is in line with the principle of proportionality. Member States will agree on monitoring arrangements in 2016 in the context of EMCO.

Funds supporting this priority

This priority is sustained financially by **EaSI-PROGRESS** which supports the policy-making process. It is also supported by the **EGF** which supports reintegration into employment, by the dedicated **ESF** investment priorities financing projects to help people get into work, and in particular by the **YEI** that helps address youth unemployment in regions where the youth unemployment rate was above 25% in 2012. The Commission will actively support the use of the ESF for improving the support to the long-term unemployed along the lines proposed in the Recommendation.

B. Focusing on quality jobs³⁸

In his political guidelines President Juncker has set out to create a Europe with a 'Triple A Social Rating'. This notably requires the creation of decent, quality jobs, as well as protection for all in their work life. The existing social *acquis* already guarantees to EU citizens minimum EU rights and standards to protect them as workers, in accordance with the competences granted to the EU in Article 153 TFEU.

The world of work steadily changes, and with it, risks and challenges that affect workers. Legislation and policy in the field of labour law and occupational safety should evolve to effectively accompany these changes in a balanced way combining protection with flexibility. In the context of the Smart Regulation and REFIT, the Commission is also aiming at a simplified, clearer and more robust regulatory framework in the area of working conditions.

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

A key activity in 2015 was to pursue the ongoing work related to the **evaluation of 24 directives in the area of Occupational Health & Safety (OSH)**. Preparatory work was finalised notably with a study to support the completion of the ex-post evaluation report which was examined by the Regulatory Scrutiny Board (RSB). The final Commission report is expected to be released in the 2nd quarter of 2016. The overall **conclusion of the evaluation** is that an important improvement in terms of workers' health and safety protection in the EU has been achieved since the introduction of EU legislation in this field. Key elements are (1) whilst causality is difficult to establish, there has been a decrease in accidents at work³⁹; (2) employers and workers are better informed on occupational safety and health, and of good practice; and (3) effective minimum standards in the Directives have resulted in improved standards of legal protection and compliance by enterprises, protecting workers across the EU.

However, the evaluation stresses that **protection of workers can be further enhanced** by improving the coherence, consistency, and relevance of the EU OSH *acquis* and ensuring it is up-to-date, appropriate, adaptable to the changing needs of workers and employers and to technical progress, and can be effectively implemented. In the course of 2016 EMPL will build on the results of the evaluation and initiate consultations with Social Partners, followed by public consultation and impact assessment in order to determine the most effective and efficient ways to simplify and modernise the EU health and safety *acquis*.

In 2015, EMPL also pursued its work to propose a **Commission Directive on a 4th list of Indicative Occupational Exposure Limit Values** under the Chemical Agents Directive 98/24/EC. The Advisory Committee on Safety and Health (ACSH) adopted two opinions⁴⁰ where limit values for 31 substances or groups of substances were agreed by all interest groups. A first draft of the Commission proposal is being finalised and the adoption is foreseen in the second quarter of 2016.

³⁸ In the MP2015, regulatory activities are covered by ABB0403-Specific Objective 2: An adequate and clear legislative framework that (1) ensures quality jobs for adaptable workers and enterprises, as well as proper and fair conditions for growth and jobs creation and (2) promotes the free movement of workers whilst assisting Member States to tackle risks of distortions and abuses

³⁹ Indicator 4 –see annex 12

⁴⁰ on 27 November 2014 and 21 May 2015

Preparatory work for proposing amendments to the Carcinogens and Mutagens Directive 2004/37/EC was under way in 2015. An impact assessment for a first amendment was submitted to the RSB in January 2016.

Modernising and addressing the gaps in existing social policy legislation

Key actions in the area concerned were as follows:

- Progress on several evaluation processes under REFIT (Directives 99/70/EEC (**Fixed term work**) and 97/81/EEC (**Part time work**); Directive 91/533/EC (**'Written Statement'**); Recast Directive 2009/38/EC (**European Work Councils**)); all 3 evaluations will be finalised in 2016;
- Adoption in October 2015 of a proposal for a Directive to include **seafarers** in several labour law Directives⁴¹;
- First stage consultation on the consolidation of the three Directives in the area of **information and consultation of workers** (REFIT) and analysis of the results;
- Preparatory work for a proposal for a Directive on social partners' agreement on the **ILO work in the Fishing Convention**, notably including a study to support the completion of the impact assessment (RSB positive opinion in January 2016);
- Progress on the review of the **Working Time Directive** 2003/88/EC (REFIT) with the completion of two additional studies and a broad public consultation (more than 2000 participants);
- Support to Member States on specific questions related to the transposition process of the Directive for **working time in inland waterway transport** (deadline by December 2016).

Funds supporting this priority

This priority is sustained by **EaSI-Progress** which funds actions aiming to support the development and proper application of EU laws in the field of employment, working conditions, health and safety at work and social protection.

1.2.3 Modernising social protection & achieving greater social inclusion⁴²

Pursuing the implementation of the Social Investment Package

The implementation of the 2013 Social Investment Package continued in 2015 notably through the preparation of key social policy initiatives such as the "**Pillar of Social Rights**" and the "**New Start on Work-Life Balance**", the further development of policy guidance for the Member States on **Active Inclusion Strategies**, the support to the **minimum income pilot in Greece** and the promotion of **social policy innovation**. These activities aim at helping the Member States to reduce poverty and social exclusion.

Assessing the adequacy of pensions

The 2015 edition of the **Pension Adequacy Report** published on 5 October 2015 assessed the degree to which pensions in EU Member States manage to provide older people with adequate income and poverty protection. It estimates that Europe's pension systems can be expected to deliver adequate pensions also to future generations of retirees provided Member States pursue strong policies to enable as many workers as possible to stay in jobs until they reach the statutory pension age.

The report was adopted by the SPC on 17 September 2015 and formed the basis for a set of **Council conclusions adopted at the EPSCO meeting** on 5 October 2015. Key messages were reflected in the 2016 AGS and will feed into the Commission policy work in the context of the European semester and planned joint projects with the OECD on delivering longer working lives and on promoting supplementary pensions.

⁴¹ Directive 2015/1794/EC

⁴² MP2015 - ABB 0403 - Specific Objective 1. Policy guidance and initiatives adequately reflect and support EU priorities and are implemented through coordination and governance of employment and social policies reforms.

Ensuring that persons with disabilities fully enjoy their rights on an equal basis with others

In 2015, EMPL completed its work on the **European Accessibility Act (EAA)**⁴³ and further progressed on the review of the Disability Strategy 2010-2020. The EAA has been adopted by the College on 2 December 2015 and entered into co-decision procedure. If adopted by the end of 2016, Member States will have 2 years for its transposition within national legislation.

The EAA implements two important political commitments taken by the College:

- First, it is a key **deliverable of the European Disability Strategy** adopted in 2010, through which the Commission committed to empower persons with disabilities to enjoy their full rights and benefit fully from participating in society and in the European Economy and to create a barrier free Europe;
- Second, it answers to **obligations enshrined in the UN Convention on the Rights of Persons with Disabilities** on state parties for ensuring accessibility in the built environment, transport and ICT.

The EAA will (1) improve the functioning of the internal market, by harmonisation of the existing diverging accessibility rules and ensuring the free circulation of accessible products and services; (2) facilitate the work to industry, leading to healthier competition and resulting on more accessible products and services at more competitive prices for consumers; and (3) allow a coherent implementation within the Member States of the commitments taken by themselves and the EU through the ratification of the UN Convention on the rights of persons with disabilities.

Tackling these issues at EU level is key as implementation only through Member States actions could lead to market fragmentation, restriction to free circulation of certain products and service and lack of fair competition.

Concerning the **staff working document on the Review of the Disability Strategy**, a public consultation was launched on 22 December 2015 (until 28 March 2016). The feedback should allow EMPL to proceed to a more in depth and accurate analysis and draft a better focused and evidence-based document.

Funds supporting this priority

This priority is supported by **EaSI Progress, REC**⁴⁴, as well as by the dedicated **ESF** investment priorities and the **FEAD** which provides assistance to the most disadvantaged persons in the EU and promote their social inclusion.

1.2.4 Preparing for the new jobs⁴⁵

New EaSI Guarantee for Microfinance

To promote jobs and growth in Europe, social and micro-enterprises now have access to over 500 million euro of finance. This is the result of an agreement signed in June 2015 between the European Commission and the European Investment Fund.

Support will be made available under the European Programme for Employment and Social Innovation (EaSI), which will provide EUR 96 million in funding for the period 2014-2020. This amount, to be used as a guarantee, is expected to mobilise over 500 million euro of loans. The European Union Programme targets **individuals who wish to start or further develop their own micro or social enterprises**, in particular people who have difficulties in entering the job market or in accessing finance.

The guarantee for microfinance or social finance providers is managed and implemented by the EIF on behalf of the COM. The EaSI Guarantee will offer credit risk protection for lending products provided to micro and social enterprises. The previous Progress Microfinance initiative helped to create and preserve more than 47,000 jobs. EaSI will build on its successes.

⁴³ Carry-over CWP2014

⁴⁴ Rights, Equality and Citizenship Programme: EUR 6 million (co-delegation DG JUST)

⁴⁵ MP2015 - ABB 0403 – Specific Objective 1. Policy guidance and initiatives adequately reflect and support EU priorities and are implemented through coordination and governance of employment and social policies reforms.

New set of medium term deliverables in the field of VET 2015-2020

The **Council Conclusions adopted by the Ministers responsible for VET under the Latvian Presidency in June of 2015** seek to present the role of vocational education and training in the context of the growth and jobs agenda and the Strategic Framework for European cooperation in education and training (ET 2020). They aim to facilitate the implementation of key reforms in the area of VET and to help Member States and relevant stakeholders modernise national VET systems and cooperation mechanisms: (1) Promote work-based learning in all its forms; (2) Further develop quality assurance mechanisms in VET; (3) Enhance access to VET and qualifications for all through more flexible and permeable systems; (4) Further strengthen key competences in VET curricula; (5) invest in initial and continuous professional development of VET teachers, trainers.

The European Alliance for Apprenticeships (EAfA)

Launched in 2013 the EAfA has become a strong platform for strengthening the supply, quality and image of apprenticeships across Europe. In June 2015, the Commission organised a joint event with the Latvian Presidency in Riga to boost the EAfA and mobilise all stakeholders. By the end of the year, 26 Member States and 5 EFTA and EU candidate countries have submitted commitments, including exchange of best practices and awareness-raising. Around 100 organisations, including trade unions, companies, social partners, VET providers, Chambers, think tanks, regions, youth and professional organisations have made pledges to take concrete actions in line with the aims of the Alliance.

European Pact for Youth

The European Pact for Youth was launched on 17 November 2015 by CSR Europe (European Business Network for Social Corporate Responsibility) with the support of EMPL. It aims to boost business-education partnerships for youth employability and inclusion, companies' competitiveness and sustained growth in Europe.

The Pact will aim at the establishment of 10,000 quality business-education partnerships and at least 100,000 new quality apprenticeships, traineeships and entry-level jobs by the end of 2017. Monitoring will be ensured by the Commission through the Leaders' Steering Group and Sherpa meetings.

A new Skills Agenda for Europe

Announced at the end of 2015 as part of the Commission's Work Program for 2016, work got under way to prepare a new Skills Agenda for Europe. Preparatory meetings were held throughout the year with all COM services concerned through an Inter Service Group to gather information and intelligence with a view to better coordinating future COM actions in the field of Skills.

The main political objectives identified that will form the backbone of the Skills Agenda are: i) Higher and more relevant skills for citizens and business; ii) Better visibility and use of available skills; and iii) Better understanding of skills needs and trends in the labour market.

Funds supporting this priority

This priority is supported financially by (1) **ERASMUS+**⁴⁶ which supports Vocational Training and Adult Education policy; (2) **EaSI Progress** with the production of analysis based policy evidence, inclusive information sharing and mutual learning, capacity building and other actions directed towards improving the policy-making process; (3) **EaSI-Microfinance Axis** which reaches out potential entrepreneurs by increasing access to finance for vulnerable groups and micro-enterprises, as well as financing social enterprises; and (4) the **ESF** which helps finance projects aiming to improve education and training or provide assistance for starting a business.

⁴⁶ EUR 8 million (co-delegation DG EAC)

1.2.5 Fostering mobility within a pan-European labour market⁴⁷

Intra-EU labour mobility is a pivotal element of the Single Market. However there is still a lot of unexploited potential. The aim is to develop a dynamic, integrated EU labour market, which allows workers to develop their careers and improve their skills in full respect of their rights, while preventing abuses and distortion of competition.

Supporting labour mobility and tackling abuse with the revision of rules on Social Security Coordination and on the posting of workers

Preparations for the **Labour Mobility Package** were carried out throughout 2015. The package aims at maximizing the benefits of labour mobility while minimising unwanted effects, in order to improve the functioning of the European labour market and of the Internal Market more generally, while ensuring fair and predictable working conditions for mobile EU citizens. Preparations in 2015 focused on the following main elements: a revision of EU rules on Social Security Coordination (Regulation (EC) No 883/2004) and a revision – instead of a review – of the posting of workers Directive (96/71/EC). For political reasons the package has been postponed and has been inscribed in the 2016 CWP.

EMPL also worked on a regular and technical update of both Regulations (EC) No 883/2004 and No 987/2009. The aim is to ensure that the social security coordination regulations reflect the current status of the national legislation to which they apply without making substantive changes to the existing coordination rules. This annual exercise contains only non-controversial amendments requested by Member States and agreed within the Administrative Commission for the coordination of social security schemes. As it concerns the same Regulations as those being revised under the Labour Mobility Package, it has been put on hold.

Negotiations on the proposal for a European **Platform to enhance cooperation in tackling undeclared work** were successfully concluded. Council and Parliament reached agreement on the decision in late 2015, to allow for a launch of the platform in the first semester 2016.

Ensuring the implementation of the EU acquis in the area of free movement

EMPL pursued its work to facilitate the implementation of the **Enforcement Directive**⁴⁸ on free movement of workers by Member States.

The report on the **Functioning of the Transitional Arrangements on FMW from Croatia** covering the first phase (July 2013 - June 2015) was adopted end May 2015⁴⁹. It serves as basis for the Council's review which had to be completed before by 30 June 2015.

Supporting labour mobility with transparent information on job vacancies and applications and effective services for the recruitment and placing of workers (EURES)

In 2015, an agreement was reached by the co-legislators on the proposal for a **Regulation on a European Network of Employment Services, workers' access to mobility services and the further integration of labour markets**. The Regulation will improve the matching process on the European labour market and facilitate the right to free movement of workers in three ways: (1) by increasing the exchange of information on job vacancies and CVs available throughout the EU; (2) by delivering a more accurate match between job vacancies and jobseekers, making use of a European classification of occupations, skills/competences (ESCO); and (3) by providing more targeted mobility support services to employers and jobseekers (EURES network and portal). The Regulation will enter into force in 2016 but some obligations will be applicable two years after the entry into force, to enable adequate preparation by Member States.

⁴⁷ In the MP 2015, Regulatory activities related to the free movement of workers are covered by ABB 0403 – Specific Objective 2. An adequate and clear legislative framework that (1) ensures quality jobs for adaptable workers and enterprises, as well as proper and fair conditions for growth and jobs creation and (2) promotes the free movement of workers whilst assisting Member States to tackle risks of distortions and abuses. EURES activities are covered by ABB0403 - Specific objective 3: Transparent information on job vacancies and applications and effective services for the recruitment and placing of workers facilitates geographic and professional mobility

⁴⁸ Follow-up to adaptation of Directive 2014/54/EU on Free Movement of Workers (FMW)

⁴⁹ COM (2015) 233

In 2015, the Commission developed the **EURES portal** further to increase its user-friendliness and performance for jobseekers and employers. In particular work was done on improving the search function "find a job" and on an automated matching of job vacancies and job applications / CVs. It also worked with the EURES network to define standards to improve the interoperability between Member States systems and the EURES portal.

In terms of services, the Commission has worked with Member States on the publication of service catalogues, supported the implementation of the EURES reform with a view to making the EURES network more demand driven, with focus on transparency and placements. One of the aspects of the EURES reform, the programming cycle, was launched with the support of an e-platform where Member States and the Commission share activity plans and reports.

Other 2015 actions and outputs from the Commission that increase the effectiveness of EURES and contribute to the geographical and professional mobility are:

- Development of a new communication strategy 2015-2020 for the EURES network⁵⁰;
- Redesign of the training programme for EURES staff ⁵¹;
- Pilot projects launched in the autumn 2015 in particular related to matching techniques and use of social media to reach out potential users of EURES;
- Support to the organisation of 26 online European Job Days in different Member States;
- Launch in June 2015 of the Drop'pin project, an online platform acting as a market place for collaboration between employers, organisations and individuals to increase opportunities for young people interested in mobility.

Funds supporting this priority

The above activities are financially supported by prerogatives (free movement of workers) and the EURES axis of EaSI programme.

1.3 Performance of EMPL programmes supporting policy priorities

1.3.1 EaSI

A. PROGRESS⁵²

Assessment of the extent to which the programme has contributed to policy achievements⁵³

Planned activities for PROGRESS (but also for EURES and Microfinance) are presented in the EaSI Work Programme 2014⁵⁴ (first year of implementation) and in the EaSI Work Programme 2015⁵⁵. The majority of activities foreseen in the years of 2014 and 2015 were or are being implemented.

EaSI's PROGRESS axis plays a key role in terms of supporting the Union policies and law, to promote evidence-based policy-making, social innovation and social progress, in partnership with the social partners, civil society organisations and public and private bodies. It notably funds analytical activities, action grants, awareness raising and dissemination, sharing and learning actions to respond to the EU priorities in the areas of working conditions, employment, social inclusion and innovation. Those actions and outputs are relevant to the EU as well as to the national policy agendas.

As EaSI-PROGRESS is the direct successor of the previous programme **Progress (2007-2013)**, **the ex-post evaluation⁵⁶** provides information on performance of direct relevance to EaSI. The outcomes of Progress funded actions vary greatly depending on the nature of the activity and its

⁵⁰ endorsed by the EURES management board in September 2015

⁵¹ adopted by the EURES management board in September 2015

⁵² In the MP2015, EaSI Progress is covered by - ABB 0403 Specific Objective 1: Policy guidance and initiatives adequately reflect and support EU priorities and are implemented through coordination and governance of employment and social policies reforms.

⁵³ Illustrated by indicators 2, 3 & 4 of the ABB "Employment, Social Affairs & Inclusion" (annex 12)

⁵⁴ C (2014)1429 of 12 March 2014

⁵⁵ C(2015)2809 of 30 April 2015

⁵⁶ Evaluation of the Programme for Employment and Solidarity (PROGRESS) 2007-2013

purpose. The outcomes identified include softer ones, such as 'new evidence/new knowledge' or 'greater awareness' to more tangible results such as transfer of good policy practices in specific sectors (IT, ...) that can be characterised as a change in policy or practice. It identified some examples of relatively strong effects at national and EU level such as the impact of PROGRESS analytical activities in changing the understanding of the EU policy issues amongst users (academics, NGOs [non-governmental organisations], policymakers and social partners) and of PROGRESS financed action grants on policy practice. **Effects on policy and legislation at Member State level** are the ultimate outcomes of the programme Progress. Each of the tools of OMC has been enhanced by Progress and there are many examples where the processes have worked very well and achieved the expected outcomes.

As presented in the **first performance monitoring report of EaSI**⁵⁷ issued in June 2015, the indicators selected to assess the achievement of PROGRESS' objectives in terms of shared knowledge, active collaboration between EU and Member States' institutions and use of employment and social policy innovation, revealed continued positive assessment by participants.

Assessment of the extent to which the programme has generated EU added value

The [ex-post evaluation of Progress \(2007-2013\)](#) identified that key sources of added value include the programme's capacity to **reach out to a varied group of stakeholders, persons and organisations**; its contribution to **shaping the opinions of key persons and organisations** in the EU and at national level; its close internal coordination and economies of scale achieved through the direct management of the programme. Although the programme operated in a challenging socio-economic context marked by the economic crisis, it **managed to promote the EU employment and social agenda** and to bring it closer to different audiences. The assembly of the variety of Progress activities, covering five policy areas⁵⁸ and including several transversal issues within a single programme with associated governance and management structures has helped ensure that the possibilities of added value accrue.

B. EURES⁵⁹

Assessment of the extent to which the programme has contributed to policy achievements⁶⁰

Overall budgetary execution of EURES had reached 99% at end December 2015.

In 2015, approximately 30% of the overall budget under the EURES axis was used to **improving transparency of labour market information**. This is being achieved through exchange and dissemination of available vacancies and applications at transnational, interregional and cross-border level. An important instrument to achieve this goal is the EURES **Job Mobility Portal**⁶¹ which, in 2015, attracted 1.4 million visitors every month, twice the volume of previous year. This is due to the new Search Engine to find jobs which was launched in September 2015.

The remaining 70% of the budget supported the **provision of services for recruitment and placing of workers** in quality and sustainable employment. The main actions funded in 2015 included:

- The maintenance of **EURES advisers' network** to provide information, counselling, placement and recruitment services for jobseekers and employers. In 2015, EURES advisers across Europe had over 1 million personal contacts with job seekers, job changers and employers⁶² which is in the direction of the 2016 milestone;
- The **development of targeted mobility schemes** to fill job vacancies where labour market shortcomings have been identified. The Preparatory Action Your First EURES Job (YfEj)⁶³ was completed in 2015Q3. It ensured 4250 job placements, i.e. 85% of its initial target of 5000 placements). In parallel, in 2015 two large-scale projects under YfEj - Targeted Mobility Schemes, within the EaSI programme, have jointly supported 700 job

⁵⁷ Performance Monitoring Report of the European Union Programme for Employment and Social Innovation (EaSI) 2014

⁵⁸ employment; social inclusion; working conditions; gender equality; and anti-discrimination

⁵⁹ In the MP2015, EURES is covered by ABB0403-Specific objective 3: Transparent information on job vacancies and applications and effective services for the recruitment and placing of workers facilitates geographic and professional mobility

⁶⁰ Illustrated by indicators 11, 12 & 13 of the ABB "Employment, Social Affairs & Inclusion" (annex 12)

⁶¹ See annex 12

⁶² See annex 12

⁶³ See annex 12

placements. The on-going projects may well achieve around 2000 job placements by the end of 2016.

