MANAGEMENT BOARD DECISION 32/2017

of 22 November 2017

adopting the revised Frontex internal control framework and authorising the Executive Director to adopt necessary measures for its implementation

THE MANAGEMENT BOARD

Having regard to the European Border and Coast Guard Regulation\(^1\), and in particular Article 62(2)(o) thereof,

Whereas:

(1) The Frontex internal control framework, established by Management Board Decision No 24 of 25 June 2009\(^2\), should be adjusted to the new mandate and organisational structure of the Agency.

(2) Article 30(4)(a) of the Frontex Financial Regulation\(^3\) provides that effective internal control shall be based on the implementation of an appropriate risk management and control strategy coordinated among appropriate actors involved in the control chain.

(3) The new organisational structure of the Agency was adopted by the Management Board on 14 June 2017\(^4\), and established the Inspection and Control function.

(4) As a result of Management Board Decision No 24 of 25 June 2009, the internal control standards of the Agency have been largely based on the European Commission’s Internal Control Framework.\(^5\)

(5) On 19 April 2017, the European Commission revised its Internal Control Framework\(^6\). It is therefore appropriate that the Agency revises its internal control framework as well.

(6) The revision of the Frontex internal control framework is two-fold; (1) revising the internal control system, (the annex to this Decision) and (2) changing the approach of the internal control framework from being compliance-based, to risk based.

HAS DECIDED AS FOLLOWS:

**Article 1**

Adoption and implementation of the revised Frontex internal control framework

1. The revised Frontex Internal Control System, as set out in the annex to this decision, is hereby adopted. The Frontex Internal Control System forms the core-component of the internal control framework. The approach of the internal control framework is changed from being compliance-based to risk-based.

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\(^{4}\) Management Board Decision 18/2017 of 14 June 2017 on the new organisational structure of the Agency.

2. The Executive Director is hereby mandated to adopt necessary measures to implement the Frontex internal control framework, by 31 December 2018 at the latest.

3. The Executive Director is hereby mandated to conduct an overall assessment of the Frontex internal control framework, at least annually. The first such annual assessment shall take place for the year 2019.

**Article 2**

**Repeal**

This Decision repeals and replaces Management Board Decision 24/2009 of 25 June 2009 on the Updated Internal Control Standards.

**Article 3**

**Entry into force**

This Decision enters into force on the day following its adoption.

Done in Warsaw, on 22 November 2017

For the Management Board

[signed]

Marko Gašperlin
Chairperson

**Annex: Frontex Internal Control System**
Annex
to MANAGEMENT BOARD DECISION No 32 of 22 November 2017 adopting the revised Frontex Internal Control Framework

Frontex Internal Control System
Revision November 2017

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1. **CONTEXT AND DEFINITIONS**

Internal control applies to all activities, irrespective of whether they are financial or non-financial. It is a process that helps an organisation to achieve its objectives and sustain operational and financial performance, respecting rules and regulations. It supports sound decision making, taking into account risks to the achievement of objectives and reducing them to acceptable levels through cost-effective controls.

The Internal Control Framework (ICF) of Frontex is designed to provide reasonable assurance regarding the achievement of the five objectives set in the Article 30 of the Frontex Financial Regulation: “(1) effectiveness, efficiency and economy of operations; (2) reliability of reporting; (3) safeguarding of assets and information; (4) prevention, detection, correction and follow-up of fraud and irregularities, and (5) 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”.

This framework supplements the Frontex Financial Regulation and other applicable rules and regulations with a view to align Frontex standards to the highest international standards. The framework implemented by the Commission served as a base for defining principles and their characteristics.

2. **IMPLEMENTATION**

The Internal Control System of Frontex is based on the five internal control components: the control environment, risk assessment, control activities, information and communication and monitoring activities. They are the building blocks that underpin the framework’s structure and support the Agency in its efforts to achieve its objectives. The five components are interrelated and must be present and effective at all levels of the organisation for internal control over operations to be considered effective.

In order to facilitate the implementation of the Internal Control System and management’s assessment of whether each component is present and functioning and whether the components function well together, each component consists of several principles. Working with these principles helps provide reasonable assurance that the organisation’s objectives are met. The principles specify the actions required for internal control to be effective.