The Commission is conducting two ex-post evaluations relating to EURES:

- The **Ex-post evaluation of EURES activities for the period 2009-2013** aims at assessing the use of grants under the EU budget, in terms of effectiveness and efficiency for the management of intra-EU mobility.

The report presents the outcomes of the activities of the EURES network in the period 2009-2013 and capture lessons learnt and best practices that can be used for the current functioning of the network insofar as they are relevant for a network that has undergone a process of reform starting with the entry into force of Commission implementing decision 2012/733/EU on 1st January 2014.

The main conclusion of the external study is that EURES has contributed to building awareness on mobility over the period under review, and by so doing to an improved balance between supply and demand of labour in the EU. There is evidence of the effectiveness, efficiency, utility and added value of EURES activities.

A staff working document (SWD) will be produced in 2016⁶⁴. It will present (1) the results of the ex-post evaluation; (2) the process of reform of the EURES network in 2014 and 2015; and (3) the conclusions on the overall performance of the network and recommendations for the future.

- The **Ex-post evaluation of Your first EURES Job** comprises both a retrospective and a prospective dimension. Under the retrospective dimension, the study will carry out the ex-post evaluation of the YFEJ mobility scheme, building on the findings of the interim evaluation. Under the prospective dimension, the study will examine potential future policy options to support youth intra-EU labor mobility. The SWD will be available by the end of 2016.

Assessment of the extent to which the programme has generated EU added value

All the activities and outputs intend to increase the quantity and quality of services provided by the EURES network as well as increase the number of placements and, consequently, work toward the EU 2020 employment objectives. Since the budget and human resources in public employment services (PES) is limited and different priorities compete with intra-EU labour mobility, without the horizontal support from the Commission, it is unlikely that national sources could have enabled a similar scope and scale of activities. In addition, the horizontal support from the Commission has strengthened the network of EURES advisers, which in turn led to initiatives and joint activities between countries, thereby further integrating the European labour market.

C. Microfinance⁶⁵

Assessment of the extent to which the programme has contributed to policy achievements⁶⁶

The EaSI Guarantee financial instruments (Microfinance and Social Entrepreneurship) aim at increasing access to finance for the vulnerable groups, including unemployed, and to social enterprises that could help various vulnerable groups in finding their way to employment. As such, it directly contributes to the Employment and the Fighting poverty and social exclusion targets of Europe 2020. The activities started this year with the **signature of EaSI Financial Instruments Delegation Agreement with the EIF** in June 2015.

There are no available data on disbursed microloans for EaSI by the end of 2015 as the vast majority of the availability periods provided to Financial Intermediaries under EaSI had starting dates after October 2015. In addition the signed operation between EIF and Financial Intermediaries require some time before they materialize in microloan transactions. At end 2015, EIF had already signed 12 operations (11 for Microfinance and 1 for Social Entrepreneurship) with Financial Intermediaries. This reflects a strong initial uptake and the anticipated market demand for the programme. It is estimated that the milestone and target may still be reached.

⁶⁴ The SWD, originally planned for Q4 2015, has been rescheduled to take into account the final report of the ex-post evaluation 2009-2013

⁶⁵ In the MP2015, Microfinance is covered by ABB0403-Specific objective 4: Increased availability and accessibility of microfinance for vulnerable people who wish to start up a micro-enterprise as well as for existing micro-enterprises and increase access to finance for social enterprises

⁶⁶ Illustrated by indicators 14 & 15 of the ABB "Employment, Social Affairs & Inclusion" (annex 12)

The predecessor programme European Progress Microfinance Facility (Progress Microfinance) was still ongoing in 2014 and 2015 and experienced a steady growth pattern. Based on the latest available figures as of end September 2015, **Progress Microfinance seems to have already outperformed its 2017 milestone** with almost 46 000 business created or consolidated that have benefitted from EU support over the whole programme period.

The **mid-term evaluation** of Progress Microfinance Facility (2010-2016)⁶⁷ was targeted at assessing the implementation, effectiveness, impact, complementarity, efficiency and sustainability of the results achieved until June 2013. The evaluation shows that there is clear evidence of Progress Microfinance **increasing access to finance to micro-enterprises**. Regarding the impact of Progress Microfinance on intermediaries, they were able to develop a new product or start working with groups of borrowers they would have considered too risky without the backing of the facility. Concerning the impact on micro-borrowers, there is evidence to suggest that the facility helps unemployed people start their own business. Moreover, **half of the businesses younger than six months were run by borrowers who were unemployed when receiving the microloan**, which is a clear indication of the employment-creation impact of the facility.

As for the sustainability of impacts on micro-borrowers, half of the survey participants reported increased turnover and 40 % have an increased income after having received a microloan.

The evaluation also showed that there was good complementarity between Progress Microfinance and JASMINE (Joint Action to Support Microfinance Institutions) of the Commission. Finally, regarding the efficiency of Progress Microfinance, the target set is an estimated total loan volume amount of EUR 500 million distributed through some 46 000 microloans by the time the facility closes in 2020. The intended target, in terms of **leverage effect**, was that the funds committed from the EU budget, should generate at least EUR 500 million in microcredits, i.e. a leverage effect of 5. The latest data at the time of the interim evaluation estimated leverage effect of the funded instruments of 4,41 against the EU budget contribution to the committed funds.

In order to complement the mid-term evaluation of Progress Microfinance Facility, the JRC Centre for Research on Impact Evaluation funded by EMPL will carry out counterfactual evaluation studies in order to measure the impacts of the facility.

1.3.2 ESF

The ESF, representing 94.6% of EMPL's 2015 budget, is delivered through shared management. The achievement of policy priorities and of the programme's underlying specific objectives are therefore the result of a combination of factors – the policy, the quality of programming, the quality of implementation by the implementing bodies, the regulatory context, the economic context, etc. - on which EMPL has limited control.

In its Management Plan 2015, EMPL had defined two operational objectives related to the management of the ESF (points A & B below): one relating to the preparation of the new programming period and the second one related to the continued effective implementation of the previous programming period. The underlying key actions (mainly measured through output indicators related to the DG's internal processes) reflect how EMPL can contribute to the delivery of policy results, thus enhancing policy performance.

A. Preparing the conditions for effective implementation and monitoring (2014-2020)⁶⁸

Adopting result-oriented programmes and communicating on expected achievements

The ESI Funds, and the ESF in particular, have been programmed to address, through a critical mass of funding, the challenges identified in the investment-relevant Country Specific Recommendations. The OPs include i.a. the financial data and the output and result indicators for each selected policy area. This allows monitoring and evaluating the results orientation of ESF funding programmed in the areas where Member States face the biggest challenges

⁶⁷<http://ec.europa.eu/social/keyDocuments.jsp?advSearchKey=Progress+Microfinance+Facility&mode=advancedSubmit&langId=en&policyArea=&type=0&country=0&year=0>

⁶⁸ In MP2015-ABB0402. Illustrated by indicator 20 in annex 12.

(according to the CSR's and the European Semester process).

Furthermore, the support from the ESI Funds is closely linked to the EU's economic governance through the macro-economic conditionalities. Under these conditionalities the Commission may request a Member State to propose amendments to its Partnership Agreements and programmes (i.e. to shift funding across priorities) when this is necessary to address specific economic challenges identified through different economic procedures (paragraphs 1-8 of Article 23 of the CPR).

Reprogramming may occur from 2015 onwards until 2019, as provided by Article 23(2) CPR. The year 2020 is ruled out by the CPR, as well as reprogramming in two consequent years. A reprogramming request by the Commission cannot occur later than 4 months after the adoption of CSRs and should be concluded before the adoption of the CSR of the subsequent year.

One of the main focuses in 2015 was the adoption of the remaining OPs. 22 OPs were adopted through the carry over procedure and 37 OPs after the MFF amendment. EMPL ensured that these OPs had a strong **result-orientation** and were aligned with the relevant **country-specific recommendations** to ensure maximum contribution of the ESF to EU policy objectives.

The Article 16 Communication on the contribution of the European Structural and Investment Funds to the Commission's priorities such as Europe 2020 and the Investment Plan was also adopted in December. The document also includes: (1) the outcomes of the negotiations with all the Member States on Partnership Agreements and programmes and the key challenges per country and (2) the expected achievements of ESIF by 2023 in terms of outputs and results. This Communication was launched in December 2015 together with an Open Data Platform that provides the opportunity to everyone to access data on ESI Funds. This platform is an important step towards **more transparent and performance-based ESI Funds**. Throughout the programming period this platform will be regularly updated to provide the latest implementation data.

Supporting the start of the implementation

Implementation started at a slower pace than expected with main difficulties being:

(1) designation process: to date (08/04/2016), notifications have been received for 47 ESF/YEI and 7 FEAD OPs (25.1% for ESF/YEI and 25% for FEAD - see information by MS in annex 10). As regards the YEI, the late designation of authorities might have consequences on the pre-financing as, according to the ESF Regulation, Member States have to return the additional YEI pre-financing paid out to them in 2015 if they fail to submit payment requests worth at least 50% of the amounts received by 23 May 2016. In order to fully support Member States to finalise the designation process, the Commission organised a seminar with representatives from both Managing and Audit Authorities involved in the YEI end of January 2016 and issued a Q&A addressing recurrent questions by Member States with a view to facilitate the designation process of cohesion policy programmes. Moreover, the designation of authorities has been a standing point on the agenda of the ESF Technical Working Group (TWG) and ESF Committee meetings.

The Commission has also issued multiple guidance notes that were discussed in the EGESIF (Expert Group on the ESI Funds) and replied to numerous questions from Member States.

(2) ex-ante conditionalities which are pre-conditions for efficient and effective spending have also been marked by delays in the implementation of the related action plans. Out of all ex ante conditionalities action plans covering Cohesion Policy which were planned to be completed in 2015, 30% were completed, 45% were delayed and 25% were significantly delayed, meaning that they were delayed by more than 6 months. The Commission is closely monitoring progress and will continue to do so in 2016.

The Commission and the Member States agreed on a **common set of output and immediate results indicators** on which Member States will report annually (Annual Implementation Reports) as from 2016. The reporting will be done at programme's level covering the thematic objectives on employment, education, social inclusion and institutional capacity and will allow measuring and communicating on progress towards the achievement of above expected results.

Supporting the set-up of effective monitoring systems and evaluation provisions

Throughout 2015, the Commission provided technical advice to Management Authorities on the monitoring provisions via its **data support centre**. This led to an update of the **monitoring**

guidance. With the aim to improve the quality of evaluations from Member States, the Commission also provided systemic **advice** to Management Authorities on **more than 80 evaluation plans**. With a view to foster the use of ESF **counterfactual impact evaluation** in Member States during this programming period, the Commission co-funded eight pilot projects in Estonia, Italy (two projects), Portugal (two projects), Lithuania, Spain and Slovakia. These Member States have conducted pilot counterfactual impact evaluations of ESF funded vocational training schemes and active labour market policies. The projects received technical support from the Centre for Research on Impact Evaluation (CRIE), established in the Commission's Joint Research Centre with the support of EMPL. In November 2015, the Commission organised a conference on the results of these pilot projects in order to disseminate the results and lessons learnt, also in view of the 2018 Youth Employment Initiative evaluation. Periodic evaluation partnership meetings also contribute to this effort.

Speeding up the implementation of the Youth Employment Initiative (YEI)

In order to tackle the cash flow problem faced by some Member States, in particular the lack of financial liquidity to support project beneficiaries with advance and interim payments for ongoing YEI projects, EMPL proposed an amendment to the ESF Regulation to **increase the YEI pre-financing**. It was adopted by the co-legislators in a record time (3 months) and the increased pre-financing was paid out to the Member States on 22 May 2015⁶⁹. From the Member States' feedback it appears that for 50% of them this increase of the pre-financing has been a speeding factor for YEI implementation. The pre-financing thus allowed them to commit more funds to existing projects or launch more projects. An example of positive impact of the increased financing is Greece, which was able to kick-off its voucher scheme programmes due to the increased pre-financing.

According to the financial data submitted by Member States (in accordance with Art.112 CPR) by the end of December 2015 the total eligible cost of YEI operations selected for support was EUR 3.3 billion (EUR 1.9 billion of EU & national public cost out of a total YEI budget of 6.4 billion EUR) and EUR 380 million had been declared by beneficiaries. Over 34 200 operations have been selected for support.

The first set of structured data submitted in April/May 2015 reports on some 138 000 participants, most of whom had not left the programme by end 2014 which was the cut-off date for reporting. In addition, the first results of a Commission study on the first results of the YEI to be completed in May 2016 show that most Member States have engaged beneficiaries in YEI funded measures. By November 2015, larger Member States and/or main recipients of the YEI had managed to engage thousands of young people each - IT (around 375 000 contacted or already in measures), PT (100 000), EL (32 000), FR (32 000); HU (16 000).

Maximising the effectiveness and efficiency in the delivery of programmes

Promoting the use of Simplified Cost Options – The Commission adopted the Delegated Regulation 2015/2195 on 9 July 2015, covering unit costs applying to certain operations in OPs for France and Sweden. Reimbursement of expenditure by unit costs adopted by delegated regulation will increase the result-orientation of ESF activities, will simplify the life of beneficiaries and will give greater assurance to expenditure leading to less financial corrections. These unit costs can be applied to operations under the Youth Employment Initiative in France and to training activities in various operations in the Swedish OP. Other Member States should follow this path (already foreseen for Belgium and Czech Republic).

Ensuring the effective implementation of the ESIF thematic objective related to institutional capacity and administrative reform

EMPL is chef de file for thematic objective 11 related to institutional capacity and administrative reform under ESIF. It therefore coordinates related policy elements and chairs the Inter-service group. The latter notably co-produced an "**EU Quality of Administration Toolbox**" which aims to support, guide and inspire administrative development, as well as help countries address their related CSRs and successfully implement their strategies and programmes. The Toolbox was presented to the European Public Administration Network (EUPAN), the ESF Committee, the e-government expert network, the 8th European Quality Conference and a number of national events in AT, BG, HR, SK, SI, RO.

⁶⁹ only for the UK England ESF OP the payment was made upon adoption of this OP in September 2015

Responding to the refugee crisis

EMPL also contributed to tackle one of the most pressing challenges that erupted in 2015, e.g. the **refugee crisis**. A guidance note on how the ESF could be used to support asylum seekers and refugees was developed for Member States and an ad hoc meeting on the support that can be provided by the ESF (and the FEAD) to tackle the refugee crisis was organised for Managing Authorities in September. In case OP amendments would be required, EMPL also committed to quickly process them. Feedback from Member States on EMPL's response to the refugee crisis was very positive. The use of the ESF for responding to this challenge is regularly put on the agenda of the ESF Committee and ESF technical working group.

B. Ensuring continued effective implementation and monitoring of the ESF (2007-2013)⁷⁰

Ensuring effective implementation and monitoring

In 2015 the work on the 2007-2013 programming period was still on-going with **56 ESF OP amendments** submitted to the Commission. 54 were adopted within the regulatory deadlines in 2015 and 2 OP modifications are to be adopted beginning 2016 (submitted in December).

All **annual implementation reports** (AIRs) were analysed within the deadline except for 1 OP in Poland and 6 OPs in Italy (approved the following week). The follow-up of the implementation of 2007-2013 was also ensured by the participation of the geographical desk officers in the monitoring committees of the programmes.

Preparing the closure

During 2015 EMPL contributed to the discussion/adoption on the amendment to the **closure guidelines** and has participated with REGIO to the last two Closure seminars in the Member States (Spain and Croatia). The finalisation of the legal background for the closure of the 2007-2013 programmes allowed EMPL to start preparing its internal procedures, namely in what concerns IT developments, internal workflows and drafting of the internal manual and template letters. These procedures are coordinated by EMPL and REGIO in order to ensure equal treatment.

Evaluating results

EMPL is undertaking the **ex-post evaluation of ESF programmes in 2007-2013** in order to assess the extent to which resources were used, the effectiveness and efficiency of fund programming and socio-economic impact. This evaluation is expected to be completed during the first semester of 2016, and includes an open 12-week internet-based public consultation, followed by a SWD.

C. Assessing the extent to which the programme has contributed to policy achievements

Programming period 2007-2013

Contribution to EU's main objectives - Preliminary results of the ongoing ex-post evaluation carried out by the COM (planned for completion in June 2016) showed that ESF OPs were aligned with EU policies and supported the implementation of national reforms. These reforms responded to EU priorities first under the Lisbon and then under Europe 2020 strategy, as well as to the Social inclusion recommendation and Education and Training 2020 strategy. Overall a good fit was found between country specific recommendations and ESF activities, signalling that ESF was used by Member States to address CSRs.

While it is very difficult to quantify the ESF contribution to the evolution of Europe 2020 macroeconomic headline targets, the ESF implementation clearly provides concrete contributions to the objectives of smart and inclusive growth enshrined in the Europe 2020 strategy, in particular increasing employment, poverty reduction and improving educational attainment. The availability of common output and result indicators for the 2007-2013 period should provide a clearer picture of the ESF's contribution to the Europe 2020 strategy.

⁷⁰ Illustrated by indicators 21 & 22 in annex 12

Furthermore, the ex-post evaluations showed that during the 2007-2013 period the ESF played an important role in mitigating negative effects of the financial crisis for the most vulnerable groups of society. For example, in the early years of the crisis, ESF funding was used to support short-term working arrangements, temporary wage subsidies, reduction in non-wage costs, public sector employment, upgrading skills, promoting mobility and training measures to allow for the upgrading of human capital during a period when demand for labour declined.

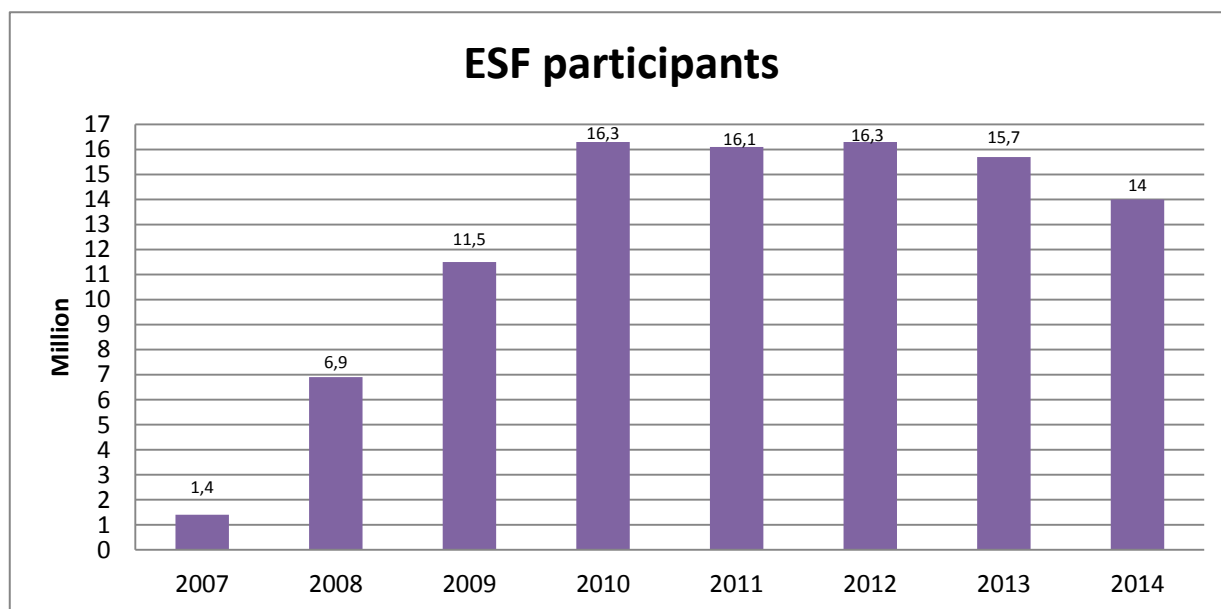
Achievement of programme specific objectives - Preliminary results of the ex-post evaluation show that the ESF support in Access to Employment was contributing to the labour market participation of underemployed groups (young people, older workers, migrants, low skilled) as well as work life balance policies, and promoting cooperation between social partners.

In the area of Human capital, generally all Member States addressed both the strategic objectives of improving the quality of education and training systems and increasing the participation in education and training. The most frequently targeted levels of education were lifelong learning, higher education and general education.

In the area of Social Inclusion, ESF interventions targeted the disadvantaged with a view to their sustainable integration in employment and combating all forms of discrimination in the labour market, notably through employability measures, access to vocational education and training.

Overall, up to the end of 2014, 98.2 million participations (AIRs 2014) were recorded. In terms of outputs, the programme has achieved its objective to reach at least as many participants compared to the previous programming period (75.6 million). In terms of results, due to the limitation in the monitoring and reporting systems in the 2007-2013 period, result indicators can only provide a partial picture.

The preliminary results of the ex-post evaluation show that a significant number of around 7.6 million participants are reported to be in employment directly or sometime after the intervention, while around 7.9 million participants received a qualification / certificate or positively finalised a training. Another group of 10.7 million participants reported another positive result. The overall assessment drawn by the ex-post evaluation and those carried out by MS can be considered positive, albeit mostly based on qualitative evidence, due to shortcomings in the monitoring systems and the very limited number of counterfactual impact evaluations.



D. Assessing the extent to which the programme has generated EU added value

Preliminary results of the ex-post evaluation show that ESF funding contributed with 12% of national **Active Labour Market Policies** (ALMP) funding across the EU27. In some Convergence regions (EU12 and southern Member States such as Greece), a significant share (up to 70%) of the ALMP participants is funded through the ESF. The ESF further supported the implementation of innovative activities and allowed new target groups to be reached. Some ESF activities were replicated in other regions or taken up in mainstream policy. For example,

development of a pre-activation pathway, training and employment endowment or development of local youth centres. Process effects were particularly apparent in the adoption of systemic reforms in the Public Employment Services (PES) in a number of Member States. Good fit between activities implemented under ESF and **Country specific recommendations** made under European Semester and EU 2020 strategy was found. ESF supported reforms in more inclusive labour markets (expanding services to disadvantaged groups such as Roma), increasing competitiveness of companies, supporting administrative capacity as well as areas of Human capital.

In the area of Human capital, the ESF investment involved substantial additional resource leading to a significant increase in the number of participants. This **volume effect** proved particularly important in the context of the economic crisis. Interventions also allowed to effectively **reach new groups of learners** and contributed significantly to promoting **new measures, approaches and innovative teaching methodologies**. It includes better quality measures to improve teacher training development, the introduction of new management and evaluation methods in initial education and the establishment of successful partnerships.

In the area of Social Inclusion, **volume aspects** were the most clearly identifiable among social inclusion in-depth interventions. They indeed allowed Member States to add to existing social inclusion actions and support a greater number of participants than would have been possible otherwise, especially in the context of the economic crisis. **Scope effects** revolved around the ability to offer more tailored services to specific target groups which would otherwise have access only to mainstream services not tailored to their specific – and often more intensive – needs. Interventions also allowed to effectively reaching new groups of disadvantaged. **Role effects** were visible in projects which developed support or activities which acted as a model for other local provision or were subsequently mainstreamed. ESF was also used as core or supplementary funding for reforms linked to the improvement of delivery systems and methods and the testing of new approaches. **Process effects** mainly revolved around the establishment of successful partnerships at local level to assist disadvantaged groups.

1.3.3 FEAD

A. Preparing the conditions for effective implementation and monitoring⁷¹

Completing the programming of FEAD resources and launching implementation

In 2015 the COM approved the 3 remaining FEAD OPs, which marked the completion of the programming of FEAD resources. Following the adoption, the COM paid prefinancing to Member States amounting to 11% of the FEAD's contribution for each programme.

The Commission also engaged in dialogue with the stakeholders by organizing 2 meetings with the representatives of the partner organizations at EU level to discuss the implementation of the fund.

Supporting the set-up of effective management, monitoring and control systems

2015 saw the finalization of 5 secondary legislative acts, as well as continuous engagement with the Member States (through meetings of the FEAD Committee and of the FEAD Expert group) so as to provide **guidance on different aspects of FEAD's implementation** (monitoring, financial management, information and publicity, eligibility of expenditure).

The COM and the Member States had agreed in 2014 on a common set of output and result indicators on which Member States will report annually (in Annual Implementation Reports) as from 2015 (until 2022). Following the adoption of the related regulation, EMPL circulated in May 2015 a guidance on **monitoring and reporting requirements** to the attention of MS. This guidance had previously been discussed with the newly set up FEAD evaluation network, that met twice in 2015.

This was accompanied by efforts to develop the relevant module in sfc2014, the IT tool used for all funds under shared management, to allow for electronic submission of the reports.

⁷¹ Illustrated by indicator 23 in annex 12

Evaluating results

The COM also conducted preparatory work on the template for the structured survey on end recipients of the FEAD, to be carried out in 2017 and 2022 by all Managing Authorities responsible for a food and/or basic material assistance operational programme (OP I). This will constitute one of the sources of information that may be used by Member States and the COM for the evaluation of the FEAD. In accordance with Article 17 (4) of the FEAD Regulation, this template was subject to several consultations of relevant stakeholders and MS, including the FEAD Evaluation Partnership. It takes due account of their views. This template is expected to be adopted early 2016.

First discussions on the COM mid-term evaluation, which is due in 2018 at the latest, and the evaluations by Member States took place during the evaluation partnership meeting. The proposal of the COM to use common evaluation questions was received favourably, also in the context of Better Regulation.

Responding to the refugee crisis

In September 2015 the COM organized an ad-hoc meeting with the ESF and FEAD Managing Authorities to discuss the possibilities for supporting asylum-seekers. These plenary meetings with the Managing Authorities in Brussels were complemented by bilateral dialogue between the EMPL geographical units and the relevant national authorities.

B. Assessment of the extent to which the programme has contributed to policy achievements

Article 22(2) of Regulation (EU) No 223/2014 provides for expenditure to be eligible as from 01/12/2013 as a way to guarantee the constant flow of assistance to the Most deprived persons. The early eligibility date allowed Member States to start their preparation for implementing the FEAD, incur expenditure and distribute assistance before the actual approval of the OPs.

The 2014 reports point towards the following programme achievements in 2014: it is estimated that 10.96 million persons received food support, out of which 5.61 million women and overall food distributed through FEAD amounted to 228 707 tons.

1.3.4 EGF

A. Ensuring the effective implementation and monitoring of the EGF

The main challenge from the previous programming period, i.e. the length of the decision-making process, has been successfully addressed and the EGF applications are being approved within the deadline provided for in the Regulation.

Aiming at making the application process easier and faster, the COM in 2015 integrated the EGF into SFC, the IT tool used for all funds under shared management. As a first step an online application forms is available, more SFC modules, i.e. reporting, statistical, etc. are to follow.

In order to improve results and gain efficiency, the COM continues to address all implementation aspects of the EGF during the bi-annual meetings with the EGF Contact Persons and seminars. In 2015 the use of Technical Assistance and the SFC were addressed during these meetings.

B. Assessment of the extent to which the programme has contributed to policy achievements⁷²

In 2014, the applications to the EGF targeted for support 13764 redundant workers. In addition to these workers, 1893 NEETs were also targeted to receive support through EGF funding. In 2015 the number of redundant workers targeted for support in the EGF applications totalled at 13270, while the NEETs were 1051. Activities for measures such as training and upskilling under these cases are being or to be implemented during the next two years.

29 EGF cases are currently in their implementation phase. They concern more than 29 000 workers and NEETs.

⁷² Illustrated by indicator 24 in annex 12

The three Member States who have received substantial funding are Greece (EUR 35,1million), France (EUR 24,8 million) and Belgium (EUR 12,0 million). Other MS who have had EGF support are Germany, Sweden, Italy, Finland, Ireland, Spain and the Netherlands.

As regard economic sectors, most of the EGF co-funding for the last two years has been requested by the automotive sector – EUR 27,7 million; the retail trade sector – EUR 20,2 million and the road transport sector – EUR 11,2 million. Other sectors concerned were construction of buildings, metalworking industry, shipbuilding, solar modules, aircraft maintenance and others. Aiming at making the application process easier and faster, the Commission in 2015 integrated the EGF into SFC, the IT tool used for all funds under shared management. As a first step an online application form is being used, while more SFC modules, i.e. reporting, statistical, etc. are to follow.

The **ex-post EGF evaluation** for the 2007-2013 period found that an **average 49 %** of the targeted workers had taken up **new employment** following EGF implementation, a figure which rises significantly during the six to twelve months after the end of EGF support. The reintegration rate varies substantially across MS and cases. Depending on the economic sectors, results may differ in one and the same MS as well, For example, in the Netherlands, a considerable number of cases (i.e. 11) has achieved a re-integration rate between 62 and 86 % , but another two cases reached a re-integration rate of 47-48 %. For bigger MS, for example Spain, results may also vary from one region to another. Given the difficult situation on the labour market in the years of and following the global financial and economic crisis, the average of 49 % is considered to be a good result⁷³.

C. Assessment of the extent to which the programme has generated EU added value

The ex-post EGF 2007-2013 evaluation⁷⁴ found a number of positive effects arising from EGF support, i.e. volume effects (related to the fact that the increased volume of activity was an important factor supporting beneficiaries back into employment); scope effects (related to a wider scope of measures and/or target groups than the usual PES ones); role effects (related to transfer of good practices from regional to national level) and process effects (related to the way different levels of administrations interact).

1.3.5 IPA

A. Ensuring the effective implementation and monitoring of IPA⁷⁵

The absorption capacity of IPA Component IV funds and the n+3 automatic de-commitment risk continued to be a challenge in 2015. EMPL and the EU Delegations have taken concrete measures to address this risk.

In **Turkey**, the risk of de-commitment was closely monitored by the COM and the EU Delegation in Ankara via an action plan agreed with the Operating Structure and updated at least on a monthly basis. The action plan contained the procurement and disbursement related milestones for the contracts/operations which were expected to help mitigate de-commitment in 2015. It demonstrates the forthcoming workload, problematic and risky procurements and the human resources that need to be allocated accordingly. Regarding the rejection rates, efforts were made by the Operating Structure to further reduce the level of rejection by thoroughly assessing the quarterly reports provided by Turkey on the roadmap to achieve de-centralised management without ex-ante control. In this framework, the reasons for rejection rates were analysed by the Commission and corrective measures requested from the Turkish authorities. The quality of reporting has increased. Cumulative rejection rates for legality and regularity, and sound financial management have decreased as a positive step.

In **fYRoM**, despite commitments taken, remedial actions to avoid a de-commitment at the end of the year 2015 were not implemented by the national authorities. At many occasion, the Commission drew the attention of the national Authorities of the critical situation of the Operational Programme putting in question the ability of the Operating Structure to properly

⁷³ See indicator in annex

⁷⁴ <http://ec.europa.eu/social/main.jsp?catId=326&langId=en>

⁷⁵ Illustrated by indicators 25, 26, 27 & 28 in annex 12

manage the IPA IV funds and requested an official notification that all conditions of the Commission Decision conferring management powers are still fulfilled.

In **Montenegro**, the procurement planning and its implementation by the Montenegrin authorities were closely monitored through regular monthly meetings between the EU Delegation and the Managing Authority. As a consequence, procurement and call for proposals procedures could be launched successfully for 94.65 % of the total programme allocation. Mitigation actions were defined in technical meetings held between the COM and National Authorities and in Sectoral Monitoring Committee meetings for delays which affected the smooth implementation of the procurement planning and the programme as a whole. The first contracts under the programme could be signed towards the end of the reporting period. Regarding the rejection rates, the ex-ante control process under IPA Component IV started in Montenegro with the entry into force of the Financing Agreement in December 2014. Even if the level of rejection rates is beyond the 10 % target, a significant downward trend can be noted between the first and the second semester of 2015 (decrease from 36 % to 21 % respectively). This positive signal is in particular due to the coaching and support provided by the EU Delegation in Podgorica which allowed improving the quality of the submitted documents. In addition, technical assistance support was contracted to strengthen the capacity of the Managing Authority in the related areas.

B. Assessment of the extent to which the programme has contributed to policy achievements

The final report of the interim evaluation of IPA assistance carried out by external consultants (April 2015) provides a qualitative and quantitative assessment of the performance of IPA. According to this report, the impact of IPA assistance is considered undeniable and largely depends a lot on government commitment. Outputs and results of IPA projects are considered relevant for the beneficiaries.

In the employment and labour area, both in Turkey and in fYRoM, IPA component IV has contributed to the **modernisation of the public employment services** for better delivery and monitoring of active employment measures. Employment policies are better planned and active labour market measures are more diversified and better tailored to the needs of various categories of disadvantaged people than before IPA assistance.

Good results have been reported by the projects addressing women job seekers in Turkey and persons with disabilities in fYRoM. IPA has contributed to the **increased participation of disadvantaged groups** to the labour market and to the development of **more inclusive labour markets and education systems**. In the area of education and training, school enrolment of girls from disadvantaged backgrounds has boosted in Turkey. Additional positive results, to a large extent attributed to the HRD OP, have been registered in the participation rate in lifelong learning in Turkey. As programme implementation in Montenegro was only in its starting phase by the end of the reporting period, an assessment of its progress towards contributing to policy achievements cannot yet be provided.

C. Assessment of the extent to which the programme has generated EU added value

The added value of the IPA is principally orientated towards the explicit or implicit link between EU funding and the accession effort and how beneficiaries can leverage IPA funding to achieve greater political, administrative and financial success than could be otherwise achieved. For component IV the added value comes in the establishment of Structural Fund type approaches to programme design. It also comes through the direct cooperation between Commission services and the EU Delegations and national authorities in the implementation of the programme that will better prepare beneficiaries for operating these funds in the future. Hence, the Commission provided efficient support to the Candidate countries for the implementation of the Human Resources Development Component in view of adapting their employment and social policies to EU standards. It was involved in this process through close cooperation, monitoring of implementation, regular meetings with the national authorities as well as through the co-chairing of the Sectoral Monitoring Committees. Guidance and regular advice were provided to the Candidate countries and specific monitoring missions were carried out.

1.4 Economy and efficiency of spending and non-spending activities

According to the financial regulation (art. 30), the principle of economy required that the resources used by the institution in the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price. The principle of efficiency concerns the best relationship between resources employed and results achieved.

The respect of these principles is continuously pursued through the implementation of internal procedures. These procedures ensure that activities are executed in an efficient manner (e.g. the different workflows contribute to the efficient cooperation between staff, units, etc...) and according to the principle of economy (e.g. the procurement rules ensure procurement in optimal conditions).

EMPL is continuously fine-tuning its internal arrangements in order to improve the efficiency and economy of its operations.

Example 1: Organisation of conference and events

EMPL concluded a framework contract covering the different aspects of the organisation of meetings and conferences. This FWC allowed EMPL to organise 496 conferences and events using efficiently its human and financial resources. This contract was managed centrally and used by the operational services (premises, interpretation if SCIC cannot provide them, travel arrangements of experts) saving them to launch individual calls for the organization of their events or invest time in finding a suitable framework contract from another DG and request the authorization to use it. Moreover, this framework contract ensured a homogeneous frame for the organization of the EMPL's events.

On internal meetings, EMPL, together with 6 other DGs, continued the development of an application (AGM) aimed at streamlining the reimbursement workflow of experts attending meetings. The goal is to gain effectiveness and efficiency through an electronic process of the reimbursements.

Example 2: Shared audit services

EMPL, REGIO and MARE have put in place a common audit strategy and have been carrying out a common risk assessment and established a single audit plan for several years, including joint audit missions where the national authorities were common. Common IT tools are developed: MAPAR allows auditors to manage their audit missions from the preparation to the final report and ARACHNE is a risk scoring tool to be used by both the Commission and Member States in order to identify the most risky projects and to strengthen fraud prevention and detection.

For the 2014-2020 programming period, EMPL and REGIO have decided to go further as many programmes are multi-funds ones. This more in-depth cooperation will mainly have 2 additional aspects:

- Pooling of country audit expertise in one single DG for 10 Member states which have a limited allocation of funds, a small number of OPs and are assessed as low/medium risk and which require specific linguistic capacity.
- Pooling of specific expertise in DGs which already have competencies. EMPL would cover the audit issues related to Simplified Cost Options and could take in charge the few REGIO Direct Management audits. REGIO would cover for both DGs the audits related to Financial Instruments.

2. MANAGEMENT OF RESOURCES

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

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

The reports produced are:

- the bi-annual reports by Authorising Officers by Sub-delegation;
- the reports from Authorising Officers in other DGs managing budget appropriations in cross-delegation;
- the reports on control results from management/audit authorities in Member States in shared management as well as the result of the Commission supervisory controls on the activities of these bodies;
- the reports on control results from entrusted entities in indirect management as well as the result of the Commission supervisory controls on the activities of these bodies;
- the contribution of the Internal Control Coordinator, including the results of internal control monitoring at the DG level;
- the reports of the ex-post supervision or audit;
- 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).

This section reports the control results and other relevant elements that support managements' assurance on the achievement of the internal control objectives⁷⁶. It is structured into (2.1) Assessment of the Internal Control Systems; (2.2) Assessment of audit results and follow-up of audit recommendations; (2.3) Legality and Regularity of controls and (2.4) Conclusions as regards assurance.

2.1 Assessment of audit results and follow-up of audit recommendations

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

2.1.1 European Court of Auditors

A. ECA Annual Report for 2014 (DAS 2014)

The results of the audits done by the ECA contribute to the single audit approach and the ECA's findings (particularly deficiencies) are treated in the same way as audit results from Member States and the COM.

For the first time since four years, the ECA published a common chapter covering all funds supported under the heading "*Economic, social and Territorial Cohesion*" (Chapter 6) in its Annual Report.

⁷⁶ Effectiveness, efficiency and economy of operations; reliability of reporting; safeguarding of assets and information; prevention, detection, correction and follow-up of fraud and irregularities; and adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 32).

Regarding EMPL, this chapter is based on the audit of 170 ESF transactions (i.e. projects), an assessment of EMPL accounts, the 2014 AAR and EMPL' supervision of Audit Authorities.

Concerning EMPL, 24 ESF OPs related to the 2007-2013 programming period were selected in 15 Member States: AT, BG, CZ, DE, EL, FI, FR, HU, IT, NL, PL, PT, RO, SE and SK. In addition, the ECA selected 7 transactions regarding EGF and other employment and social measures falling under chapter 5 of the annual report.

A slight increase in the 2014 error rate (3.7% versus 3.1% in previous year)

The final 2014 error rate of 3.7% has slightly increased compared to previous year, but remains lower than the 2014 COM's global error rate of 4.4% and the error rate for "*Economic, social and Territorial Cohesion*" as a whole of 5.7%.

This also confirms the stable rate observed in the last 5 years. The error rate has historically made radical progress, going down from well over 10% between 2006 and 2008 (for Cohesion as a whole) to an average of 3% in the last 4 years for the ESF only.

The ECA error rate for 2014 is also in line with the error rate range of between 2.8% and 4% disclosed in the 2014 EMPL Annual Activity Report (page 54). Hence, as in previous years, the overall conclusion of the AAR confirms the reliability of the methodology applied by EMPL, the improved quality of the Annual Control Reports prepared by the Member States and the thoroughness of their review (and revision, when appropriate) by EMPL.

A slight increase in the frequency of error (35% versus 27% last year)

The frequency of errors in ESF transactions (rate of projects affected by at least one error) increased in 2014 to 35% from 27 % in 2013 (35% in 2012 and 44% in 2011). Nevertheless, it is important to mention that only 46% of the detected errors were quantified by the ECA.

Main sources of ESF errors

As in previous years, the main sources of errors are the inclusion of ineligible expenditure in the beneficiaries' cost declarations, infringements of public procurement rules and/or the selection of ineligible projects.

The ECA states that ineligible expenditure is the main source of error for EMPL. These cases account for 77% of all quantifiable errors. The most common types of eligibility issues detected concern expenditure declared outside the eligibility period (CZ, DE), overcharged salaries (DE, FI, PL, PT), costs not related to the project (NL, PL, PT), non-compliance with national eligibility rules (PL) and revenue not deducted (AT).

Breaches of public procurement account for 23% of all quantifiable errors. The most common examples of failures to comply with public procurement rules are unjustified direct award (DE, IT), unjustified direct award of additional works/services, unlawful exclusion of bidders, conflict of interest and discriminatory selection criteria (FI).

Non-quantifiable errors

The non-quantifiable errors consist of a series of formal issues with no impact on the EU budget, such as unjustified payment of advances to Member States, late payment to beneficiaries or contract award notice sent late.

Insufficient reliability of management verifications

ECA observes that checks at Member State level were not fully reliable and reports that this increased the estimated level of error by 1.6 percentage points for the employment and social affairs policy area. In addition errors made by the national authorities themselves contributed by 1.7 percentage points to the estimated level of errors. Indeed, with fully reliable checks at Member States level, the error rate for the ESF could have been reduced by 3.2 percentage points and would have been below the materiality threshold.

Management verifications represent one of the key risk areas covered by EMPL's audit work through specific thematic audits. Since 2013 EMPL performed 26 missions focusing on thematic audits (see 2.3.1.2.B).

Review of the Commission's Annual Activity Reports (AARs)

ECA states that the COM's calculation of the amounts at risk in the 2014 AAR is consistent and accurate with the available information reported and/or provided by the Audit Authorities.

ECA is of the opinion that the reservations made by the COM in the 2014 AAR were in line with the COM's instructions and the information made available to the Directorate-General. However, it also points out that the work of Audit Authorities presents some weaknesses that the COM

cannot correct under the current scope of verifications. Furthermore, in ECA's view, the amount of some of the financial corrections reported by the Member States to the COM is not fully reliable.

EMPL confirms that it will further pursue its continuous review of AAs' work and ACRs. In 2015, this work resulted in an adjustment of the average detected error rates from 2.2 to 3 %. In previous years, EMPL's estimated ranges of error were globally in line with the ECA's rates (see 2.3.1.2.A).

Positive finding on Simplified Cost Options and the need for extending their use

For the third successive year, ECA reported on the impact of the use of Simplified Costs Options. In the ECA's sample, 42 transactions, relating to 16 of the 24 payments to operational programmes, included simplified cost options (standard scale of unit costs and flat rates for indirect costs).

ECA noted that it did not detect any quantifiable error related to the use of SCOs, and draws 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 the COM's analysis that an extensive use of SCOs by Member States should be encouraged. Therefore, the COM continues to work intensively with the competent national authorities to ensure that they have considered all simplification possibilities allowed by the 2014-2020 European Structural and Investment Funds regulations.

Assessment of the Commission's supervision of Audit Authorities and annual activity reports

In the 2014 DAS, the ECA did not check Audit Authorities as such, but for the second year in a row it made an assessment of the COM's supervision of audit authorities (review of Annual Control Reports (ACRs)).

In general, the ECA considers that the COM has put in place a system for obtaining assurance regarding the legality and regularity of ESF expenditure from the work of Audit Authorities. This system is generally in line with the "single audit" principles set out by the ECA.

Assessment of Commission's desk review of ACRs

For 30 out of the 34 ESF OPs (88%) reviewed by the Court, ECA is of the opinion that the COM drew appropriate conclusions from its reviews of ACRs and, based on its assessment, had adjusted the reported error rates where necessary.

For the remaining 4 cases, ECA concluded that the identified weaknesses that had not been detected or properly addressed by the COM had no impact on the number or quantification of reservations reported in the Annual Activity Report (eg. population checked by the audit authority not in line with the expenditure declared, incorrect sampling methodology applied by the audit authority, incorrect extrapolation of errors found in sub-samples, deficiencies in audit authorities checks on state aid).

EMPL's follow-up

EMPL is following-up all errors reported by 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 and action plans) together with its strict interruptions' and suspensions' policy.

ECA's recommendations for EMPL

ECA issues 7 recommendations in Chapter 6. The COM shares ECA's opinion for all of them, except one (no. 5). The COM also noted that rec. 2, 3 & 4 are addressed to MS.