The internal control framework moves away from a purely compliance-based to a principle-based system, whereby the managers are offered the necessary flexibility to adapt to their specific characteristics and circumstances while ensuring a robust internal control with a consistent assessment throughout the Agency. This approach aims at helping the organisation

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2 Notably the Staff Regulations and Management Board Decision on its Implementing rules, Decisions of the Executive Director of Frontex, the Frontex anti-fraud strategy, the strategic planning and programming cycle, etc.
to achieve its objectives and sustain operational and financial performance by establishing
diverse and objective based managerial processes, adequately to each entity needs (divisions,
units, teams or equivalent).

**Ongoing monitoring** of the effective functioning of internal control is built into business
processes and performed on a real-time basis at all levels of the organisation. This enables the
entities to timely react to changing conditions and to correct deviations from intended
performance and effectiveness levels.

The Agency must be able to demonstrate not only that they have put controls in place but also
that these controls take account of the risks involved and that they work as intended.

Internal control principle 16 states that the assessment of internal control is founded both on
ongoing (*continuous*) monitoring and on specific (*periodical*) assessments to ascertain whether
the internal control systems and their components are present and functioning. They must carry
out an overall assessment of the presence and functioning of all internal control components
at least once per year.
### The Components, Principles and Characteristics of the Frontex Internal Control System

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<tr>
<th>Components</th>
<th>Principles</th>
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<td><strong>I. Control Environment</strong></td>
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<td>2. Internal Control function demonstrates independence from management and exercises oversight of the development and performance of internal control.</td>
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<td><strong>II. Risk Assessment</strong></td>
<td>6. Specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.</td>
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<td>7. Identifies risks to the achievement of its objectives across the organisation and analyses risks as a basis for determining how the risks should be managed.</td>
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<td><strong>III. Control Activities</strong></td>
<td>10. Selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.</td>
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The below description identifies the characteristics of each principle. These characteristics are defined in such a way as to take into account the specific governance arrangements in the Agency. There is no requirement for the manager to assess whether each individual characteristic is in place. The characteristics are defined to assist management in implementing internal control procedures and in assessing whether the principles are present and functioning. Management is expected to have persuasive evidence to support their assessment.

I. Control Environment

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The control environment is the set of standards of conduct, processes, and structures that provide the basis for carrying out internal control across an organisation. The executive and senior management set the tone at the top for the importance of internal control, including expected standards of conduct.

1. The Agency demonstrates a commitment to integrity and ethical values.

Characteristics:

- **Tone at the top.** All management levels respect integrity and ethical values in their instructions, actions and behaviour.
- **Standards of conduct.** The Agency’s expectations on integrity and ethical values are set out in standards of conduct and understood at all levels of the organisation, as well as by entrusted bodies, outsourced service providers and beneficiaries.
- **Alignment with standards.** Processes are in place to assess whether individuals and departments are aligned with the Agency’s expected standards of conduct and to address deviations in a timely manner.

2. The Internal Control Management Function (ICMF) demonstrates independence from management and exercises oversight of the development and performance of internal control.

Characteristics:

- **The ICMF oversees the Agency’s governance, risk management and internal control practices.** This happens through the use of appropriate working arrangements and communication channels between managers of the organisation.
Each manager oversees the internal control systems within his/her division/unit/function. Each manager oversees the development and performance of internal control. Managers are supported in this task by the Internal Control Coordinator.

The Planning and Evaluation Coordinator plays a key role by coordinating the preparation of the Agency’s Annual Activity Report. In this context, he/she collects declarations from the managers, on the appropriate allocation of resources and their use for their intended purpose and in accordance with the principles of sound financial management, as well as on the adequacy of the control procedures in place. These declarations serve to ground the Executive Director’s Declaration of Assurance (see Templates).

Executive Director’s Declaration of Assurance.

Within Annual Activity Report preparation process, the Internal Control Coordinator collects declarations of assurance from the managers taking responsibility for the completeness and reliability of management reporting. This declaration covers both the state of internal control in the entity (division, unit, team or equivalent) and the robustness of reporting on operational performance. These declarations serve to ground the declaration of assurance by the Internal Control Coordinator (see Statement of the Internal Control).

3. Management establishes, with political oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.

Characteristics:

Management structures are comprehensive. The design and implementation of management and supervision structures cover all policies, programmes and activities. In particular for spending programmes, they cover all management modes, expenditure types, delivery mechanisms and entities in charge of budget implementation (i.e. both Agency’s divisions and entrusted external entities) to support the achievement of policy, operational and control objectives.