The COM accepted the below-mentioned recommendations and already started to take the necessary actions to follow them up:

- Carrying out a focused analysis of the national eligibility rules in view of identifying good practices & provide guidance to Member States on how to simplify and avoid burdensome rules;
- Managing Authorities and Intermediate Bodies should intensify their efforts to address weaknesses in 'first level checks' by taking into account all available information;
- Member States should make better use of the existing possibilities concerning simplified cost options for projects exceeding 50.000 euro public support);

- Member States should ensure the full and timely payment of funding under the 2007-2013 programming period by reimbursing the beneficiaries within a reasonable time after they have submitted for reimbursement a payment claim;
- The COM should extend to all Member States its assessment of the reliability of the financial corrections reported by the certifying authorities and its impact on the COM's calculation of the "residual error rate";
- The COM should further strengthen the control system for audit authorities – eg. obtain specific information on coverage, ensure that audit authorities appropriately cover state aid and public procurement rules, accuracy of data on financial corrections reported.

For Recommendation 5 (The COM should submit a legislative proposal to amend, through a legislative act of equal legal value, Regulation n° 1083/2006 with respect to the extension of the eligibility period for financial instruments), the COM does not accept this recommendation, since it considers that the modifications introduced in the closure guidelines were within the scope of article 78(6) of Regulation n° 1083/2006, and therefore did not require an amendment of the legislative act.

B. Performance audits (special reports) by the Court in 2015

While for the years 2013-2014 the Court published three Special Reports covering EMPL policy areas, in 2015 alone, it issued five such reports and currently, there are thirteen performance audits ongoing and five other expected to start soon. While EMPL is not always the lead DG for these audits, they require a significant involvement at all stages from its staff.

Special reports issued by ECA in 2015 concerning Employment and Social Affairs related to (1) Youth Guarantee; (2) "Micro-entrepreneurs"; (3) Public Procurement; (4) Youth Action Teams; (5) Technical Assistance to Greece. State of play and details on these special reports can be found in Annex 10.

2.1.2 Internal Audit Service

All audit recommendations made by the IAS and IAC in the period 2013-2015 were accepted by the auditees, and EMPL-management adopted action plans to implement them; the plans were considered adequate by the IAS to address the residual risks identified by the auditors. No 'critical' recommendations were made.

A. Audits finalised by the IAS in 2015

In 2015, the IAS performed the following three audits:

Limited Review of the Calculation and the Underlying Methodology of the Residual Error Rates for the 2014 Reporting Year in EMPL

The objective of this engagement was to review the calculation and underlying methodology of the Error Rates and Cumulative Residual Risk (CRR) reported by DG EMPL in its (draft) AAR 2014.

The IAS issued 3 very important recommendations relating to: (1) the formalisation and documentation of the error rate and CRR calculation process; (2) the improvement of the audit trail of financial corrections and the treatment of negative amounts at risk for the CRR calculation (in coordination with REGIO) and (3) the clarification of the "upper limit" concept⁷⁷.

The first two recommendations have been reported as implemented by management and, as a result of a follow-up conducted in March 2016, the IAS assessed them as having been adequately and effectively implemented. The third one has also been considered implemented by the IAS based on the information included in this AAR with a review of the terminology used, as well as an additional explanation of the calculation of the range (in point 2.4.1. "Overall Conclusion").

⁷⁷ The limited review conducted in 2015 concluded that EMPL had not clarified the presentation of the "upper limit" concept, in its final 2014 AAR (issued in March 2015) and therefore this concept may have been inaccurately interpreted as a fully statistical indicator.

Audit on the adequacy and effective implementation of DG anti-fraud strategies

The objective of the audit was to assess how effective the selected DGs' Anti-Fraud strategies were in ensuring the adequacy and effective application of their governance, risk management and relevant control processes for fraud prevention, detection and follow-up of fraud.

The report addresses issues identified with OLAF but also the strategies implemented in a sample of five DGs including EMPL. The IAS issued one important recommendation for the DG on the contribution to the Joint Fraud Prevention Strategy (JAFS), on obtaining anti-fraud risk assessment information from the Member States, and on the revision and completion of its Direct Management AFS.

EMPL has already partly implemented the recommendation; the action plan relating to the AFS for Direct Management will be finalised by 30/06/2016.

Audit on the Monitoring of the action plans for unfulfilled ex-ante conditionalities in REGIO and EMPL

The objective of the audit was to assess whether REGIO and EMPL were adequately prepared to effectively and efficiently monitor and assess the implementation by the Member States of the action plans for partially fulfilled and unfulfilled ex-ante conditionalities.

The IAS concludes that the DGs have taken adequate measures in this respect but that weaknesses still remain and formulated 2 very important recommendations to REGIO and EMPL:

- to further improve the monitoring and reporting arrangements by, on the one hand, better and more streamlined reporting to senior management and, on the other, more focused and prioritised monitoring at the operational level.

- to assess the implications for MS authorities and, if applicable, for beneficiaries of EU funds of the potential burden imposed by regulatory changes and make sure these are fed through to the 2014-2020 MFF mid-term review, together with preparations for the new programming.

The implementation by REGIO and EMPL is ongoing and the related action plans for the very important recommendations will be completed before the end of 2016.

B. Open IAS "very important" recommendations

EMPL Closure of the 2000-2006 ESF Programming Period (2012)

Two very important recommendations are still open:

(1) Preparation for closure (status: being implemented; due date revised to 30/06/2016)

Based on the lessons learned from the 2000-2006 closure exercise, the audit recommended EMPL, in coordination with the other ESIF DGs, to ensure that it has a timely and proper strategy and planning process in place for the next closure exercise, which is supported by clear and comprehensive guidance to the MSs, and which is fully in line with the legal framework.

(2) EMPL's checks on closure documents for the 2007-2013 period (status: being implemented; due date revised to 30/06/2016)

Based on observed inconsistencies and lack of audit trail, the audit recommended DG EMPL to develop guidance for the 2007-2013 closure, which should include a common checklist with the other ESIF DGs, adequate supervisory arrangements, training sessions for the DG's own staff (and if relevant to external audit firms) and a proper documented audit trail to support analysis and conclusions.

The implementation of the above two very important recommendations has been delayed considerably. One overlapping issue for both recommendations is the drafting of a 'Manual of Procedures' to be finalised by 30/06/2016 (the date has also been aligned with REGIO).

EMPL and REGIO are currently further developing the MAPAR audit workflow tool as recommended by the IAS with the aim to handle first closures in 2016.

Performance Measurement Systems (2013)

One very important recommendation is still open:

- *To ensure quality and reliability of Member States performance information (status: being implemented; original due date 30/06/2016)*

The audit recommended EMPL and REGIO to develop a strategy to improve the reliability of performance information reported by the MSs through a multi-disciplinary approach, involving

the Geographical Units, Evaluation Units and the Audit Directorate. The action plan has not yet been fully implemented and is underway to be completed by the target date (30/06/2016).

GAP analysis of new legislation Phase II (2014)

Four very important recommendations are still open:

- *Supervising MS management and control systems (status: being implemented; original due date 30/06/2016)*

Although the IAS acknowledged that when this audit took place it was very early in the programming period and the outline single audit strategy for the ESI funds programming period 2014-20 still had to be updated, the audit identified a number of issues which need to be clarified as the audit strategy matures. The audit recommended REGIO and EMPL to further develop/clarify their audit strategy and complement it with a multi-annual assurance building approach, and plan more early preventive system audits to be able to legally implement corrective actions in the early phases of the programming period. EMPL is currently implementing the action plan jointly with REGIO.

- *OP negotiation and adoption process (status: ready for review; original due date 31/01/2016)*

The audit concluded that there were significant delays in the adoption of Operational Programmes (OPs) in comparison to the initial forecasts. The IAS recommended EMPL and REGIO to carefully monitor the final phases before OP adoption, to update and finalise the guidance documents, to ensure consistency in the action plans for non-fulfilled Ex-ante Conditionalities and in their assessment and monitoring. The action plan has been implemented.

- *Result orientation and performance framework (status: being implemented; due date revised to 01/03/2016)*

The audit recommended REGIO and EMPL to ensure that desk officers actually question the plausibility of milestones/targets, including through their own research and estimation work, and document this assessment to allow consistency checks to be made and provide a basis for assessing the reasonableness of future OP modifications and the achievement of milestones and targets. The action plan is partly implemented although one aspect remains to be implemented. It relates to the finalisation of a template based on Infoview to help GUs in their assessment of consistency and plausibility of milestones and targets. Finalisation is foreseen in Q2 2016.

- *IT systems supporting the management of the PP 2014-2020 processes (status: ready for review; original due date 31/06/2015, submitted date: 27/01/2016)*

Since additional delays in the delivery of stable WAVE functionalities could increasingly impact on the ESIF DGs' management of the 2014-20 programming period, the IAS recommended REGIO and EMPL to ensure that business processes are defined and agreed in time for the development, to ensure a stable project team including the necessary development capacity, to develop a reliable project planning and monitoring and to improve IT development methods and defect resolution in order to ensure a stable platform. The action plan has been implemented. DG EMPL made the required actions in WAVE and in SFC 2014. It should also be noted that WAVE is phasing out for DG EMPL.

C. Conclusion

The IAS concludes that the internal control systems audited are overall working satisfactorily although a number of very important findings remain to be addressed in line with the agreed action plans as referred to above.

The IAS drew the attention of EMPL on (i) the delays observed in implementing two very important recommendations related to the preparation of the closure for the 2007-2013 ESF programming period stemming from the IAS audit on the closure of the 2000-2006 ESF programming period, and (ii) the combined effect of a number of open recommendations related to the reliability, plausibility or accuracy of data reported by the Member States to the Commission, and the accuracy of data reported by EMPL to the various stakeholders as regards the information on the monitoring of unfulfilled ex-ante conditionalities.

Given the prospective nature of those recommendations and the fact that action plans are being implemented; the DG considers that the risks are mitigated and that the above findings will not impact on the assurance provided in this AAR.

2.2 Assessment of the Internal Control Systems

The Commission has adopted a set of internal control standards, based on international good practice, aimed to ensure the achievement of policy and operational objectives. In addition, as regards financial management, compliance with these standards is a compulsory requirement.

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

Based on an analysis performed end 2014, EMPL had identified three priority standards in its Management Plan 2015:

- ICS 3 Staff Allocation and Mobility: linked to the staff reduction process and the planned reorganisation
- ICS 7 Operational structure: linked to the planned new organisational chart
- ICS 11 Document management: linked to the migration to ITIC and the planned reorganisation.

The management assessment (ICS 15) of the effectiveness of the 16 internal control standards in 2015 was based on self-assessment by all Directors and the Head of Unit of the Coordination Unit in their mid- and end-year reports. In those reports AOSDs also give the state of play of implementation of all open audit recommendations in their area of responsibility. The information provided feeds into the discussions of the Internal Control Standards Working Group which is made up of representatives from each Directorate and meets twice a year.

Concerning ICSs, EMPL considers that the actions taken in relation to 2015 priority standards and described below were appropriate:

- As to **ICS 3 Staff allocation**: With the loss of 35 posts in 2015 (taxes as well as transfers to other Commission services without compensation) as well as a major reorganisation of services as of 1 November, ensuring an optimal staff allocation was a major priority in 2015. A systematic screening of vacant posts by the Resource Directorate and the DG was applied throughout the year to secure posts to pay the "tax" as well as to ensure the allocation of the remaining posts in line with DG priorities. Negative priorities and efficiency gains were identified in a systematic way to redeploy staff to priority areas. A specific effort was made to further reduce the DG's overheads.

The new organisational chart aimed at a better alignment of EMPL structure with its priorities and staff was allocated to the new entities to reflect this objective.

Strong support was given to internal staff mobility through active support to staff and managers, and the organisation of listening rooms during the reorganisation phases.

- With respect to **ICS 7 Operational structure**, a new organisation chart became effective as of November 1st, aiming to improve the DG's capacity to respond to its policy priorities. Management and staff were informed about the rationale for the new chart. Support services carefully prepared the technical aspects of the reorganisation which could be achieved in a smooth way. A dedicated intranet page was created in order to ensure updated information to staff around the time of the reorganisation.

New mission statements were drafted and approved by the DG for all entities of the DG.

Regarding the IT governance, regular meetings were held of the DG's internal bodies (ITSC, Steering Committees) and the Commission IT governance (IT Board) was involved where necessary (e.g. in relation to EESSI).

- On **ISC 11, document management**: the systems and related procedures must comply with relevant compulsory security measures, provisions on document management and rules on protection of personal data.

Big efforts continued to be made to train newcomers as well as existing staff on the filing procedures. A specific training module for the ESF was developed.

Newcomers training presentations on EDOMECE procedures and principles (email registration, filing procedures, treatment of sensitive documents, retention periods) are compulsory.

The classification plan (NomCom) has been fully updated and staff has been informed about the new classification plan via specific actions (a note to all staff, focus-on published on intranet and a personalised approach by unit via email communication and coaching).

Further, following one of the recommendations of the internal efficiency group, the decision was taken to introduce e-signature. All management and staff were informed of the decision and the required changes in procedures. The application of the e-signature is in the process of being implemented.

In addition, none of the Directors' end-year reports identified any weakness in relation to compliance with and effectiveness of the other ICSs.

Exception and non-compliance reporting in 2015 is another source for the assessment of the effectiveness of the internal control systems. Mostly due to a late adoption of the financing decision, the number of exceptions in 2015 compared to last year increased slightly (from 36 to 40). The number of non-compliance cases stayed the same (4).

In conclusion, EMPL considers that its internal control system is overall working satisfactorily.

2.3 Control results

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives⁷⁸. The DG's assurance building and materiality criteria are outlined in the AAR Annex 4. Annex 5 outlines the main risks together with the control processes aimed to mitigate them and the indicators used to measure the performance of the control systems.

Activity		Payments 2015	% EMPL expenditure	ICO indicators available at this level	Reservation
2014-2020 programming period	ESF/YEI	2.591,7	24,3%	- Not available ⁷⁹	No
	FEAD	45,4	0,4%	- Not available ⁸⁰	Yes – 1 OP
	EGF	78,3	0,7%	- ER 0.07%	No
2007-2013 programming period	ESF	7.661,6	71,7%	- Validated average ER 3% - CRR 0.9%	Yes – 23 ESF and 1 IPA OPs
	IPA	64,5	0,6%	- ER 0.001%	
2000-2006 programming period	ESF	0	0,0%	- No payments	Yes - 3 OPs (reputational)
Direct management	Grants & procurement	166,8	1,6%	- 2015 ER grants: 2.27% - 5 year basis WA ER: 1.9% - Procurement: < 2%	No
Indirect management	Subsidies to agencies	71,1	0,7%	- NA	No
		10.679,4			3

Management has reasonable assurance that for the EGF, 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 the same assurance that suitable controls are in place and work as intended as regards IPA and the ESF. The internal control system allowed detecting deficiencies in the Management and Control Systems of 23 ESF OPs and 1 IPA OP of the 2007-2013 programming period, which are included in the 2015 reservation. The financial risk for the OPs in reservation is estimated at less than 0.1% for the IPA OP and 0.7% for the ESF OPs of the 2007-2013 interim payments executed in 2015 (see table on page 65).

The payments related to the new programming period for the ESF/YEI are pre-financing considered at zero-risk or interim payment covered by the 10% retention.

One FEAD OP to which interim payments were made is 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.

⁷⁸ Effectiveness, efficiency and economy of operations; reliability of reporting; safeguarding of assets and information; prevention, detection, correction and follow-up of fraud and irregularities; and adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 32).

⁷⁹ No annual accounts for 2014-2020 OPs yet and therefore no audit of operations by AAs took place in 2015

⁸⁰ No annual accounts for 2014-2020 OPs yet and therefore no audit of operations by AAs took place in 2015

Consistently with previous years, the table on previous page only refers to payments made and reconciles with Annex 3. It should be noted that an amount of EUR 1.7 billion was cleared in 2015 for the ESF (2007-2013). This clearance is done in accordance with Article 79 of Regulation 1083/2006 which foresees that the cumulative total of pre-financing and interim payments made shall not exceed 95 % of the contribution from the Funds to the Operational Programme. When this ceiling is reached, the certifying authorities continue to declare expenditure to the Commission and the eligible declared expenditure is used to clear the outstanding pre-financing in the Commission accounts. Those expenditures are subject to the same verifications by the national authorities and are part of the population of operations covered by the audits.

2.3.1 Control effectiveness as regards legality and regularity

For each management mode/programming period 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

2.3.1.1 Shared management – ESF/YEI/FEAD 2014-2020

Materiality criteria (control objective) and reservation

Regarding the legality and regularity of the underlying transactions, the objective is to ensure that the estimated residual risk of error is less than 2% for each accounting year.

The Directorate-General therefore assesses each operational programme in order to identify reservations and corrective measures to be applied. Reservations or partial reservations are made for programmes with:

- material deficiencies in some key elements of the systems (including non-acceptance of accounts); and/or
- legality and regularity issues and insufficient corrective actions implemented (e.g. programmes with an "annual reviewed projected error rate" above 5 % and an "annual residual error rate" above 2% or below 2 % but for which, if applicable , the implementation of the corrective action plans has not been assessed as satisfactory yet); and/or
- corrective actions still to be undertaken on the accepted accounts (through additional flat rate corrections).

For the ESF, a retention of 10 % is applied to the interim payments made by the Commission during the accounting year. This principle is established to protect the EU budget until the annual closure of accounts which should include the necessary corrections to reach a residual risk below the materiality threshold. This 10% protection is therefore taken into account for the quantification of the risk.

Source of information used to build up the assurance

For the 2014-2020 programming period, the main source of information is the assurance package that national authorities must provide each year by 15 February from 2016 to 2025 included. This package will include:

- **Management Declaration and Annual Summary**, prepared by the Managing Authority;
- **Certified Accounts**, prepared by the Certifying Authority, which according to Art 137(1) of the CPR must include: a) the total amount of eligible expenditure for the accounting year concerned, the total amount of corresponding public expenditure incurred and the total amount of corresponding payments made to beneficiaries; b) the amounts withdrawn and recovered during the accounting year, the amounts to be recovered as at the end of the accounting year and the irrecoverable amounts; c) the amounts of programme contributions paid to financial instruments under Article 41(1) and the advances of State aid under Article 131(4); d) for each priority, a reconciliation between the expenditure, stated in the accounts and the expenditure declared in the same accounting year, with an explanation of any differences;

- **Annual Control Report and Audit Opinion**, prepared by the Audit Authority, based on the main findings of the system audits carried out on the functioning of the management and control system and on an appropriate sample of operations on the basis of the declared expenditure, as well as on the accounts prepared by the certifying authority.

In addition, the Directorate-General will use the following sources of information:

- Audit work:
 - EMPL's audit work on the review of the reliability of the Audit Authorities;
 - EMPL's system and thematic audits;
 - Relevant audit information received from DG REGIO, DG MARE and/or the ECA;
 - OLAF.
- Other sources of information, formal or informal, acquired by the geographical units in the context of their day-to-day management of the programmes:
 - Annual implementation reports from the MS;
 - Monitoring committees and annual meetings;
 - Contacts with regional and national programme managers.

A. The assurance base: solid and supervised management & control systems in Member States

A1. A system designed to foster sound financial management

Main improvements in the management and control system (MS level, EC level):

The 2014-2020 programming period introduces some major changes compared to the previous one. These key new elements are:

- A twelve-month accounting period running from 1 July to 30 June;
- Retention of 10% from each EU interim payment with reimbursement/recovery of annual balance due, following acceptance of accounts by the Commission;
- Submission by each programme of certified accounts for expenditure declared to the Commission in relation to the accounting period;
- Submission to the Commission of accompanying documents to give assurance on the accuracy of the accounts, the effective functioning of the system and the legality and regularity of the underlying transactions (management declaration, annual summary of controls and audits, audit opinion and control report (assurance documents));
- Obligatory application of net financial corrections where irregularities demonstrating serious system deficiencies are detected by the Commission or the European Court of Auditors, unless already identified in the assurance documents / other national audit reports submitted to the Commission or remedial corrective measures have been taken by the Member State by the time of detection by EU audits.

Details on the management and control system are disclosed in Annex 10.

Designation

Articles 123 and 124 of Regulation 1303/2013 provide the basis for the designation of authorities: the Member States shall notify to the Commission of the date and form of the designation of the managing authority and the certifying authority, prior to the submission of the first application for interim payment to the Commission. The aim is to ensure that the MA and CA have the necessary and appropriate Management and Control System set up from the start of the period.

The designation is based on a report and an opinion of an independent audit body that assesses the fulfilment by the authorities of the criteria relating to the internal control environment, risk management, management and control activities and monitoring activities.

For the OPs which exceed EUR 250 million, either the Commission, on the basis of its risk assessment, can request the designation package on which it may make observations within two months, or the Member State, on a voluntary basis, may submit the designation package to the Commission on which it may make observations within three months.

Based on the results of the joint EMPL/REGIO/MARE risk assessment, 29 operational programmes for which EMPL is 'chef de file', either mono or multi funds OPs, have been identified for a desk review of the designation packages. The main criteria were either programmes which were already at risk in the previous programming period or programmes in Member States where the organisation has changed from a centralised to a decentralised approach.

In addition, based on the results of the desk review, the EMPL/REGIO/MARE single audit strategy foresees the possibility to conduct on the spot fact finding missions in case that additional information or clarifications have to be obtained before drawing conclusion on the designation process. In case an interim payment claim has already been submitted, it may be decided to carry out an 'early preventive system audit' (EPSA) which will focus on the functioning of the management and control system at this early stage of implementation. These missions are processed by joint EMPL/REGIO teams or are processed by auditors from one DG covering all programmes, the other DG relying on the work done by this DG.

In 2015, due to the still low number of designations notified (see part 1.3.2.A and annex 10 for details on the state of play) and concerning mainly Member States not assessed at risk, only one designation fact finding mission took place in Greece, covering all Greek ESIF programmes.

A2. A system under constant monitoring

Audits

In 2015, except for the designation fact finding mission mentioned above, EMPL Audit Directorate audit missions focused on the verification of the state of implementation of the Youth Employment Initiative (YEI) and in particular to verify the reliability of the management and control systems implemented to collect, record and store indicator and performance data. 9 missions were performed in BE, ES, HR, IT, PL, PT, RO, SE and UK. In addition one mission was performed in ES on the FEAD programme.

These audits took place at an early stage of the implementation of the programmes. However, some delays were observed in the designation process since the ICT systems are still under development and there are still some missing guidance to beneficiaries and/or national eligibility rules and selection procedures.