Authorities and responsibilities. The managers, as appropriate, delegate authority and use appropriate processes and technology to assign responsibility and segregate duties as necessary at the various levels of the Agency.

Reporting lines. Executive Director designs and evaluates reporting lines within internal functions and with entrusted entities to enable the execution of authority, fulfilment of responsibilities, and flow of information.

4. The Agency demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.

Characteristics:
✓ **Competence framework.** The Agency defines the competences necessary to support the achievement of objectives and regularly evaluate them across the Agency, taking action to address shortcomings where necessary.

✓ **Professional development.** The Agency provides the training and coaching needed to attract, develop, and retain a sufficient number of competent staff.

✓ **Mobility.** The Agency promotes and plan staff mobility so as to strike the right balance between continuity and renewal.

✓ **Succession planning** and deputising arrangements for operational activities and financial transactions are in place to ensure continuity of operations.

5. The Agency holds individuals accountable for their internal control responsibilities in the pursuit of objectives.

**Characteristics:**

✓ **Enforcing accountability.** The Agency defines clear roles and responsibilities and holds individuals and entrusted entities accountable for the performance of internal control responsibilities across the organisation and for the implementation of corrective action as necessary.

✓ **Staff appraisal.** Staff efficiency, abilities and conduct in the service are assessed annually against expected standards of conduct and set objectives. Cases of underperformance are appropriately addressed.

✓ **Staff promotion.** Promotion is decided after consideration of the comparative merits of eligible staff taking into account, in particular, their appraisal reports.

II. Risk assessment

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Risk assessment is a dynamic and iterative process for identifying and assessing risks which could affect the achievement of objectives, and for determining how such risks should be managed.

6. The Agency specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.

**Characteristics:**

✓ **Mission.** All entities of the Agency (divisions, units, teams or functions) have up-to-date mission statements that are aligned across all hierarchical levels, down to the tasks and objectives
assigned to individual staff members. Mission statements are aligned with the Frontex founding regulation and the policy objectives set in the legal base.

- **Objectives are set at every level.** The Agency’s objectives are clearly set and updated when necessary (e.g. significant changes in priorities, activities and/or the organigram). They are consistently filtered down from the Executive management level to the various levels of the organisation, and are communicated and understood by management and staff.

- **Objectives are set for the most significant activities.** Objectives and indicators cover the Agency’s most significant activities contributing to the delivery of the Frontex priorities or other priorities relating to the core business, as well as operational management.

- **Objectives form the basis for committing resources.** Management uses the objectives set as a basis for allocating available resources as needed to achieve policy, operational and financial performance goals.

- **Financial reporting objectives.** Financial reporting objectives are consistent with the accounting principles applicable in the Agency.

- **Non-financial reporting objectives.** Non-financial reporting provides management with accurate and complete information needed to manage the organisation at division, unit, and function level.

- **Risk tolerance and materiality.** When setting objectives, management defines the acceptable levels of variation relative to their achievement (tolerance for risk) as well as the appropriate level of materiality for reporting purposes, taking into account cost-effectiveness.

- **Monitoring.** Setting objectives and performance indicators make it possible to monitor progress towards their achievement.

7. The Agency identifies risks to the achievement of its objectives across the organisation and analyses risks as a basis for determining how the risks should be managed.

**Characteristics:**

- **Risk identification.** The Agency identifies and assesses risks at the various organisational levels and those related to entrusted entities, analysing internal and external factors. Management and staff are involved in the process at the appropriate level.

- **Risk assessment.** The Agency estimates the significance of the risks identified and determines how to respond to significant risks considering how each one should be managed and whether to accept, avoid, reduce or share the risk. The intensity of mitigating controls is proportional to the significance of the risk.

- **Risk identification and risk assessment are integrated** into the annual activity planning and are regularly monitored.

8. The Agency considers the potential for fraud in assessing risks to the achievement of objectives.

**Characteristics:**
✓ **Risk of fraud.** The risk identification and assessment procedures (see principle 7) consider possible incentives, pressures, opportunities and attitudes which may lead to any type of fraud, notably fraudulent reporting, loss of assets, disclosure of sensitive information and corruption.

✓ **Anti-fraud strategy.** The Agency as a whole and each function set up and implement measures to counter fraud and any illegal activities affecting the financial interests of the EU. They do this by putting in place a sound anti-fraud strategy to improve the prevention, detection and conditions for investigating fraud, and to set out reparation and deterrence measures, with proportionate and dissuasive sanctions.

9. The Agency identifies and assesses changes that could significantly impact the internal control system.

Characteristics:

✓ **Assess changes.** The risk identification process considers changes in the internal and external environment, in policies and operational priorities, as well as in management’s attitude towards the internal control system.

### III. Control Activities

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Control activities ensure the mitigation of risks related to the achievement of policy, operational and internal control objectives. They are performed at all levels of the organisation, at various stages of business processes, and across the technology environment. They may be preventive or detective and encompass a range of manual and automated activities as well as segregation of duties.

10. The Agency selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Characteristics:

✓ **Control activities are performed to mitigate the identified risks and are cost-effective.** They are tailored to the specific activities and risks of each entity (division, unit, team or equivalent) and their intensity is proportional to the underlying risks.

✓ **Control activities are integrated in a control strategy.** The control strategy includes a variety of checks, including supervision arrangements, and where appropriate, should include a balance of approaches to mitigate risks, considering manual and automated controls, and preventive and detective controls.

✓ **Segregation of duties.** When putting in place control measures, management considers whether duties are correctly divided between staff members to reduce risks of error and inappropriate or fraudulent actions.
Business continuity plans based on a business impact analysis following corporate guidance are in place, up-to-date and used by trained staff to ensure that the Agency is able to continue working to the extent possible in case of a major disruption. Where necessary, business continuity plans must include coordinated and agreed disaster recovery plans for time-sensitive supporting infrastructure (e.g. IT systems).

Sensitive positions are identified in order to mitigate the risks associated with specific duties and/or responsibilities. These positions may require a certain degree of rotation and will be subject to periodic mobility.

11. The Agency selects and develops general control activities over technology to support the achievement of objectives.

Characteristics:

- Control over technology. In order to ensure that technology used in business processes, including automated controls, is reliable, and taking into account the overall corporate processes, Agency selects and develops control activities over the acquisition, development and maintenance of technology and related infrastructure.

- Security of IT systems. Agency applies appropriate controls to ensure the security of the IT systems of which they are the system owners. It does so in accordance with the IT security governance principles, in particular as regards data protection, professional secrecy, availability, confidentiality and integrity.

12. The Agency deploys control activities through corporate policies that establish what is expected and in procedures that put policies into action.

Characteristics:

- Appropriate control procedures ensure that objectives are achieved. The control procedures assign responsibility for control activities to the department or individual responsible for the risk in question. The staff member(s) put in charge perform the control activities in a timely manner and with due diligence, taking corrective action where needed. Management periodically reassesses the control procedures to ensure that they remain relevant.

- Exceptions and Non-Compliance reporting is one of the management tools used to draw conclusions about the effectiveness of internal control and/or the changes needed in the internal control system. A system is in place to ensure that all instances of overriding controls or deviations from established processes and procedures are documented in exception reports. All instances must be justified and approved before action is taken, and logged centrally.

- The impact assessment and evaluation of expenditure programmes, legislation and other non-spending activities are performed in accordance with the guiding principles of the Commission’s better regulation guidelines, to assess the performance of EU interventions and analyse options and related impacts on new initiatives.
IV. Information & Communication

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Information is necessary for the organisation to carry out internal control and to support the achievement of objectives. There is external and internal communication. External communication provides the public and stakeholders with information on the Agency’s policy objectives and actions. Internal communication provides staff with the information it needs to achieve its objectives and to carry out day-to-day controls.

13. The Agency obtains or generates and uses relevant quality information to support the functioning of internal control.

Characteristics:

- **Information and document management.** Agency identifies the information required to support the functioning of the internal control system and the achievement of Frontex objectives. Information systems process relevant data, captured from both internal and external sources, to obtain the required and expected quality information, in compliance with applicable security, document management and data protection rules. This information is produced in a timely manner, and is reliable, current, accurate, complete, accessible, protected, verifiable, filed and preserved. It is shared within the organisation in line with prevailing guidelines.

14. The Agency internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.

Characteristics:

- **Internal communication.** The Executive Director and managers communicate internally about their objectives, challenges, actions taken and results achieved, including but not limited to the objectives and responsibilities of internal control.
- **Separate communication lines** are in place at Agency to ensure information flow when normal channels are ineffective.