Regarding the performance data, some issues were identified regarding the indicator definitions and reporting guidelines, the data management process and the links with the national reporting system of the regional systems developed without coordination concerning the content and the methods of transferring data. Recommendations have been issued and are currently followed-up.

Capacity Building actions

EMPL continued in 2015 to actively promote the use of the **Simplified Cost Options**:

- The guidance note on SCOs was updated in September 2014 and translated in all EU languages. In June 2015, two specific guidance notes were developed for Joint Action Plans and for Article 14(1) of ESF Regulation 1304/2013 for expenditure paid on the basis of standard scales of unit costs and lump sums defined by the Commission;
- 9 seminars took place in 2015 for 10 Member States (BG, CZ and SK, ES, GR, HU, LT, PL, PT, RO). These seminars were designed to concentrate more on the individual needs of the Member States concerned and to examine concrete proposals. They were jointly organised by the geographical units, the ESF coordination unit and the ESF audit Directorate. The explanations provided by the auditors helped to reassure Member States and to encourage national auditors to provide their expertise to the managing authorities to help them to achieve the change in mind-set required. ECA also joined many of the seminars to explain to the Member States the added value of SCOs from its perspective;
- A transnational network on SCOs has been launched in September 2015 and will be led by MS themselves to exchange their experiences.
- An overview report on SCOs was submitted to the European Parliament in November 2015 and to the European Council in December 2015 and highlighted an already very significant increase from the 7% of the ESF implemented under SCOs for 2007-2013 to the 35% planned by the national authorities for 2014-2020. Further actions have been identified, notably focused on Member States with the lowest level of planned use of SCOs and

proposals for amending the Regulation are being explored in the context of the mid-term review of the MFF.

Regarding **fraud prevention**, EMPL also continued to provide support and guidance to Member States to put in place anti-fraud measures:

- Anti-fraud seminars took place in 2015 in Poland, Baltic countries, Portugal and Hungary in addition to those which took place in 2013/2014 (GR, CZ, SK, BG, HR, RO, IT, SI, ES);
- The ARACHNE IT tool was promoted in 27 MS. The last one (FI) will be visited in Q2 2016. See part 2.3.3. for further information on the state of play of implementation of ARACHNE.

A3. Corrective capacities

As little expenditure has been declared and no COM's system audits or audits of operations have taken place to date, there are not yet financial corrections for the 2014-2020 programming period.

A4. Conclusion

The single audit strategy for funds managed by EMPL, REGIO and MARE for the 2014-2020 programming period foresees thematic/targeted audits for programmes and risk areas not sufficiently covered by the audit authorities.

In the first 2 to 3 years, in addition to the reliability of systems for reporting performance data, the other main thematic topics will concern the designation process, compliance of the set up and implementation of financial instruments, the implementation of the YEI and, provided there are sufficient payment claims submitted to the Commission, the progress on ESF measures of social inclusion.

At a second stage, other audits will cover the recurrent issues of management verifications, withdrawals and recoveries, as well as the effectiveness of the anti-fraud measures.

B. Annual assurance – results for 2015

The annual assurance will mainly be based on the analysis by the Commission of the assurance package provided by the Member States' authorities by the 15 February each year from 2016.

Once the assurance packages are analysed, EMPL Audit Directorate will launch, on the basis of a risk assessment, compliance audits to review the work carried out by the Audit Authorities. The main objective of these audits will be to confirm that no serious system deficiency remained undetected or unreported by Audit Authorities and that the reported audit opinions and residual error rates are reliable.

In 2015, the majority of the payments made were the initial prefinancing. Some interim payments were made at the end of the year:

FSE/YEI	2015 S1	2015 S2	2015 total
Initial prefinancing	1.864,12	426,71	2.290,84
Annual prefinancing	-	-	-
Interim payments	-	300,82	300,82
	1.864,12	727,53	2.591,66
FEAD	2015 S1	2015 S2	2015 total
Initial prefinancing	9,98	-	9,98
Annual prefinancing	-	-	-
Interim payments	-	35,46	35,46
	9,98	35,46	45,44

B.1 Assurance on accounts

During the first accounting year (from 1 January 2014 to 30 June 2015), no expenditure was declared to the Commission by the Member States' Certifying Authorities. Therefore, the annual accounts provided by the 15 February 2016 were at 0 for all the 2014-2020 operational programmes.

2016 will be the first year for which most of the Audit Authorities will have to give an opinion regarding the completeness, accuracy and veracity of the accounts on which the Commission will have to carry out an examination in order to determine whether the accounts can be accepted.

B.2 Assurance on Legality and Regularity

In addition to the opinion on the annual accounts, the ACRs provide opinions on the MCS in place and on legality and regularity of the underlying transactions.

The COM performs the analysis of the ACRs, together with the analysis of the management declarations and annual summaries which provide information on final audit reports and of management verifications carried out, an analysis of the nature of errors and weaknesses identified in the MCS and corrective action taken or planned.

▪ *Prefinancing payments made*

The vast majority of payments made in 2015 concerned initial prefinancing for the programmes adopted in 2014 and in 2015. The CPR foresees an initial prefinancing of 1% of the main allocation annually in 2014, 2015 and 2016 (and 1.5% for countries under financial assistance mechanisms). Programmes adopted in 2014 received 1% (or 1.5%) in 2015. For programmes adopted in 2015 (after the reprogramming exercise), a double prefinancing (2 to 3%) related to 2014 and 2015 was paid.

Pre-financing payments can be considered as not being 'at risk' from the legality and regularity perspective, given that the nature of those transactions implies that those amounts are still assets of the European Commission and will be only transferred to Member States when pre-financing is 'cleared' following the acceptance of the accounts each year (annual pre-financings) or at closure of programmes⁸¹ (initial pre-financing).

▪ *Interim payments made in the first semester*

To date, Annual Control Reports have been received from the Audit Authorities for 184 out of 187 ESF/YEI operational programmes and 24 out of 28 FEAD operational programmes.

As no declaration of expenditure was made by Member States before end June 2015, no audit of operations took place and therefore the ACRs do not provide any error rate.

EMPL auditors have reviewed the ACRs received, and in all cases, the AAs have given a disclaimer (or no opinion) as they also have not yet conducted system audits.

▪ *Interim payments made in the second semester*

Very few interim payments were processed during the 2nd semester of 2015: EUR 300.8 million were paid to 4 ESF/YEI OPs (BG, EE and PT (2)) and EUR 35.5 million were paid to 3 FEAD OPs (EE, FR and LV).

Based on the information included in the ACRs received and on the analysis of the designation, there is no information available that could lead to a limited assurance for these payments made at the end of 2015.

Concerning the ESF, as these payments have been subject to the 10 % retention as defined in the regulation for the 2014-2020 programming period, the risk on Commission's payments for the 2014-2020 programming period is estimated to be 0 in 2015.

Concerning FEAD, an audit performed by EMPL in France revealed material deficiencies in some key elements of the systems as well as legality and regularity issues and therefore assessed the programme at category 3 (Limited assurance with medium risk).

C. Overall assessment of the MCS

The assessment described above and the estimated overall error rate being under the materiality threshold (0%) provides reasonable assurance to EMPL for the ESF/YEI payments made in 2015 for the 2014-2020 programming period (ESF/YEI). For FEAD however, on the basis of the above elements, EMPL has a reservation for the French OP for which the estimated risk represents 0% of FEAD interim payments as the potential risk estimated at 10% is covered by the 10% retention on the payments made.

⁸¹ Annual prefinancing is cleared each subsequent year following the acceptance of accounts or decision of the Commission. No annual pre-financing was made in 2015

2.3.1.2. Shared management – ESF 2007-2013

Materiality criteria (control objective) and reservation:

Regarding the legality and regularity of the underlying transactions, the objective is to ensure that the estimated residual risk of error is less than 2% at the end of the implementation of each programme. Reservations are made for all programmes for which the MCS is considered as not effective. In addition, reservations are also made as a general rule for programmes presenting a system assessed by the Directorate-General as functioning well or with only some improvements needed, but for which the cumulative residual risk (CRR) exceeds 2% (thus demonstrating an insufficient corrective capacity over the period). The CRR is estimated by considering the multi-annual impact of the validated error rates (as validated by EMPL) calculated since the beginning of the programming period, after deduction of recoveries and withdrawals resulting from both MS and COM audit work, as well as pending recoveries at the end of the reporting year and withdrawals accepted by Certifying Authorities and recorded in their accounts prior to the date of signature of the annual activity report⁸². The CRR is expressed as a percentage of the value of the cumulative interim payments made for the programming period, taking into account corrections up to the date of signature of the annual activity report. Furthermore, reservations are made for programmes where the validated error rate for the year concerned equals or exceeds 5%. Exceptions, if any, are disclosed and the underlying reasons explained.

Source of information used to build up the assurance

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

The Directorate-General uses the following sources of information:

- From the various audit sources, based on the application of the single audit approach:
 - National audit reports;
 - The National Annual Control Report and Audit Opinion;
 - EMPL's audit work on the review of the quality of the Audit Authorities;
 - EMPL's system audits;
 - Relevant audit information received from REGIO, MARE and/or the ECA;
 - OLAF.
- From any other source of information, formal or informal, acquired by the geographical units in the context of their day-to-day management of the programmes, for example:
 - Annual implementation reports from the MS;
 - Monitoring committees and annual meetings;
 - Contacts with regional and national programme managers.

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

The assurance is built on a comprehensive assessment by all parties involved in the management and control of every programme⁸³.

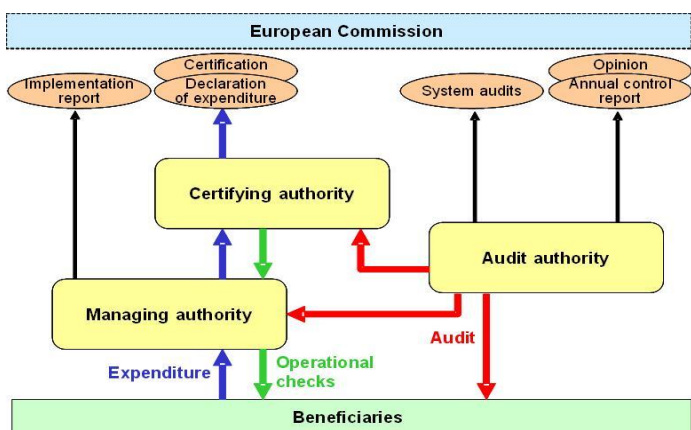
For shared management and the ESF in particular, the control system is built on a multiannual and multilevel control whereby one level of control may rely on the work of previous controls performed by other bodies (single audit approach).

⁸² Only ex-post corrections are taken into account for the calculation of the CRR

⁸³ Assurance derives from the combination of controls exercised of which a more detailed description can be found in Annex 5.

The assurance as regards the legality and regularity of operations is built on work carried out at two levels:

1. At Member States level, the daily control framework is the following:

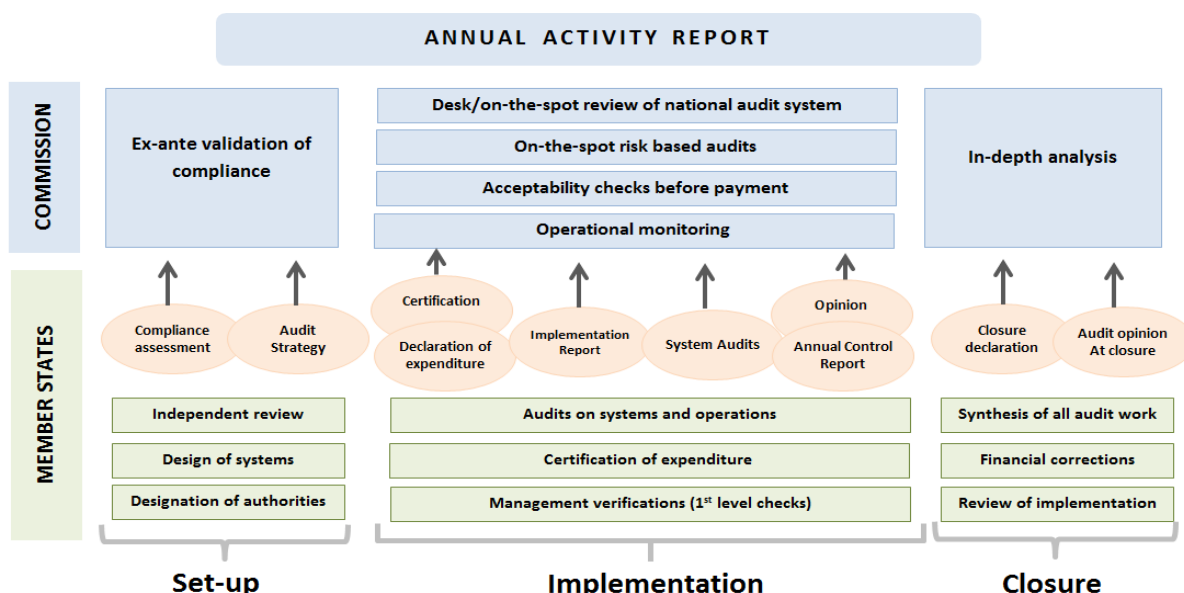


- The Managing Authority performs management verifications, both documentary on all payment claims and on the spot checks on sampled operations;
- The Certifying Authority relies on this first level of verification before certifying the legality and regularity of expenditure declared to the Commission. It takes steps to satisfy itself that adequate controls have been made by the Managing Authority, including carrying out its own checks when necessary;
- The Audit Authority has the responsibility to develop an audit strategy in order to perform audits of the management and control systems and audits of representative samples of operations. The Audit Authority provides the Commission with its results on an annual basis in an Annual Control Report, which includes an annual audit opinion on the functioning of the systems and the error rate resulting from sampling.

2. At Commission level, the way in which EMPL defines its assurance for the management and control systems for each operational program is a process based on the internal control procedures implemented within EMPL (role of the geographical desks and ESF Financial Cell) and the analysis and evaluation of all available information.

Through the **single audit approach**, notably with the Annual Control Reports and Audit Opinions from the national/regional Audit Authorities for each operational programme, all OPs are covered by audit activities. The entire audit work and the analysis of national audit reports and other guidance activities result in an Annual Audit opinion for each Operational Programme. They form the basis for management opinions by the Authorising Officers by Sub-Delegation.

Schematically, the following diagram outlines the Assurance building process:



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

A. Assurance derived from controls by the Member States

Indicator	2015
Number of programmes with a reported error rate assessed as reliable (unchanged or re-calculated)	94.9 %
% of the expenditure on which the Commission can rely on the work of the audit authorities (based on ACRs unchanged or recalculated error rates)	98.2 % of 2015 payments
Weighted average error rate as reported by MS	2.2 %
Weighted average error rate after Commission analysis	3.0 %

Analysis of the ACR audit opinions⁸⁴

The first sources of information are the Annual Control Reports (ACRs) and the Audit Opinions (AOs) submitted by the programmes' audit authorities (AAs) and covering all programmes.

Up to date, ACRs were received for 117 ESF programmes, the ACR for DE-Bremen being still missing. The ESF Audit Directorate analyses these reports and opinions within 2 months of the date of submission and transmits a reply to the National Authorities.

The objectives of the assessment of the ACR and annual AO are:

1. to determine whether the audit opinion and report are prepared following the format set out in Commission Regulation (EC) No 1828/2006 annex VI and VII;
2. to obtain relevant information concerning the implementation of the audit strategy and gain an understanding of the level of assurance allocated to the management and control systems and corresponding annual audit opinion for the relevant OP;
3. to confirm that the above level of assurance and the opinion are consistent and based on reliable audit work;
4. to enable the auditor to prepare the annual audit opinion, which will in turn contribute to the management opinions to be included in the DG's Annual Activity Report;
5. to update the risk assessment.

Generally it can be concluded that a significant number of ACRs and AOs received are of acceptable quality and have been prepared in line with the guidance issued by the Commission.

The AAs expressed the following audit opinions⁸⁵ in their ACRs:

- unqualified for 74 programmes (63.2 % of programmes and 45 % of the amount of 2015 interim payments);
- qualified for 42 programmes (35.9 % and 55 % respectively);
- adverse for 1 programme (0.9 % and 0 % respectively).

Analysis of the error rates reported by AAs in the ACRs: a large share of ER is reliable

The Member States' audit authorities have reported 117 error rates covering all but 1 programme based on representative samples, including statistical ones for 90% of cases. The audit authorities have reported significant audit coverage, around 15% of 2014 expenditure on average through the audit of more than 5.000 operations across all programmes. Although the coverage rate varies between programmes, this demonstrates that single auditing under shared management allows for a large coverage of beneficiaries and expenditure each year. Representativeness of national audits was increased through the increasing use of statistical sampling methods by audit authorities, following the Commission updated guidance and training efforts with all audit authorities as from end 2012/early 2013, and continued in 2015. Compared to the previous programming period, the quantity and quality of the Member States' audit work has therefore increased significantly.

The Member States have reported error rates below 2 % in 84 cases (71.8 %); 27 error rates between 2 % and 5 % (23.1 %); and 6 error rates above 5 % (5.1 %).

EMPL's Audit Directorate thoroughly reviewed the calculations made by the AAs so as to ensure reliability, consistency with the guidance and provide representative consolidated figures.

⁸⁴ In accordance with Article 62 (1)(d) of Council Regulation (EC) No 1083/2006, the Audit Authorities are responsible for submitting to the Commission, by the 31st of December each year (2008 to 2015), an ACR accompanied by an AO.

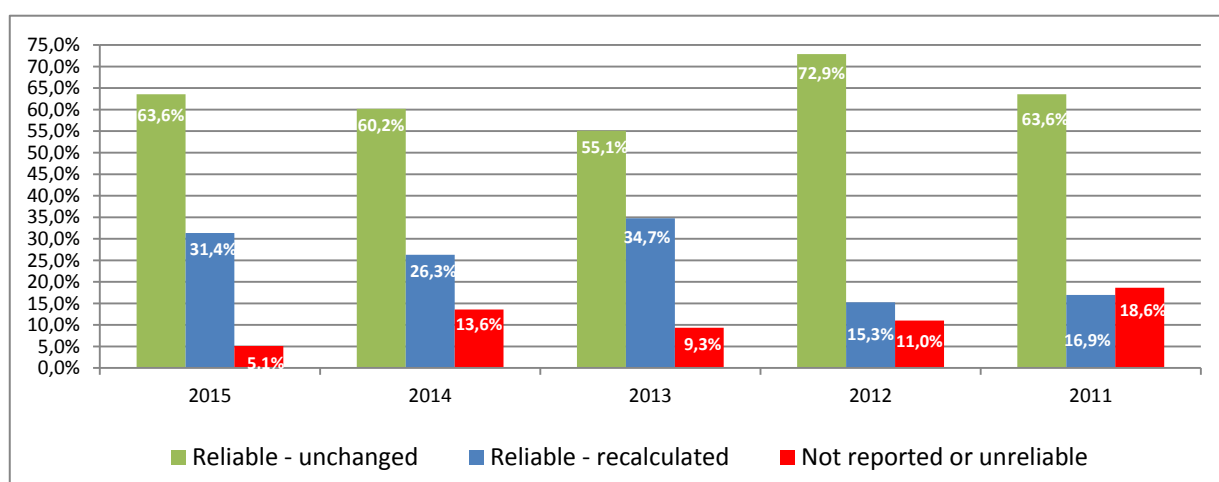
⁸⁵ Annex 10: Table showing the Member States' national audit opinions (in the ACR) per MS

In order to improve the capacity of the Audit Directorate to analyse the ACRs and ensure a consistent approach, as in previous years, a training on sampling was organised for EMPL's auditors in December 2015 and the trainer was also present 2 days in January 2016 during the period of analysis of the ACRs in order to help the auditors to tackle specific issues related to statistical sampling.

Following a desk review of all the ACRs received, 21 fact finding missions took place in February/March 2016 in order to clarify issues detected and to validate the results provided by the Audit Authorities concerned. These fact finding missions took place in 12 Member States (BE, BG, CZ, DE (3), DK, ES (5), FR, GR, HU, IE, IT (4) and UK). They covered 35 operational programmes representing 48.6 % of the payments made by the Commission in 2015. In addition, EMPL's Audit Directorate carried out 7 pre-ACR fact finding missions in November/December 2015 covering 9 operational programmes representing 6.1 % of the 2015 payments in 5 Member States (DE, ES (2), IT (2), SK and UK).

EMPL assessed the reliability and correctness of all projected error rates reported by the AAs, based on data and detailed information provided in the ACRs or subsequently requested from AAs.

The results of this assessment are represented in the chart below:



The Commission has in place a robust and thorough process to analyse the error rates reported by MS. When it cannot validate or recalculate error rates, the Commission estimates the level of risk by using flat rates (2-5-10-25 %) instead of unreliable reported error rates for the purposes of its assurance process. It is the case for 6 OPs in 2015.

In addition, 37 error rates have been adjusted. However, this does not imply that the Audit Authorities carried out their audit work incorrectly. Indeed, the ACRs were providing all the necessary information but the error rates had to be adjusted for purely technical reasons in a complex environment of statistical rules (clerical mistakes, inappropriate statistical extrapolation method used, treatment of some 'anomalous errors' wrongly excluded ...). It has to be noted that among these 37 cases, the adjustment of the error rate was very low in 17 cases (between +/- 0.12 %) ⁸⁶.

The resulting range of the best estimate of the error rates following Commission adjustments (validated error rates) is disclosed in the table below:

RESULTS	Best estimate Error rates		2015 interim payments		
	Number of programmes				
<=2%	73	61.9%		3.363.731.805	43.9%
2-5%	31	26.3%		3.042.352.309	39.7%
5-10%	11	9.3%	11.9%	1.188.466.331	15.5%
>=10%	3	2.5%		67.084.041	0.9%
	118	100.0%		7.661.634.486	100.0%

Based on the analysis of the 2015 ACRs, the programmes with an error rate above 5% represent 11.9 % of the number of programmes and 16.4 % of the 2015 interim payments.

⁸⁶ See annex 10 (section G) for further details.

This represents a significant decrease compared to last year:

	ACR 2015		ACR 2014	
Error rates - number of programmes				
<=2%	61.9%		57.6%	
2-5%	26.3%		19.5%	
5-10%	9.3%	11.9%	13.6%	22.9%
>=10%	2.5%		9.3%	
	100.0%		100.0%	
Error rates - interim payments				
<=2%	43.9%		55.0%	
2-5%	39.7%		19.8%	
5-10%	15.5%	16.4%	21.8%	25.2%
>=10%	0.9%		3.4%	
	100.0%		100.0%	

It should be noted that, in 2014, the volume of payments made to OPs with error rate higher than 5 % was due to the Greek and Hungarian programmes for which flat rates of 5 % were applied on a precautionary basis. In 2015, the Romanian HRD programme represents 57.5 % of the payments made to programmes with an error rate above 5 %.

From the above ACR analysis, EMPL concludes to the following:

- The **impact of the Commission analysis of error rates** reported by the AAs leads to an increase of 0.8 % of the 2015 weighted average error rate (on 2015 payments). It results in a validated weighted average error rate of 3.0 %.
- The average error rate for ESF is in the **range of 3.0 % to 3.6 %** for 2015.

Annual summaries

The submission of **annual summaries** of payments and audit results by 15 February each year is an obligation for Member States under the previous Financial Regulation. This requirement runs until the end of the implementation of the current programming period. The Commission strongly recommended Member States to add value to the annual summaries by providing additional information than formally required (e.g. analysis of the functioning of systems across all programmes at Member State level, diagnosis of problems and their solutions and description of best practices). Member States are reluctant to provide such information in the annual summaries since it is a duplication with what is provided in the annual control reports for each individual programme.

For 2015, all but one⁸⁷ Member States have complied with the minimum requirements of the Financial Regulation regarding the information to be provided. Some Member States have followed the Commission's recommendations by providing a voluntary overall analysis at Member State level (18) and/or a voluntary declaration on the overall level of assurance (12) in their annual summaries. When relevant, the Directorate-General has analysed this information to corroborate its own assessment of the national management and control systems or the information provided to the Commission in the ACR.

All annual summaries have been accepted or accepted with follow-up, by requesting some additional information from the Member States. Information per Member State is disclosed in Annex 10.

National declarations

Three Member States⁸⁸ - **the Netherlands, Denmark and Sweden** - have regularly submitted national declarations on a voluntary basis to the Commission over the last years. The Commission supports those Member States who provide the Commission with a national declaration of assurance and encourages them to disclose elements of the underlying process in order for the Commission to be able to optimize the assurance it may draw from their declarations. Public declarations issued at senior national level make the control process in the Member States more transparent and help identify changes which are needed to make the system more effective, where necessary⁸⁹.

⁸⁷ Annual summary for UK, not sent within the deadline of 15/02, still under assessment at the end of March 2016

⁸⁸ No national declaration from the UK has been issued since 2012 (see details on latest UK national declaration in AAR 2013). The UK authorities (HM Treasury) however published in December 2015 on a voluntary basis a "Report on the use of EU Funds in the UK" as annex D to the "European Union Finances 2015: statement on the 2015 EU Budget and measures to counter fraud and financial mismanagement" report. This is not a national declaration contributing to increasing assurance.

⁸⁹ The Commission guidance on national declarations was made available to Member States in March 2011. It encourages Member

A national declaration from the Netherlands was issued in March 2016. The Directorate-General notes that the reference period for the national declaration is 1 January 2014 to 31 December 2014 for the functioning of systems and therefore provides some additional assurance for the 2014 expenditure. The declaration thus confirms the assessment made by the Directorate-General in its 2014 AAR.

Sweden submitted the 2014 national declaration on 9 April, 2015. The information in the national declaration is consistent with the information in the annual summary received on 26 February 2015. The national declaration for 2015 is due to be submitted by 30 June 2016.

A national declaration for 2014, published in September 2015, has been produced by the Danish Supreme Audit Authority SAO ("<http://www.rigsrevisionen.dk>). An unqualified opinion was issued in relation to the general financial statement of EU revenue and expenditure for 2014. According to the view of SAO the management of the ERDF in general is handled satisfactory. The national declaration provides additional assurance on top of the audit work carried out by the national audit authority and the Commission auditors for the 2014 expenditure. For the 2015 expenditure no national declaration was yet received.

B. Audit Activity of the DG: strong supervision and bridging the gap in high risk areas

Indicator (programming period 2007-2013)	2015
Audit coverage of Audit Authorities (number of AAs – cumulative basis 2007-2013)	96.7 %
Commission assessment of reliance on Audit Authorities	92.3 %

Increasing assurance derived from Member States controls through adequate supervision

EMPL's audit strategy aims to provide reasonable assurance that the management and control systems established by MS comply with the requirements of the regulations and are functioning effectively.

In 2015, the audit plan was almost fully implemented with 51 missions performed by EMPL auditors for the ESF 2007-2013 programming period. 3 follow-up missions have been cancelled as the issue could be solved through desk review.

The number of missions performed in 2015 is lower than in 2014, which was a particularly demanding year. In addition, 2015 was a transitional year with the start of the audit missions regarding the new 2014-2020 programming period (see above) and the fact that the 2007-2013 was approaching to the end.

Below is an overview of audit missions carried out over the last five years.

EMPL audit missions		2015	2014	2013	2012	2011
2007-2013	System audits	1	6	16	14	11
	AA review + ACR re-performance	6	18	20	22	42
	Article 73	2	9			
	Financial corrections	3	14	1	9	6
	FEIs		1		3	4
	Management Verifications	9	9	8		
	Fact findings ACR N-1	22	20	15	10	
	Fact findings ACR N	7				
	Follow-up and Other	1	10	10	11	6
Total 2007-2013	51	87	70	69	69	

States to develop such national declarations that would fulfil the conditions for adding value to the Commission assurance building process.

It also concludes that the Commission proposal on management declarations in the revised Financial Regulation, signed at the operational level, may constitute a first practical and useful step that could later be endorsed at a political level in the Member States. Following the creation of an Inter-institutional working group (composed of representatives of Parliament, the Council and the Commission) the Commission has introduced recommendations in 2014 for these declarations (see COM(2014)688 – *Communication from the Commission to the European Parliament and the Council and to the European Court of Auditors on the adoption of the inter-institutional working group recommendations for the establishment and use of national declarations*).

The audit missions performed in 2015 focused on the following main topics:

- Following the reception of the 2014 ACRs, 22 fact-finding missions took place in the first quarter of 2015, where further information and clarification were necessary to validate and rely on the results provided by the AAs concerned. To further increase the quality of the ACRs, 7 fact-finding missions related to the 2015 ACRs already took place in the last quarter of 2015, in order to anticipate any potential problems.
- The management verifications conducted by MS, which constitute the first line of defence in order to ensure legality and regularity of the underlying transactions, are one of the main weaknesses of the Management and Control systems identified by both the Commission and the Court of Auditors in their annual reports. The thematic audit on management verifications, already applied in 2013 and 2014, has been pursued in 2015 with 9 additional missions. Recommendations and, where applicable, interruption and suspension procedures⁹⁰ have been initiated for those programmes showing areas of non-compliance or weak verifications.
- For 20 programmes in the 2014 AAR reservation, an audit mission was performed in 2015. Depending on the issues identified for each programme, the nature of the audit work carried out related either to (i) fact-finding, (ii) follow-up, (iii) system and projects audit, (iv) financial corrections audit or (v) a review of the AA.
- The enquiries related to the Audit Authority review and ACR re-performance and to the Article 73 are key elements providing assurance to EMPL that the results of the ACRs from the AAs are reliable and to apply the single audit principle, so that reliance can be placed on those results. In 2015, 6 ACR re-performance and 2 Article 73 audit missions took place.

For the main Enquiry Planning Memorandums, the results are:

Input	Results		
	Realised	Opinions	
AA review / ACR re-performance and article 73	8	Unqualified	3
		Qualified with minor observations	4
		Qualified with significant observations	1
		Adverse	
System audits	1	Unqualified	
		Qualified with minor observations	1
		Qualified with significant observations	
		Adverse	
Financial corrections	3	Unqualified	
		Qualified with minor observations	1
		Qualified with significant observations	2
		Adverse	
Management Verifications	9	Unqualified	
		Qualified with minor observations	4
		Qualified with significant observations	2
		Adverse	1
		N/A	2

On a multiannual basis, almost all the Audit Authorities have been covered through AA reviews and **ACR re-performance audits** by EMPL's audit work. At the end of 2015, 89 AAs out of 92 have been audited (96.7 %). They cover 115 out of 118 operational programmes representing 99.6 % of the financial programming of the 2007-2013 period.

⁹⁰ **An interruption** (article 91 of Reg 1083/2006) is a preventive measure made by the AOD following an audit report for each payment claim. Payments have to be proceed after the 6 months interruption period or a suspension has to be taken in due time. / **A suspension** (article 92 of Reg 1083/2006) is a formal Commission decision covering all or part of an operational programme on the basis of serious deficiencies detected in the management and control system.

Using also the results of other sources of assurance, it allows for an assessment of most AAs in the annual audit opinion:

Reliance on AA	Number of programmes	
Unqualified	20	16.9%
Qualified, minor observations	89	75.4%
Qualified, significant observations	7	5.9%
Adverse	1	0.9%
No opinion	1	0.9%
	118	100.0%

The results of the audit work are used by the Commission to assess whether it can rely principally on the opinion of the Audit Authority with regards to the effective functioning of the systems, so that it will carry its own on-the-spot audits only if there is evidence to suggest shortcomings in the system affecting the expenditure certified to the Commission. In application of the article 73 of the Regulation 1083/2006, EMPL has informed in 2015 five additional Audit Authorities (AT, EE, FI, DE-Niedersachsen and DE-Brandenburg) that it will mainly rely on their opinion. In total, 17 Audit Authorities fulfil the conditions for article 73 (AT, BE (2 AAs), DE (6), EE, ES (1), FI, IT (2), NL, LV and PT). In addition, 1 Audit Authority (IT-PON GAS) has been granted the same reliance on the basis of the article 74 of the Regulation 1083/2006.

In line with the single audit principle, the ACRs are an important source of assurance. However, the Commission auditors may not, in line with International Audit Standards, solely rely on these reports, and must confirm the national results with their own audits.

EMPL's Audit Directorate carried out in 2015 one system audit in Romania to check the set-up of the system for expenditure for operations selected with the new procedures put in place by the Romanian authorities following the audit performed in 2012 which resulted with a flat rate correction of 25 % for all expenditure selected with the old procedures. This audit of the new procedures revealed that the main issues detected previously regarding sound financial management still remain, which together with the high error rate reported by the Audit Authority in the 2015 ACR, justifies the Romanian OP to be in reservation.

Management verifications conducted by MS continue to be a key issue as highlighted by the ECA in their 2014 Annual Report (see 2.1.1.A). The Management Verifications audits confirmed the following main weaknesses in the execution of these controls: the formal nature of management verifications, insufficient verifications of public procurement procedures, insufficient structure/organization of the managing authority or intermediate body, lack of training and supervision in case of delegation of responsibilities, management verifications carried out after the certification of expenditure and insufficient guidance and training for beneficiaries.

All this EMPL's audit work has been taken into account in addition to the analysis of the ACRs to build the audit opinion for each programme.

Other audit activities

- The **bilateral coordination meetings** with MS are an opportunity to review the ACR and Annual Opinion, as well as national audit reports and to exchange information on planned audit work and update of the risk assessment. Any significant issues arising from the bilateral coordination meetings have been included in the audit opinions for each OP.
- Furthermore, EMPL's Audit Directorate also analyses system audit reports of national audit authorities. In 2015, 181 **national audit reports** were received. The results are taken into account in EMPL's audit opinions.
- The Homologues Group meeting, which took place in Vilnius in September 2015, was fully dedicated to the preparation of the closure of the 2007-2013 programming period. Additional seminars with all the regional authorities took place in Spain and Italy.

Annual audit opinion of the DG

Based on the above blocks of information, and as a result of the Commission desk and on the spot audit work (detailed under section B), the Audit Directorate of EMPL expresses an audit opinion on the effective functioning of each programme so as to ensure legality and regularity of expenditure paid by the Directorate General in 2015. These audit opinions are transmitted to the geographical units concerned as a key input for their management opinion which is also formulated for every programme.

On the basis of the analysis of the ACRs received at end 2015, in addition to the audit work performed, EMPL auditors have provided the management with their audit opinion for 2015:

EMPL Audit opinion	No. of OPs	as %	
		of No. of OPs	of 2015 payments
- unqualified	21	17.8%	4.3%
- qualified with moderate impact	77*	65.2%	80.0%
- qualified with significant impact	18	15.3%	15.7%
- adverse or disclaimer	2	1.7%	0.0%
	118	100.0%	100.0%

* including 3 partial reservations

C. Safeguarding the EU budget by preventive and corrective actions

Interruptions/suspensions of payments

In 2015, EMPL continued to apply the strict policy on interruption and suspension of payments decided by the Commission in the framework of the 2008 Action plan to strengthen the Commission's supervisory role under shared management of structural actions⁹¹ in order to safeguard EU funds. Under this policy, in accordance with EMPL's Vade-mecum of operational procedures on "*Interruption of the payment deadline, suspension of interim payments and financial corrections*"⁹², the detection of serious system deficiencies or irregularities immediately triggers the interruption of the legal deadline for executing the related interim payments or the suspension of payments to all or part of the affected OP.

While the AAR reflects a management evaluation of programmes, the follow-up to reservations is the result of a legal assessment, made on each file individually, which could result in a decision to interrupt or suspend interim payments, leading, where necessary, to a financial correction implemented by the MS or decided upon by the Commission.

Interruptions and suspensions are only terminated on the basis of reasonable assurance on the implementation of an action plan including corrective measures and/or after financial corrections have been implemented. Financial corrections need to be included in a payment claim submitted to the Commission or agreed with EMPL, in particular on the basis of audit evidence provided by the national audit authority or by an EMPL (follow-up) audit, and after examination of the case by the Senior Management of EMPL, to ensure consistency, transparency and equal treatment.

Within EMPL, this process is formalised through the work of the Interruptions-Suspensions-Financial Corrections Committee (ISFCC), chaired by the Director-General and of which the Deputy Director General, the ESF Directors and the Audit Director are members. The committee meets on a monthly basis, analyses the cases brought to its attention, takes the appropriate decisions and monitors their effective implementation.

The two tables below show the number of decisions taken in 2015 and Q12016 by type of decision and MS:

	Number of Decisions in 2015			
	Warning letters	Interruptions of payment	Pre-suspension letters	Suspension decisions
BE	2		2	
DE		3	1	1
ES		10	4	1
FR		1	1	1
HU		2	1	1
IT	1*	3	2	2
RO		1	1	
SK		2	1	1
UK		5	4	3
Total	4	27	17	10

* An audit report was sent including the warning for IT (Trento)

⁹¹ COM(2008) 97

⁹² Adopted by the PMB at 8 November 2012

Number of Decisions in first quarter of 2016				
	Warning letters	Interruptions of payment	Pre-suspension letters	Suspension decisions
BE		2		
DE		1		
ES	1			
HR		1		
RO		1		
Total	1	6	-	-

In 2015, EMPL decided to lift suspensions of payments for 13 OPs (concerning suspensions decided in previous years), and for 3 OPs (concerning suspensions adopted in 2015), to discontinue procedures without adopting a suspension decision for 7 OPs for which pre-suspension letters had been previously sent, to lift interruptions of payment deadlines decided for 1 OP and to annul warning letters sent for 2 OPs without the need to proceed to a pre-suspension.

The following table shows the state of play at the end of 2014, 2015 and 1Q 2016, according to the stage that the relevant procedure has reached by that moment. The numbers reflect the latest state of play of each procedure. When, for example, for a suspended OP, several decisions to interrupt payment deadlines had been taken prior to the adoption of the suspension decision, these decisions are not reported in the table as they relate to the same weaknesses as the subsequent 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.

	End 2014	End 2015	State of play 31/03/2016
Warning letter	1	2	1
Interruptions	3		3
Pre-suspensions	4	2	2
Suspensions	18	15	12
Total	26	19	18

Details of the interruptions of payment deadlines decided by EMPL in 2015 and 2016-Q1 as well as of suspension decisions adopted during the same reference period are listed in Annex 10.

Financial corrections⁹³, withdrawals and recoveries 2007-2013

Indicator	2015
Corrections made resulting from Commission audit work (accepted / decided)	EUR 193.8 million
Corrections made resulting from Commission audit work (implemented)	EUR 243,9 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 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.

⁹³ Prepared on the basis of information from provisional accounts (March) and subject to modifications following adjustments for final accounts.

Following this methodology the reporting of financial corrections provide only information on amounts of financial corrections carried out by the MS at the Commission request resulting from EU bodies audit work.

Financial corrections accepted/decided in 2015 relating to the 2007-2013 programming period

Financial corrections are reported as "accepted/decided" on accrual basis after the commitment of the MS to correct the payment claim by deducting the irregular amount from the declared expenditure already certified to the Commission (ex-post) or while being certified to the Commission (ex-ante) or when a financial correction is decided by a Commission decision. The MS agrees wholly or partially with the correction proposed by the Commission, it must confirm its agreement in writing stating clearly the scope of the agreement, the amount of the agreed correction and how it will be implemented.

EUR 193.8 million represents the amount of financial corrections accepted by Member States at the end of 2015 and confirmed as deducted from the submitted payment claims or to be deducted from the subsequent payment claim during the implementation of the programmes for the programming period 2007-13. Out of the EUR 193.8 million accepted in 2015 EUR 97.1 million are financial corrections ex-ante.

The distinction exists between one time flat rate correction rectifying the past expenditure "ex-post" and recurrent flat rate correction rectifying the current expenditure affected by a systemic problem until the operation/project is completed. Flat rate corrections are applied when the related irregularity amount cannot be quantified on the basis of a representative statistical sample, or it's not cost-efficient to quantify the irregularity, typically used in cases of systemic errors.

Total cumulative accepted/decided amount of financial corrections for the 2007-2013 programming period stands at the end of 2015 at EUR 1.222.9 million. There were no financial corrections decided by a Commission decision in 2015.

Financial corrections implemented in 2015 relating to the 2007-2013 programming period

Financial corrections are reported as "implemented" on 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 not accounted for the implementation of the financial corrections.

94.4 % of financial corrections accepted during the year 2015 and previous years for the programming period 2007-13 have been implemented, leaving an amount of EUR 68 million still to be implemented. Total amount of financial corrections implemented in 2015 is EUR 243,9 million out of which EUR 159 million decided in 2015 and EUR 84,9 million in previous years.

Among these financial corrections implemented in 2015, EUR 122,7 million are ex-ante financial corrections out of which EUR 48.5 million from the previous years and EUR 74.2 from 2015, meaning that these financial corrections are applied by the MS authorities at the same time the expenditure is declared to the Commission by application of flat rate corrections following Commission audits.

Total cumulative implemented amount of financial corrections for the 2007-2013 programming period stands at the end of 2015 at EUR 1.154,8 million.

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

Member States reporting on withdrawals, recoveries and pending recoveries

For the programming period 2007-2013, since the reporting year 2010 and by 31st March of each year, MS are requested to submit to the Commission an annual statement on withdrawals, recoveries, pending recoveries and irrecoverable amounts under the provisions of the Article 20(2) of Regulation (EC)No 1828/2006 referring to the financial corrections effected by MS following their own national audit work but also financial corrections effected following EU audit work.

When facing irregular expenditures, the Member States have two choices:

1) withdraw the irregular expenditure from the programme immediately when they detect the irregularity, by deducting it from the next statement of expenditure and thereby releasing EU

funding for commitment to other operations or;

2) leave the expenditure in the programme for the time being, pending the outcome of proceedings to recover the unduly paid grant from the beneficiaries, and deduct the expenditure from the next statement of expenditure only once recovery has been effected.

The first type of financial corrections should be reported under withdrawals and the second one under recoveries.

At 31/03/2015⁹⁴, Member States reported the following figures regarding the 2007 – 2013 programming period:

- ESF amount of the withdrawals stands at EUR 255.4 million for the year 2014 and EUR 1.013,1 million in cumulative figures since the beginning of the reporting for this programming period;
- ESF amount of the recoveries stands at EUR 46.7 million for the year 2014 and EUR 141.2 million in cumulative figures since the beginning of the reporting for this programming period;
- ESF amount of the pending recoveries stands at EUR 50.6 million.

The cumulative amount of the financial corrections reported by MS stands at EUR 1.154,3 million of financial corrections implemented at the end of 2014.

A table providing a detailed picture of 2014 report and cumulative figures for the previous years of withdrawals and recoveries can be found in Annex 10.

Cumulative residual risk

Indicator	2015
Cumulative residual risk (average for all programmes)	0.9 %

The CRR⁹⁵ is used by EMPL to assess, OP by OP, the multi-annual impact of the annual validated error rates. As explained in annex 4, these individual rates by OP are part of the elements leading to the decision on reservations.

These CRRs at OP level are estimated by considering the multi-annual impact of the validated error rates calculated since the beginning of the programming period, after deduction of recoveries and withdrawals reported by Certifying Authorities for each year, as well as pending recoveries at the end of the reporting year and withdrawals accepted by Certifying Authorities and recorded in their accounts prior to the date of signature the annual activity report⁹⁶. The CRR is expressed as a percentage of the value of the cumulative interim payments made for the programming period, taking into account corrections up to the date of signature of the annual activity report.

At the date of this report, 107 programmes (90.7 %) presented a cumulative residual risk below or equal to 2% and 11 programmes (9.3 %) a cumulative residual risk above 2%, including 3 programmes for which the Commission has applied a flat error rate for 2015.

For the ESF 2007-2013, the ratio of cumulated amounts at risk vs cumulated payments made since the beginning of the programming period represent an average annual error rate of 2.5 %. When considering the cumulated financial corrections made during the same period, this leads to a CRR for ESF of 0.9 % at end 2015. This CRR at end 2015 is the best estimate of the corrective capacity of each programme at the time of drafting the AAR, based on different elements for which the Directorate-General has obtained different levels of assurance.

This CRR is slightly lower than last year which shows constant efforts in the corrective actions taken by MS since the beginning of the programming period.

All programmes with a cumulative residual risk above 2% are included in the reservation with the exception of ES – Cataluña (see end of annex 10).