15. The Agency communicates with external parties about matters affecting the functioning of internal control.

Characteristics:
External communication: All Divisions, Units, and functions ensure that their external communication is consistent, relevant to the audience being targeted, and cost-effective. The Agency establishes clear responsibilities to align all communication activities with the Frontex’s political priorities and narrative of the institution.

Communication on internal control. The Agency communicates with external parties on the functioning of the components of internal control. Relevant and timely information is communicated externally, taking into account the timing, audience, and nature of the communication, as well as legal, regulatory, and fiduciary requirements.

V. Monitoring Activities

<table>
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Continuous and specific assessments are used to ascertain whether each of the five components of internal control is present and functioning. Continuous assessments, built into business processes at different levels of the organisation, provide timely information on any deficiencies. Findings are assessed and deficiencies are communicated and corrected in a timely manner, with serious matters reported as appropriate.

16. The Agency selects, develops, and performs ongoing and/or separate assessments to ascertain whether the components of internal control are present and functioning.

Characteristics:

- **Continuous and specific assessments.** Managers at all levels perform ongoing monitoring of the effective functioning of internal controls built into the processes they are responsible for. The Executive Director with facilitation by the Internal Control Coordinator continuously monitors the performance of the internal control system with tools that make it possible to identify internal control deficiencies, register and assess the results of controls, and control deviations and exceptions. In addition, when necessary, the Executive Director, with facilitation by the Internal Control Coordinator, carries out specific assessments, taking into account changes in the control environment. Ongoing assessments are built into business processes and adjusted to changing conditions.

- **Sufficient knowledge and information.** Staff performing ongoing or separate assessments has sufficient knowledge and information to do this, specifically on the scope and completeness of the results of controls, control deviations and exceptions.

- **Risk-based and periodical assessments.** The Executive Director, with facilitation by the Internal Control Coordinator, varies the scope and frequency of specific assessments depending on the identified risks. Specific assessments are performed periodically to provide objective feedback.
17. The Agency assesses and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including the Internal Control Management Function, as appropriate.

Characteristics:

- **Deficiencies.** With the support of the Internal Control Coordinator, the Executive Director considers the results of the assessments of how the internal control system is functioning within the Agency. Deficiencies are communicated to management and to the divisions and functions responsible for taking corrective action. They are reported in the Annual Activity Reports and to the Management Board, as appropriate. The term ‘internal control deficiency’ means a shortcoming in a component or components and relevant principle(s) that reduces the likelihood of the Agency achieving its objectives. There is a major deficiency in the internal control system if management determines that a component and one or more relevant principles are not present or functioning or that components are not working together. When a major deficiency exists, the Executive Director cannot conclude that it has met the requirements of an effective system of internal control. To classify the severity of internal control deficiencies, management has to use judgment based on relevant criteria contained in regulations, rules or external standards.

- **Remedial action.** Corrective action is taken in a timely manner by the staff member(s) in charge of the processes concerned, under the supervision of their management. With the support of the Internal Control Coordinator, the Executive Director monitors and takes responsibility for the timely implementation of corrective action.
Templates

Executive Director’s Declaration of Assurance

I, the undersigned,

Executive Director of the European Border and Coast Guard Agency (Frontex),

In my capacity as authorising officer for the operating (administrative) budget and authorising officer by delegation for the operational budget,

Declare that the information contained in this report gives a true and fair view\(^3\).

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 Service — delete this if not applicable] [and the lessons learnt from the reports of the Court of Auditors — delete this if not applicable] 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 European Border and Coast Guard Agency (Frontex).

[However the following reservations should be noted: .......] (delete this sentence if not applicable)

Place ........................................... date .........................................................

/signature/

/Name of the Executive Director/

\(^3\) True and fair in this context means a reliable, complete and correct view on the state of affairs in the Agency.
Statement of the Internal Control Coordinator

I, the undersigned,

[Function of Internal Control and Risk Management Coordinator] servicing the European Border and Coast Guard Agency (Frontex),

In my capacity as person in charge of risk management and internal control,

Declare that in accordance with the Management Board Decision of ......................... 2017 on the revised Frontex Internal Control Framework, I have reported my advice and recommendations on the overall state of internal control in the Agency to the Executive Director.

I hereby certify that the information provided in the present Annual Activity Report and in its annexes is, to the best of my knowledge, accurate and complete.'

Place ........................................ date ..............................................................

(signature)

[Name]