This methodology to assess the cumulative residual risk, despite the inherent limitations of this indicator, therefore reinforces the annual assessment and Commission's supervision for operational programmes in the context of shared management under a multiannual control framework. It also requires a more proactive role by managing and certifying authorities to

⁹⁴ Following the provisions set in the guidance note to the Member States ref. COCOF 10/0002 EN

⁹⁵ Further explanation can be found in point 2.3.1.2. "Materiality criteria (control objective) and reservations" and in annex 4.

⁹⁶ Only ex-post corrections are taken into account for the calculation of the CRR

quickly correct irregular expenditure across the whole programme or concerned population of operations, based on the results and analysis of the audit authorities' work and statistical sampling and thus increasing the assurance process for the year.

Follow-up of 2014 reservation

	Reservations 2014	Lifted at end Q1 2016	Financial corrections implemented or accepted in 2015	
			No. of OPs	Amount (€M)
BE	2	1		
CZ	1	1	1	3.6
DE	4	3	1	9.0
ES	11	9 *	5	3.9
FR	1			
GR	4	4	1	0.2
HU	1		1	9.0
IT	5	2	4	15.4
RO	1	1	1	99.7
SK	2	2	2	19.4
UK	4	2		
Total	36	25	16	160.2

* of which 2 only partially lifted

The ISFC Committee regularly reviews the state of play of programmes with interruption or suspension procedures and decides on lifting reservation on the basis of the assessment by the Commission of the implementation of the requested actions by the MS authorities.

Out of the 36 reservations on operational programmes adopted with the AAR 2014 for the 2007-2013 programming period, 23 cases were closed and 2 partially closed and financial corrections have been agreed upon for 16 of the 36 OPs.

D. Overall assessment

Indicator	2015
Number of programmes from the 2007-2013 programming period in reservation	23

As required in paragraph 4.8 of the charter of Authorising Officers by Sub-Delegation, and as part of the Annual Activity Report assurance process, the AOSDs formally produce annual **management opinions** for each operational programme. They report on a description of measures taken to determine to what extent the MS have put in place appropriate management and control systems which give a satisfactory assurance concerning the regularity of the underlying operations in terms of the law applicable, ensure the accuracy of the amounts declared and carry out financial corrections where the management and control systems have proved inadequate.

The management opinions **rely mainly on the audit opinions** with the possibility for the AOSDs to integrate other information, formal or informal, acquired by the geographical units on their day-to-day management of the programmes, which could lead to a different opinion than the one expressed by the auditors.

The final stage of the evaluation process is a detailed review of all operational programmes at high level within the DG (**peer-review** meeting chaired by the Deputy Director General) in order to ensure the quality and consistency of the management assurance declarations (AOSD), to resolve any cases of discrepancy between the audit and management opinions, to agree on any modifications required as a result of subsequent developments during the first quarter of the current year, and to identify the systems for which a reservation should be made. This results in a single EMPL opinion for each ESF programme.

As a precautionary approach, all payments were frozen from the beginning of the year until this peer-review meeting took place on 18 February 2016 in order to avoid the risk of processing payment requests for programmes that would subsequently be included in the 2015 AAR reservation.

As a result, the programmes are classified into four categories in accordance with the level of assurance that they provide as to the legality and regularity of interim payments made during the reporting year. All programmes falling under the categories 'reasonable assurance with low

risk, with partial reservation', 'limited assurance – medium risk' and 'limited assurance - high risk' (in the table below) are subject to a reservation. This applies to 23 programmes from the 2007-2013 period.

Final assessment of management and control systems in the annual management opinion⁹⁷:

IMPACT on Declaration of Assurance (based on functioning of systems, materiality and legality and regularity criteria)		Coverage		
		# of OPs	as % of OPs	Payments to OPs as % of 2007-2013 period interim payments in the year
1	Reasonable assurance	21	17.8 %	4.3 %
2a	Reasonable assurance with low risk	74	62.7 %	78.5 %
2b	Reasonable assurance with low risk, with partial reservation	3	2.5 %	8.4 %
3	Limited assurance with medium risk	18 *	15.3 %	8.8 %
4	Limited assurance with high risk	2 **	1.7 %	0.0 %
		118	100.0%	100.0%

** of which 1 partial reputational and 8 reputational / ** of which 2 reputational*

The table on next page indicates the management's best estimate of the risk of error by Member State, presented as a weighted average of the estimation for each OP.

⁹⁷ Overall assessment of Programmes by Member State can be found in Annex 10

Member States	Total Payments in 2015 per level of assurance (in € million)					Programming period 2007 - 2013											
	REASONABLE ASSURANCE	REASONABLE ASSURANCE WITH LOW RISK	LIMITED ASSURANCE WITH MEDIUM RISK	LIMITED ASSURANCE WITH HIGH RISK	Total	2015 Estimated risk			Cumulative residual risk	AAR 2015 reservation					Commission's actions		
	ESF 2007-13	ESF 2007-13	ESF 2007-13	ESF 2007-13	ESF 2007-13	Number of programmes	average risk rate 2015 (1) (2)	quantification of global risk on 2014 interim payments (€ million)	% of cumulative interim payments at end 2015	Number of Programmes under full reservation	Number of Programmes under partial reservation	Number of Programmes under reputational reservation (3)	Total	Quantification of risk for programmes in reservation 2015 (€ million)	Number of warnings and interruptions of payment deadlines in 2015 and Q1 2016	Number of pre-suspension letters in 2015 and Q1 2016	Number of suspension decisions in 2015 and Q1 2016
Austria (AT)	-	-	-	-	-	2		-	1,4%			0	-				
Belgium (BE)	1,4	80,2	81,4	-	163,0	6	4,3%	7,0	1,3%	2	1	3	5,0	4	2		
Bulgaria (BG)	-	145,2	-	-	145,2	2	1,3%	1,9	0,7%			0	-				
Cyprus (CY)	5,5	-	-	-	5,5	1	1,0%	0,1	0,6%			0	-				
Czech republic (CZ)	-	800,5	-	-	800,5	3	0,8%	6,7	1,0%			0	-				
Germany (DE)	35,8	470,6	168,4	-	674,9	18	2,7%	18,5	1,4%	2	1	3	10,7	4	1	1	
Denmark (DK)	-	36,1	-	-	36,1	1	2,0%	0,7	1,0%			0	-				
Estonia (EE)	-	-	-	-	-	1		-	0,6%			0	-				
Spain (SP)	166,0	413,4	0,8	-	580,2	22	3,0%	17,4	0,4%	1	2	5	1,2	11	4	1	
Finland (FI)	20,3	-	-	-	20,3	2	0,2%	0,0	0,4%			0	-				
France (FR)	-	993,3	-	-	993,3	5	4,0%	40,1	1,9%			1	-	1	1	1	
Greece (EL)	-	459,6	-	-	459,6	4	2,1%	9,8	0,6%		1	1	-				
Croatia (HR)	-	-	21,1	-	21,1	1	5,8%	1,2	3,6%	1		1	1,2	1			
Hungary (HU)	-	18,4	-	-	18,4	2	0,7%	0,1	1,0%		1	1	-	2	1	1	
Ireland (IE)	-	47,1	-	-	47,1	1	4,0%	1,9	0,6%			0	-				
Italy (IT)	68,4	693,9	42,2	-	804,5	24	1,8%	14,6	0,9%	1	3	4	2,1	4	2	2	
Lithuania (LT)	-	-	-	-	-	2		-	0,8%			0	-				
Luxembourg (LU)	-	3,0	-	-	3,0	1	0,5%	0,0	0,1%			0	-				
Latvia (LV)	-	-	-	-	-	1	0,7%	-	0,0%			0	-				
Malta (MT)	-	13,1	-	-	13,1	1	1,7%	0,2	0,8%			0	-				
The Netherlands (NL)	-	139,5	-	-	139,5	1	0,9%	1,3	1,7%			0	-				
Poland (PL)	-	778,9	-	-	778,9	1	0,1%	0,4	0,0%			0	-				
Portugal (PT)	-	4,3	-	-	4,3	4	1,5%	0,1	0,9%			0	-				
Romania (RO)	-	553,4	180,3	-	733,7	2	9,2%	67,2	0,0%	1		1	18,0	2	1		
Sweden (SE)	35,1	-	-	-	35,1	1	0,1%	0,0	0,7%			0	-				
Slovenia (SI)	-	50,7	-	-	50,7	1	1,5%	0,8	1,5%			0	-				
Slovakia (SK)	-	185,6	174,4	-	360,1	2	5,8%	20,8	1,8%	1		1	12,1	2	1	1	
The United Kingdom (UK)	-	773,6	-	-	773,6	6	2,3%	18,1	0,8%		2	2	-	5	4	3	
TOTAL	332,5	6.660,5	668,6	-	7.661,6	118	3,0%	228,9	0,9%	9	3	11	23	50,3	36	17	10
													0,66%				

(1) average error rate by MS is calculated on the basis of weighted validated error rates at operational programme level

(2) range of OP's error rates for Member States with an important number of OPs:

BE: from 0,11 to 6,79 % ; DE: from 0,07 to 25 % ; ES: from 0 to 11,19 % ; IT: from 0 to 25 % ; UK: from 0 to 7,1 %

(3) of which partial: 1 (ES)

total payments made on OPs in reservation:

1.312,8

3,8%

E. Conclusion

The table on the previous page presents the results of the assurance process which can be summarised as follows:

- The overall estimated validated average error rate⁹⁸ on 2015 payments for the 2007-2013 programming period is in the range of 3 % to 3.6 %⁹⁹;
- The cumulative residual risk of 0.9 % confirms that the 2007-2013 programming period is under control on a cumulative basis¹⁰⁰;
- EMPL formulates a reservation for 23 programmes: of which 11 on a reputational basis (including 1 partial reputational¹⁰¹) as no interim payment was made for these programmes in 2015;
- The quantification of the estimated financial risk for the 11 programmes with a full or partial reservation, as a percentage of 2007-2013 period interim payments in the year 2015, is at 0.7 %.

The range for the overall estimated validated average error rate and the cumulative residual risk in 2015 compare to 2014 (respectively 2.8 to 4%; 1.2%) and 2013 (respectively 2.6 to 3.5%; 1.1%) results.

The methodology which considers the cumulative residual risk for programmes with a 2015 validated error rate between 2 and 5 % and encourages MS to apply self-correction has a positive impact on the overall estimated financial risk. The risk identified is already being mitigated by the strict, effective and timely implementation of a number of corrective measures, in particular interruptions, suspensions and financial corrections either already in place or being launched.

Further details as regards the **reason leading to the reservation** are described in Annex 10.

2.3.1.3. Shared management – ESF 2000-2006 and previous periods

A. State of play closure

The Commission's objective is to ensure that the residual error rate in the population (expenditure 2000-2006) will not exceed 2%. To this end, a mechanism of financial corrections, based on the residual error rate provided by the MS and recalculated by the Commission has been implemented. In order to ensure equal treatment, a common methodology has been adopted for all Structural Funds.

EMPL has closed all 239 programmes proceeding to 30 partial and 209 full closures leaving remaining RAL of EUR 465,5 million which corresponds to:

- EUR 100 million of suspended operations following judicial proceedings;
- EUR 365.5 million as not released commitments by ongoing financial correction procedures for IT (Sicily, Calabria and Abruzzo) - EUR 347 million) as well as for SP (Lucha Obj.1, Obj.3 EUR 18 million). This amount will be disclosed under financial corrections in progress. It is based on audit findings of the COM and of ECA or OLAF and reflects on-going contradictory procedures with the concerned MS resulting from the closure review being disclosed in the pre-correction letters sent in 2015 to the MS.

⁹⁸ This validated error rate is the most comparable with the error rate determined by the ECA for the Cohesion Policy. However they are based on different approaches: on the one hand, an extrapolated error rate (fund specific as from the DAS 2011) based on audits of a sample of programmes and of operations using a statistical approach (ECA approach); and on the other hand, an average error rate based on the audit of operations by the Audit Authorities reported in the ACRs covering all the ESF operational programmes (Commission).

⁹⁹ In order to estimate the risk for 2015 payments, a range is calculated. This is due to the one year time gap inherent in the regulation and to take account of the sampling risk. EMPL applies the T distribution method (continuous probability distribution) to the validated error rates (meaning each euro paid being affected by a validated rate of error), and on this basis determines the standard distribution of the population (applying a 98 % confidence level) to calculate the maximum error range.

¹⁰⁰ Whether corrective measures (withdrawals, recoveries) already implemented by Member States had adequately mitigated the risks of irregularities since the beginning of the programming period

¹⁰¹ A reservation is "partial reputational" when only a distinct part of the programme is concerned by significant deficiencies and no payments were made on this part of the programme in 2014.

EUR 15,5 million has been released following the lifting of the pre-correction procedure and acceptance of the closure proposal for Galicia, and EUR 12 million following the acceptance of closure proposal for France and update of suspended operations as well as an acceptance of the closure review for Italy.

B. Financial corrections (2000-2006 and previous programming periods)

Indicator	2015
Corrections made resulting from Commission audit work (accepted/decided)	EUR 179,4 million
Corrections made resulting from Commission audit work (implemented)	EUR 179,7 million

Financial corrections accepted/decided in 2015 relating to past programming periods

1994-1999: one financial correction Commission Decision has been adopted for Belgium for an amount of EUR 0,1 million for pre-2000 funds.

2000-2006: EUR 179,3 million has been reported for Spain and France representing deduction of irregular amounts from the final statements of expenditure by the Commission services in the closure proposal that have been accepted by MS.

Financial corrections implemented in 2015 relating to past programming periods

1994-1999: one financial correction Commission Decision has been adopted and implemented for Belgium for an amount of EUR 0,1 million for pre-2000 funds.

2000-2006: 100 % of financial correction accepted during the year 2015 and previous years for the programming period 2000-2006 have been implemented.

By the end of 2015 including 2000-2006 ESF closure process EMPL has imposed or formally proposed to MS, as a result of its supervisory role, financial corrections for a total of circa EUR 1.990,1 million.

C. Follow up of 2014 reservation

A reputational reservation was made for 7 OPs on a precautionary basis due to significant financial corrections required. In 2015, the issues have been solved for 2 OPs (FR - Objectif 3 national and ES - Galicia). During the 1st quarter of 2016, the corrections have been agreed for 2 additional programmes (ES - Lucha objectives 1 and 3).

D. Conclusion

For the 3 Italian programmes (Calabria, Sicilia and Abruzzo), discussions with the national authorities are still ongoing, and the reputational reservation is maintained.

2.3.1.4. EGF

Procedures and controls for optimizing 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. MS report, for each EGF case, information as regards the type of actions and main outcomes, the names of the bodies delivering the package of 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.

A. Audit work

Indicator	2015
Error rate	0.07%

Regulation (EC) No 1927/2006 establishes the EGF, which supports workers affected by trade-related redundancies from 1 January 2007 onwards. The Regulation (EC) No 546/2009 included also the global financial and economic crisis as a reason for EGF support (only for the applications submitted before 31 December 2011) and among others it increased the implementation period from one year to two years (for all applications received from 1 May 2009).

In 2015, the Commission finalized five audits, three initiated in 2014 and two performed in the first half of 2015.

B. Conclusion

On the basis of the finalized ex-post financial audits in 2015, the amount audited was EUR 16 667 436 and the total correction proposed was EUR 12 161. This resulted in an error rate of 0.07%, thus leading to no reservation for the EGF.

2.3.1.5. IPA

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

One of the primary objectives of "IPA HR component" is to step up the institutional capacity of the candidate countries to prepare them for managing 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.

A. Analysis annual audit activity reports

For the 3 countries (Turkey, Montenegro and fYRoM), the annual audit activity Reports (AAARs) and annual audit opinions (AAOs) have been received in due time.

From the analysis of the annual audit activity reports, the EMPL's audit directorate concluded that for Turkey, fYRoM and Montenegro, there are no significant issues.

B. Audit work and financial corrections

Indicator	2015
2015 validated error rate	0.001%
Cumulative residual risk	0.6%
Financial corrections (decided in 2015)	-

In the framework of IPA, EMPL auditors were also involved, together with DG NEAR, AGRI and REGIO, in the monitoring of the assistance to the candidate countries.

To verify the effective functioning of the management and control systems in place in the IPA beneficiary countries in 2015, one fact finding mission on the review of the implementation of the programme took place in fYRoM, which concluded that the very low and slow implementation, as well as the high de-commitment risk, is worrying. The responsibility is shared between the different actors and is mainly due to the lack of

creative ideas, heavy procedures, and the lack of efficient co-operation between institutions.

Regarding fYRoM there is a specific issue detected by the EU Delegation related to the compliance with the policies and procedures for vehicles fleet usage.

C. Interruptions/suspensions of payments

In 2015, no payment was interrupted. In the first quarter of 2016, however, two interim payment claims were interrupted on 19 January 2016 reflecting a total amount of EUR 4.4 million.

D. 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.

It results in:

IMPACT on Declaration of Assurance (based on functioning of systems, materiality and legality and regularity criteria)		Coverage		
		# of Programmes	as % of Programmes	Payments as % of interim payments in the year
1	Reasonable assurance			
2a	Reasonable assurance with low risk	2	66.7%	98.3%
2b	Reasonable assurance with low risk, with partial reservation	1	33.3%	1.7%
3	Limited assurance with medium risk			
4	Limited assurance with high risk			

On the basis of the assessment described above, EMPL has a partial reservation for the fYRoM programme, for which the estimated risk represents less than 0.1% of IPA interim payments.

2.3.1.6. Direct management

Procedures and controls for optimizing economic, efficient and 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.

Detective 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 all 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.

Efficiency is notably ensured through an internal Service Level Agreement defining the responsibilities between the Operational and Resource Directorates within the DG, workflows and check-lists.

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

A. Programming, evaluation, selection of proposals and contracting

Indicator	2015
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	100%

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 and financial) 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 terms of reference of call for proposals are written by the AOSDs with the support of adequate guidance and using the available models. In respect of a pre-defined workflow, the Financial Unit is systematically consulted and issues formal opinions (completeness, correctness, compliance) prior to the publication of each call.

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.

After verification, a formal opinion is issued by the Financial Unit on the evaluation and selection procedure prior to budgetary and legal commitments. The publication on Europa of the grants awarded takes place only after control by the Financial Unit.

2) Procurements

Prior Information Notices and invitations to tender are checked for compliance with the Financial Regulation and Financing Decision by the Financial Unit before publication. To ensure the respect of procurement principles, opening and evaluation committees are appointed by the AOSDs.

As regards open tender procedures and framework contracts with reopening of competition and negotiated procedures, a formal opinion is issued after verification by the Financial Unit on the evaluation and selection procedure prior to budgetary and legal commitments.

B. Monitoring the execution

Indicator	2015
Grants	
Verification of transactions by operational and financial agents	100%
Ex-ante in depth check of final cost claims (error rate)	2.1%
Procurement	
Verification of transactions by operational and financial agents	100%

EMPL agents carry out detective, 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 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).

C. Ex-post controls - Audit work

Indicator (*)	2015
Ex-post audits finalised	24 Commission audits / 12 outsourced audits
% amount controlled by ex-post audit vs. total amount	10.18 %
Error rate Grants	2.27%
Error rate Public Procurement	0-2%

(*) based on audit procedures finalised between 01/02/2015 and 31/01/2016

Approximately 35% 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 2015, the error rate for grants amounts to 2.27%. This rate is considered as acceptable considering that on a 5-year basis for grants, the weighted average error rate is estimated at 1.92% of payments made.

D. Conclusion

Although the error rate for grants was assessed at 2.27%, EMPL concludes to a reasonable assurance. The analysis made to support that conclusion considers (1) the fact that the sample is selected on a risk based and targeted approach; (2) the nature of the major cases identified (3) the existing ex-ante and ex-post control procedures and (4) the weighted average error rate detected for grants over the last 5 years (1.92%).

The assessment described above and the estimated overall error rate for centralised direct management being under the materiality threshold (1.47%) provides reasonable assurance to EMPL.

2.3.1.7. 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.

A. Decentralised agencies

Although agencies have full responsibility for their own management, a number of **reporting and supervising arrangements** 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 four advisory committees which follow more in detail the activities related to the aforementioned four policy priorities. The Commission comments and validates the budgetary and staff-related planning documents of the agency (Budgetary fiche and Multi-annual staff policy plan). 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 also 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 2015, EMPL participated in the annual meeting of CEDEFOP Governing Board and five meetings of CEDEFOP Bureau. The progress report, the annual report and the consolidated annual activity report were discussed with the Governing Board, besides the regular reporting to the Bureau/Governing Board on the results of audits, budget implementation, transfers of appropriations. Bureau members were also systematically informed on key changes in the implementation of the work programme. All significant decisions to be taken by CEDEFOP Governing Boards were validated by written procedures. In addition, frequent contacts and meetings at working level took place between EMPL services and CEDEFOP.

In 2015, the IAS carried out in CEDEFOP an audit on 'Procurement, including fraud prevention and legal advice' that resulted in issuing one very important and 4 important recommendations. CEDEFOP adopted its Anti-Fraud Strategy on 22 October 2014, in line with the Policy on prevention and management of conflicts of interests at CEDEFOP. The strategy included an internal procedure on reporting on irregularities.

- **ETF:** EMPL carried out a proactive and continuous monitoring of ETF activities throughout 2015, including the organisation of two structured dialogue meetings in April and October (involving all relevant COM services) and chairing two ETF Governing Board meetings (June and November). EMPL also launched the work on the ETF external evaluation for the period 2011-2014. In addition, frequent contacts and meetings at working level took place between EMPL services and ETF. The European Court of Auditors has acknowledged the strong budgetary performance of ETF within the annual discharge procedure (estimated performance effectiveness at over 97% for 2014).

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

B. Cross-delegations

EMPL has cross-delegated EUR 10.2 million in 2015. 45% of this amount was implemented by ESTAT, 42% by REGIO and the remaining 13% by AGRI, CNECT, ECFIN, SANTE & DGT. These AODs are required to implement the appropriations subject to the same rules, responsibilities and accountability arrangements as EMPL's AOD. The cross-delegation agreements require the AODs to report on the use of these appropriations.

None of these reports communicate events, control results or issues which could have a material impact on assurance. They 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.

2.3.2 Efficiency and cost-effectiveness

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

2.3.2.1 ESF

Indicator	2015
Cost of control/financial management of the Commission checks and assessment (as a % of total payment made)	0.24%
% of ESF Commission payments on time	84%
Time to lift interruption of payments <i>Impacted by the degree of complexity of the issues and of the time required by MS to react</i>	10 months on average
% 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>	89%

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 0.24 % of total payment appropriations of the year. When added to the cost at the level of the Member States assessed to be around 4.8 %¹⁰² of the ESF 2007-13 programme budgets, the total estimated cost for the management and control of the ESF corresponds to 5 % of the total annual budget. Using this estimate based on the structures of the programming period 2007-2013 is adequate as payments for OPs 2007-2013 still represent the bulk of expenditure in 2015. Assessing the cost of the management and control structures for the new programming period should be available in the next AAR following the results of an ongoing ESIF survey managed by REGIO.

¹⁰² "Study Measuring Current and Future Requirements on Administrative Cost and Burden of Managing the ESF"VT/2010/112.

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 work¹⁰³ 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.

One way to look at quantifiable benefits would be to consider the corrections¹⁰⁴ 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 would not solely 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.

Overall, during the reporting year the controls carried out by EMPL for the management of the budget appropriations were cost efficient. The estimated quantifiable benefits, expressed as the corrections implemented in 2015¹⁰⁵, exceeds the overall estimated annual cost in a proportion of 17 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.

In 2015, for the 2007-2013 programming period, the entire control system ultimately allowed that **91% of the credits were paid to programmes with a cumulative residual error rate below 2%.**

2.3.2.2 Direct and Indirect Management

Indicator	2015
Estimation of cost of control of the Commission (as % of total payments made)	3.9%
Cost of evaluation and selection procedure/value contracted (%)	1.1%
Costs of control from contracting and monitoring the execution up to payment included / amount paid	2.2%
Cost of control ex post audits / value audited	5%
% payments on time (vs FR Target)	85%
Budget execution (payment - direct management)	95.3%
Time-to-inform (days) ¹⁰⁶	126
Time-to-grant (days) ¹⁰⁷	51

¹⁰³ Systems audit, re-performance of ACRs, follow-up of audit authorities, closure audits, fact finding audits, etc.

¹⁰⁴ See point 2.1.1.1.G

¹⁰⁵ ESF Financial Corrections implemented in 2015 and covering all programming periods (see annex 10)

¹⁰⁶ Average time to inform applicants of the outcome of the evaluation of the application. (Art. 128.2 FR-max 6 months)

¹⁰⁷ Average time to grant (Art. 128.2 FR - max 3 months)

The annual Commission **cost** is estimated to represent around 3.9% of EMPL total payment appropriations (funds under direct and indirect management¹⁰⁸ by EMPL). It includes the staff involved in (1) project management; (2) financial advice, initiation and verification tasks and (3) ex-post audits. The analysis by stage allows concluding that EMPL has a reasonable cost structure.

The benefits of controls at the programming stage cannot be quantified. 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 benefits of the controls in place are demonstrated by the error rates being consistently below the materiality threshold.

The above indicators demonstrate the relative **efficiency** of EMPL services, with improved statistics for payments on time (following the deterioration due to the centralisation of financial services, it evolved from 53% in 2013 to 85% in 2015 and time-to grant within the delays set by the Financial Regulations).

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.

However, following the preliminary conclusions of an assessment made by BUDG of the room for potential improvements¹⁰⁹ (mid-2015), the Director-General decided to review its financial management procedures and implement a number of simplification measures, which should result in efficiency gains across the DG. These measures will be implemented in 2016.

2.3.3 Fraud prevention and detection

Indicator	2016 (Q1)
Number of Member States implementing ARACHNE	20

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

In December 2015 the **"Joint Anti-Fraud Strategy (JAFS) 2015-2020"** of EMPL, REGIO and MARE entered into force. This common strategy succeeds the ones previously in place¹¹⁰; it covers, as in the past the ERDF, ESF, CF and EMFF and henceforward also the FEAD, EGF and EUSF. Under the JAFS 2015-2020, EMPL, together with the other DGs concerned, has decided to concentrate its immediate efforts in the fight against fraud on achieving two priority objectives:

- Analysis of the results of the fraud risk assessments that Member States have to carry out under the 2014-2020 legislative provisions for the purpose of further underpinning and updating the action plan of the new strategy;
- Increasing the effective use by Member States of the ARACHNE tool to detect potential fraud.

The actions for the prevention and detection of fraud that EMPL has implemented in 2015 were those set out in the action plan of the previous JAFS:

- The development by EMPL of the *risk scoring tool ARACHNE* was presented in 27 Member States. So far, 16 Member already use the ARACHNE tool and EMPL continues to monitor its use. One other Member State will have access in the first

¹⁰⁸ See table in the introduction of Part 2

¹⁰⁹ as required by Article 66(2) of the Financial Regulation

¹¹⁰ "Joint Fraud Prevention Strategy for ERDF, ESF and CF 2008-2009", "Joint Fraud Prevention Strategy for ERDF, ESF, CF and EFF 2010-2011" and "Joint Anti-Fraud Strategy (JAFS) for ERDF, ESF, CF and EFF 2012-2013" (the latter was extended for an additional year (2014)).

quarter of 2016 and 3 more are finalising their files in order to send them for enrichment and for risk calculation. 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 OPs.

Further developments of ARACHNE are currently underway in EMPL. In this respect, a request for significant changes has been finalised and currently, the tool is being upgraded in order to take account of suggestions raised by Member States using the tool. The upgraded version of Arachne will be rolled out in the first semester of 2016.

The results of EMPL audits brought evidence on potentially fraudulent wrongdoings of some of the beneficiaries selected. All instances of suspected fraud have been notified by EMPL to OLAF. Where the DG concluded that irregularities had been committed or acquired sufficient evidence to consider that the underlying management and control systems were gravely deficient, financial corrections procedures have been initiated.

- The *fraud risk assessment guidance and tool* for Member States in view of putting "in place effective and proportionate anti-fraud measures" (as requested under article 125.4 c) of the legislation for Cohesion Policy for 2014-2020) was further promoted and disseminated in 2015 by EMPL to Member States, in particular in the context of training seminars (organised by OLAF in Spain, Poland and Germany) on reporting of irregularities.
- *Awareness raising actions* addressed to Member States' authorities have been further developed. EMPL, in 2015, continued to participate in anti-fraud seminars held (together with DG REGIO, DG HOME, OLAF and Transparency International) in selected Member States (Poland, Baltic countries, Portugal and Hungary) to support them in their anti-fraud efforts.

In the context of the revision of EMPL's "**Anti-Fraud Strategy for Direct Management**" the DG carried out in 2015 a specific fraud risk assessment of its main activities under the direct management mode. The results of this exercise have been analysed and will determine the concrete actions to be included in the actions plan of the revised strategy.

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 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.

Hence, in 2015, EMPL transmitted to OLAF information with regard to 10 new suspected fraud cases (9 in the area of ESF and 1 concerning the EGF). After having assessed this information, OLAF has to date decided to open an investigation for 2 of the cases.

The total number of on-going OLAF investigations concerning EMPL's fields of activity amounts to 26 ESF (and 1 centralised expenditure) related cases at the end of 2015 (1 in AT, 1 in BG, 2 in DE, 4 in EL, 2 in FR, 3 in HU, 1 in IT, 1 in NL, 5 in PL, 2 in PT, 3 in RO, 1 in SK and 1 in UK).

Implementation of the communication and guidelines on the division of responsibilities between OLAF and the authorizing officer by delegation

In 2015, EMPL has continued the implementation of the 2007 Commission decision on the division of responsibilities between OLAF and the authorizing officers by delegation and the follow-up of the financial aspects of OLAF investigations and irregularity cases.

The treatment of open ESF irregularity cases of programming periods 1989-1993, 1994-1999 and 2000-2006 was pursued in 2015. For cases where the irregular amounts are considered as irrecoverable the Member States concerned have presented "article 5.2 requests" for the EU budget to bear the financial consequences.

End of January 2015, in the context of the implementation by EMPL of financial recommendations issued by OLAF, the DG reported to OLAF and DG BUDG the amounts that it had recovered in 2014 with regard to the cases concerned.

Detected (suspected) fraud in ESF as reflected by OLAF's 2014 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.

According to OLAF's 2014 PIF Report, published in 2015, 1526 ESF irregularity cases were communicated to OLAF by Member States in 2014. Out of these, 112 cases were reported in 2014 as cases of suspected fraud in ESF. It is at this moment in time impossible to know how many out of the 112 suspected fraud cases notified in 2014 represent a case of established fraud, as the related criminal proceedings leading to a conviction for fraud may take several years.

Conclusion

EMPL considers the above-mentioned anti-fraud strategy covering its core activities under shared management as effective. With regard to the DG's anti-fraud strategy for direct management, its on-going revision additionally takes into account the fraud risk assessment exercise performed in 2015 and brings the strategy in line with OLAF's new methodology on the establishment of anti-fraud strategies.

2.4 Conclusions as regards assurance

This section reviews the assessment of the elements reported above and draws conclusions supporting the declaration of assurance and whether it should be qualified with reservations.

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.

For **EGF**, the overall estimated error rate is 0.07% and therefore below the materiality threshold. On the basis of 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.

For **direct management**, the assessment described above and the estimated overall error rate for centralised direct management under the materiality threshold (1.47%) provides reasonable assurance to EMPL.

Concerning **FEAD**, EMPL concluded to limited assurance with medium risk for one OP for which for which a financial risk of 0% of 2015 FEAD interim payments is estimated as the potential risk estimated at 10% is covered by the 10% retention on the payments made.

Concerning **IPA**, the analysis made at programme level allowed to conclude to a reasonable assurance except for fYRoM for which a financial risk of less than 0.1% of 2015 IPA interim payments is estimated.

As regards the **ESF**, 2015 is the 7th year for which the national Audit Authorities provided ACRs and AOs. EMPL carried out a detailed analysis of these documents and, for the fourth year, could use the error rates provided by the national Audit Authorities in the ACRs as one of the key elements for building its assurance.

The overall internal control system allowed detecting deficiencies in the management and control systems of 23 ESF Operational Programmes of the 2007-2013 programming period which are included in the 2015 reservation. The financial risk related to these OPs is estimated to be 0.7% of the 2007-2013 interim payments executed in 2015 and the cumulative residual error rate over the whole period is estimated at 0.9%.

EMPL continues to apply a strict policy of interruption and suspension of payments to preserve the EU's financial interests. The financial corrections implemented in 2015 amounted to EUR 423.6 million of which EUR 179.7 million for 2000-2006 and previous programming period and EUR 243.9 million for 2007-2013. The overall estimated validated average error rate¹¹¹ on 2015 payments for the 2007-2013 programming period is in the range of 3% to 3.6%.

EMPL concludes to a reasonable assurance that suitable controls are in place and work as intended for the ESF as the overall internal control system allows detecting and correcting deficiencies in some management and control systems of the 2007-2013 programming period.

As regards the 2000-2006 programming period, assurance has been built over the years. In the closure process, final payments are made when EMPL is reasonably certain that the error rate is below the materiality threshold of 2% following agreement on appropriate financial corrections. The reputational reservation is maintained for the 3 Italian OPs that are still in the closure process.

EMPL therefore decides on the following three reservations:

EMPL	
Title of the reservation	Management and control systems for 3 specific ESF Operational Programmes in Italy for the programming period 2000-2006 (reputational reserve).
Domain	Shared management of ESF
ABB activity and amount affected	04.02 ESF (2000-2006) 2015 final payments made to: - 2000-2006 OPs: EUR 0 - 2000-2006 OPs affected by the reservation: EUR 0
Reason for the reservation	Deficiency of the management and control systems set up in relation to the requirements of Regulation 438/2001.
Materiality criterion	Significant deficiencies at the level of the key elements of the management and control systems
Quantification	EUR 0 (no payment was made for these 3 programmes in 2015)
Impact on assurance	The weakness affects the legality and regularity of the payments concerned and the management systems in place. Financial impact is mitigated through precautionary measures taken by the Commission: no final payment till agreement on financial corrections to be applied at closure of the programme.
Responsibility for the weakness and its remedy	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.
Corrective action	For the programmes concerned, on-going discussions with the national/regional authorities on the financial corrections proposed by the Commission.

¹¹¹ This validated error rate is the most comparable with the error rate determined by the ECA for the Cohesion Policy. However they are based on different approaches: (1) on the one hand, an extrapolated error rate (fund specific as from the DAS 2011) based on audits of a sample of programmes and of operations using a statistical approach (ECA approach); and (2) on the other hand, an average error rate based on the audit of operations by the Audit Authorities reported in the ACRs covering all the ESF operational programmes (Commission).

EMPL	
Title of the reservation	Management and control systems for 23 specific ESF Operational Programmes in Belgium, Germany, Spain, France, Greece, Croatia, Hungary, Italy, Romania, Slovakia and the United Kingdom for the programming period 2007-2013 and for the Former Yugoslav Republic of Macedonia's IPA programme. These include partial/full and reputational/financial reservations. Detail at OP level is to be found on last page
Domain	Shared management of ESF and decentralised management of IPA
ABB activity and amount affected	04.02 ESF (2007-2013), 04.05 IPA 2015 interim payments made - to 2007-2013 OPs: EUR 7661.6 million - to 2007-2013 OPs affected by the reservation: EUR 1312.8 million - to IPA: EUR 64.5 million - to IPA OP affected by the reservation: EUR 1.1 million
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) and Regulation 718/2007 (IPA).
Materiality criterion	Significant deficiencies at the level of the key elements of the management and control systems.
Quantification	EUR 50.3 million corresponding to 0.7 % of the interim payments of the year for 2007-2013 period ¹¹² ; EUR 0.03 million on IPA corresponding to less than 0.1 % of the interim payments of the year.
Impact on assurance	The weakness affects the legality and regularity of the payments concerned and the management systems in place. Financial impact is mitigated through precautionary measures taken by the Commission: - interruption/suspension of payments pending the correction of the identified weaknesses by the MS concerned; - financial corrections applied to past expenditure statements.
Responsibility for the weakness and its remedy	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.
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"> ▪ interruption of payments following article 91 of Regulation 1083/2006 ▪ launch of suspension and financial corrections procedures ▪ complementary guidance and support for national authorities especially on the coverage and quality of the audit activities ▪ audit work to check the ability of national auditors to fulfil their obligations ▪ on the spot audits of operations or on systems on a risk-based approach.

¹¹² The reservation concerning the 2007-2013 programming period is a financial reservation although it contains individuals OPs subject to a reputational reserve only. The detail can be found on last page

EMPL	
Title of the reservation	Management and control systems for one specific FEAD Operational Programme in France for the programming period 2014-2020
Domain	Shared management of FEAD
ABB activity and amount affected	04.06 FEAD (2014-2020) 2015 interim payments made to FEAD OPs: EUR 35.46 million 2015 interim payments made to FEAD OP affected by the reservation: 33.9 million
Reason for the reservation	Deficiency of the management and control systems set up in relation to the requirements of Regulation No 223/2014.
Materiality criterion	Significant deficiencies at the level of the key elements of the management and control systems
Quantification	EUR 0 as the potential risk estimated at 10% is covered by the 10% retention on the payments made
Impact on assurance	The weakness affects the legality and regularity of the payments concerned and the management systems in place. Financial impact is mitigated through precautionary measures taken by the Commission: - interruption/suspension of payments pending the correction of the identified weaknesses by the MS concerned; - financial corrections applied to past expenditure statements.
Responsibility for the weakness and its remedy	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.
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"> ▪ interruption of payments ▪ launch of suspension and financial corrections procedures ▪ complementary guidance and support for national authorities especially on the coverage and quality of the audit activities ▪ audit work to check the ability of national auditors to fulfil their obligations ▪ on the spot audits of operations or on systems on a risk-based approach.

2.4.1 Overall conclusion

For EMPL, the estimated overall amount at risk for the 2015 payments made is between EUR 235 million¹¹³ and EUR 284 million. This is the AOD's best conservative estimation of the amount of expenditure authorised during the year not in conformity with the applicable contractual and regulatory provisions at the time the payment is made.

	Scope: payments made (2015; EUR Mo)	Average Error Rate ¹¹⁴ (2015; AER;%)		Amount at risk (2015; EUR Mo)	
		Average	Maximum	Average	Maximum
FSE 2007-2013 –IP	7.662	3,0%	3,6%	232,1	275,8
FSE 2000-2006		0,0%	0,0%	0,0	0,0
FSE 2014-2020: PF	2.291	0,0%	0,0%	0,0	0,0
FSE 2014-2020: IP	301	0,0%	0,0%	0,0	0,0
FEAD: PF	10	0,0%	0,0%	0,0	0,0
FEAD: IP	35	0,0%	0,0%	0,0	0,0
EGF	78	0,1%	2,0%	0,1	1,6
IPA	65	0,0%	2,0%	0,0	1,3
Centralised	238	1,0%	2,0%	2,4	4,8
Overall	10.679	2,2%	2,7%	234,6	283,5

This expenditure will be subject to ex-post controls by the Commission and the Member States and a proportion of the underlying error will be detected and corrected in successive years, after the Commission has authorised the payment (i.e. not only including those implemented at the time of reporting but also those that will be implemented in successive years by the Commission and the Member States).

Although it is not possible to identify the specific errors and amounts which will be effectively corrected in the coming years, EMPL could assess its corrective capacity on the basis of the data built to support the assurance process of the bulk of its expenditure, i.e. the ESF 2007-2013, which results in the calculation of a Cumulative Residual Risk (CRR 0.9% in 2015)¹¹⁵.

As 2015 payments made to 2007-2013 OPs represent over 91% of all interim payments (which accounts for 78% of EMPL's total payments of the year, the remainder being pre-financing at zero risk), the CRR calculated for that programming period is considered as the best indicator/information available to estimate the future corrective capacity of all ex-post controls that EMPL and the MS will implement after the Commission payments. By applying the calculated CRR to all EMPL's interim payments, EMPL's conservative estimate of future corrections for those 2015 payments should amount at least at EUR 160 million.

Taking into account the conclusions of the review of the elements supporting assurance and the expected corrective capacity of the controls to be implemented in subsequent years, it is possible to conclude that the internal controls systems implemented by EMPL provide sufficient assurance to adequately manage the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes and despite the reservations outlined, which concern exclusively legality and regularity risks. Furthermore, it is also possible to conclude that the internal control systems provide sufficient assurance with regards to the achievement of the other internal control objectives.

¹¹³ This estimated overall amount at risk is calculated on the basis of payments made by EMPL in 2015. As regards the ESF 2007-2013 OPs, this value is therefore calculated on 2015 interim payments. For the amount of pre-financing cleared in 2015 for ESF 2007-2013 OPs (EUR 1.7 billion), EMPL estimates an additional amount at risk of EUR 10.6 million by applying the respective validated error rates at OP level.

¹¹⁴ See section 2.3. Control Results

¹¹⁵ EMPL considers this year approach as more conservative compared to the one used in 2014. In 2014, it was based on a six year average of financial corrections which resulted in an estimated corrective capacity exceeding the most likely amount at risk. It was mostly due to the fact it included financial corrections and recoveries relating to previous programming periods when the amounts at risk were higher.

3. DECLARATION OF ASSURANCE

I, the undersigned, Michel Servoz, 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.

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 work of the internal audit capability, 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 Regulation 1083/2006 (2007-2013 period) for identified ESF Operational Programmes in Belgium, Germany, Spain, France, Greece, Croatia, Hungary, Italy, Romania, Slovakia and the United Kingdom which have not been subject to sufficient control and corrective measures by the national authorities;
- There are deficiencies of key elements of the management and control system set up in relation to the requirements of Regulation 718/2007 for Former Yugoslav Republic of Macedonia's IPA Component IV programme;
- There are deficiencies of key elements of the management and control systems set up in relation to the requirements of Regulation 438/2001 (2000-2006 period) for identified ESF Operational Programmes in Italy which have not been subject to sufficient corrective measures by the national authorities and that are treated in the closure process;
- There are deficiencies of key elements of the management and control systems set up in relation to the requirements of Regulation No 223/2014 for the identified FEAD operational programme in France.

For the programmes concerned, EMPL has a reservation on the legality and regularity of the underlying transactions for expenditure declared.

Brussels, 18 April 2016

Michel Servoz

[Signed]

List of operational programmes in the 2015 reservation

ESF / 2007-2013 programming period			
Member State	OP number	OP Name	Reservation
BELGIUM	2007BE052PO003	Etat fédéral	reputational
	2007BE052PO004	Bruxelles Capitale	full
	2007BE052PO005	Vlaanderen	full
CROATIA	2007HR051PO001	Human Resources Development	full
FRANCE	2007FR051PO003	Guyane	reputational
GERMANY	2007DE051PO002	Mecklenburg-Vorpommern	full
	2007DE051PO005	Sachsen-Anhalt	full
	2007DE052PO004	Bremen	reputational
GREECE	2007GR05UPO001	Développement Ressources humaines	partial
HUNGARY	2007HU05UPO001	Revitalisation sociale	reputational
ITALY	2007IT051PO002	Calabria	reputational
	2007IT052PO004	Lazio	full
	2007IT052PO006	Lombardia	reputational
	2007IT052PO009	Bolzano	reputational
ROMANIA	2007RO051PO001	Human Resources Development	full
SLOVAKIA	2007SK05UPO002	Employment and Social Inclusion	full
SPAIN	2007ES051PO005	Andalucia	partial reputational
	2007ES051PO008	Melilla	full
	2007ES052PO005	Baleares	reputational
	2007ES05UPO001	Adaptabilidad y Empleo	partial
	2007ES05UPO002	Lucha contra la Discriminación	partial
UNITED KINGDOM	2007UK051PO001	Highlands and Islands of Scotland	reputational
	2007UK052PO002	Lowlands and Uplands of Scotland	reputational

ESF / 2000-2006 programming period			
Member State	OP number	OP Name	Reservation
ITALY	1999IT161PO006	Calabria	reputational
	1999IT161PO011	Sicilia	
	1999IT053PO012	Abruzzo	

IPA component IV / 2007-2013 programming period			
Member State	OP number	OP Name	Reservation
fYRoM	2007MK051PO001	Human Resources Development	partial

FEAD / 2014-2020 programming period			
Member State	OP number	OP Name	Reservation
France	2014FR05FMOP001	FEAD	full